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LEASE

THIS LEASE made this 3<sup>rd</sup> day of December, 1989, by and between BUILDING MANAGEMENT SERVICES, a California non-profit religious corporation ("the Owner") and CHURCH OF SCIENTOLOGY International, a California non-profit religious corporation ("the Tenant"),

WITNESSETH:

A. The Owner is the Owner of the premises described in Exhibit A attached hereto ("the Premises").

B. The Tenant occupies and uses the Premises for religious purposes, and desires to continue to do so.

NOW, THEREFORE, the Owner leases the Premises to the Tenant and the Tenant rents the Premises, upon and subject to the following terms and conditions:

Section 1. The Tenant shall occupy and use the Premises exclusively for religious purposes and activities which accomplish or are substantially related to the accomplishment and furtherance of Scientology religious purposes.

Section 2. The Tenant shall pay rent to the Owner for the Premises in the amount of \$ 3,315 per week, weekly in advance, net of and in addition to all other amounts payable by the Tenant pursuant to any other provision

of this lease.

The weekly rental amount set forth above shall apply during the first calendar year of the term of this lease. No later than 30 days prior to the end of said calendar year, and prior to the end of each subsequent calendar year, the parties shall determine the weekly rental to be paid by the Tenant during the next calendar year. Such rental for each such year shall equal the fair rental value of the Premises; and if the parties are unable to agree upon the rental for any such year, then the same shall be determined by arbitration as hereinafter provided.

Section 3. The Tenant shall pay as additional rent all costs attributable to the ownership, operation, maintenance and improvement of the Premises (including land and fixtures), whether incurred by the Owner or by the Tenant, and including but not limited to (a) real and personal property taxes and assessments, (b) insurance premiums, including but not limited to premiums for casualty, public liability and property damage insurance, (c) any taxes measured by and incident to the Owner's receipt of rent and other amounts pursuant to this lease, (d) costs of the maintenance, operation and improvement of the Premises, and of additions thereto, (e) costs of the occupancy of the Premises and the enforcement and administration of this lease, and (f) utility costs.

It is the intention of the parties that the foregoing

shall be construed to the end and with the result that the rental paid by the Tenant to the Owner pursuant to section 2 above shall be received by the Owner net of all costs relating to the Premises, excepting only (a) the Owner's costs of acquisition of the Premises (including debt service with respect to debts incurred by the Owner and secured by the Premises), (b) the Owner's depreciation and amortization expenses, (c) any taxes imposed on the Owner with respect to and measured by the Owner's net income (if any), and (c) the Owner's overhead and operating expenses other than those which are attributable to the Premises, the Tenant's occupancy thereof or the administration of this lease.

Section 4. If any cost payable by the Tenant pursuant to section 3 shall have been incurred with respect to Premises occupied by the Tenant and also with respect to other premises, then the amount payable by the Tenant shall be the portion of such cost which is fairly attributable to the Premises occupied by the Tenant, as determined by agreement of the parties, or, failing such agreement, by arbitration as hereinafter provided.

Section 5. The Tenant shall comply with all laws concerning the Premises and the Tenant's use thereof, and shall maintain and keep the Premises in good order and repair and in clean, healthy and safe condition and shall make all repairs, additions, improvements, alterations and replacements as shall be required by law (including but not

limited to all applicable zoning, health, sanitation, building and fire codes), all at the Tenant's sole cost and expense.

The Tenant shall not (a) do, bring or keep anything in or about the Premises that will cause a cancellation or increase in premiums for any insurance covering the Premises, (b) use the Premises in any manner that will constitute waste, nuisance or unreasonable annoyance.

The Tenant shall not make any alterations to the Premises without the Owner's consent and approval. All alterations made by either the Tenant or the Owner shall remain on and be surrendered with the Premises on expiration or termination of this lease, except that the Owner may elect within 30 days before expiration or within 10 days after termination to require the Tenant to remove any alterations made by the Tenant. If the Owner so elects, the Tenant shall at its sole cost and expense restore the Premises to the condition designated by the Owner within 30 days after the Owner's notice of election is given.

The Tenant shall not make any alterations to the Premises until 10 days after the Tenant has received the Owner's consent and approval pursuant to the foregoing provision, so that the Owner may post and record an appropriate notice of non-responsibility.

Section 6. The Tenant shall not permit any lien to attach to any interest in the Premises for labor, service or

materials furnished thereto pursuant to any contract, express or implied, with the Tenant; and in the event any such lien does attach, the Tenant agrees to pay and discharge the same forthwith.

Section 7. The Owner reserves the right and option at the Owner's sole discretion (a) to undertake and perform any obligation of the Tenant hereunder which the Tenant has not performed, (b) to incur and pay any costs for which the Tenant is responsible pursuant to any provision of this lease and which the Tenant has not paid, (c) to make such repairs, improvements, alterations, replacements and additions to the Premises as the Owner shall deem necessary or appropriate. In any such event, the Owner may bill the Tenant for all of the related costs incurred or paid by the Owner, subject only to the provisions of section 4 above with respect to the allocation of costs relating in part to the Premises occupied by the Tenant and in part to other premises; and the Tenant hereby agrees to pay all such bills within 15 days after receipt thereof, as additional rent.

Section 8. The Tenant shall not voluntarily or by operation of law assign, transfer, mortgage, sublet or otherwise transfer or encumber all or any part of the Tenant's interest in this lease or in the Premises without the Owner's prior written consent, which consent may be granted or withheld in the Owner's sole discretion.

Section 9. The Tenant shall at the Tenant's sole cost

and expense obtain and keep in force a policy of public liability and property damage insurance indemnifying the Owner against all claims of all persons for personal injuries or property damage, or both, arising out of or incident to the Tenant's use or occupancy of the Premises. The Owner shall be named as an insured under said policy, and the Tenant shall at the request of the Owner at any time deliver to the Owner a certificate evidencing coverage in amounts of not less than \$100,000 for property damage, \$1,000,000 for personal injuries, and \$500,000 for injuries to any one person, from any one incident of loss. All such insurance shall be issued by companies authorized to do business in California, with financial ratings in the most recent edition of Best's Insurance Reports of not less than A+3A. All such insurance shall be issued as primary policies and shall include endorsements requiring 30 days' written notice from the insurer to the Owner of cancellation or change in coverage, scope or face amount.

Section 10. The Owner shall maintain such policy or policies of fire, theft and extended coverage insurance, which may include vandalism and malicious mischief endorsements, as the Owner shall in its discretion deem advisable and prudent, up to the full replacement value of the insured property. Such insurance may at the election of the Owner include fixtures and personal property on the premises. The Owner shall notify the Tenant in writing of

the insurance so carried, and in the absence of objection by the Tenant within ten days thereafter it shall be considered for all purposes that the Owner has caused the Premises to be insured for its full insurable value. The Tenant shall notify the Owner in writing of all property to be covered by insurance hereunder, not covered by insurance obtained by the Owner. The Owner will advance and make payment of the premiums on policies maintained by the Owner, when due. All such premiums and other costs of all insurance shall be paid by the Tenant pursuant to section 3 and, if applicable, section 4 of this lease.

Section 11. If the Premises are totally or partially destroyed by casualty, whether or not insured, so as to be substantially unusable, the Owner shall have the right and option in its discretion to terminate this lease or to continue this lease in effect and restore the Premises. The Owner shall give written notice of its election to the Tenant within 15 days after any such loss. If the Owner elects to terminate this lease then this lease shall terminate effective as of the date of such notice. If the Owner elects to restore the Premises and continue this lease in effect, then rental shall be equitably reduced until such time as the Premises shall have been restored.

Section 12. The Tenant hereby waives the provisions of sections 1932 and 1933, subdivision (4) of the California Civil Code, any amendments thereto and any other laws which



may hereafter become in force which authorize the termination of this lease by the Tenant upon the partial or complete destruction of the Premises.

The Tenant hereby waives the provisions of sections 1941 and 1942 of the California Civil Code permitting the Tenant to make repairs at the Owner's expense.

Section 13. The Tenant shall defend, indemnify and hold the Owner harmless from and against any and all losses, damages, claims, demands and expenses, including reasonable attorneys' fees and whether or not covered by or within the limits of liability under any policy or policies of insurance, arising out of any claim asserted against the Owner for any loss, damage or injury of or to any person or property caused by any act, fault, omission or neglect of the Tenant or any person on or about the Premises with the Tenant's consent, actual or implied, including but not limited to any officer, employee, agent, contractor or invitee of the Tenant. The Owner shall not be liable to the Tenant, or any such person, for any property damage or personal injury unless the Owner's active negligence is the exclusive cause of the loss or injury and, with respect to injury or damage caused by any defect in the Premises, unless the Owner shall have received written notice thereof and shall have had a reasonable time in which to correct the defect.

Section 14. The Tenant shall permit the Owner and the

Owner's agents to enter the Premises at any time for the purposes of inspecting the Premises, preventing waste thereto, performing maintenance, making repairs, and taking such other actions as the Owner shall deem necessary or desirable for the protection or betterment of the Premises and to assure compliance by the Tenant with the provisions of this lease.

Section 15. If the Premises constitute a portion of a property which is also occupied by other Tenants, then the Tenant shall have the nonexclusive right to use the common areas of the property, subject to such restrictions and limitations as may be established by the Owner from time to time by written notice to the Tenant. Such common areas may include, but need not be limited to, halls, lobbies, elevators, lavatories and parking facilities. All such common areas shall be subject to the Owner's exclusive control, and shall be operated and maintained in such manner and by such means as the Owner shall in its sole discretion determine. The provisions of sections 3 and 4 above shall apply to all costs and expenses incurred in respect of any such common areas.

Section 16. The Tenant agrees to comply with and observe all reasonable rules and regulations not inconsistent with any express provision of this lease which the Owner may from time to time adopt with respect to the use and occupancy of the Premises and the common areas referred to in the

preceding section.

Section 17. The Tenant shall be deemed in default of its obligations under this lease upon the occurrence of any of the following:

(a) Failure of the Tenant to pay any rental or other amount due hereunder within 5 days of the date the payment was due;

(b) Continued failure of the Tenant to perform any other agreement, promise or obligation of the Tenant under this lease for a period of more than 10 days after written notice of such failure;

(c) The commencement with respect to the Tenant of voluntary or involuntary proceedings pursuant to any bankruptcy, reorganization or insolvency law, or the making by the Tenant of any general assignment for the benefit of creditors;

(d) The sale of the Tenant's interest under this lease by execution or other legal process;

(e) Abandonment or vacation of the Premises by the Tenant, including but not limited to non-occupation of the Premises for a period of 15 days or more;

(f) The seizure, sequestration or impounding by virtue or under authority of any legal proceeding of any of the personal property or fixtures of the Tenant which are used in or incident to occupancy of the Premises.

~~(g) The receipt by the Owner of written notice~~

~~issued by Church of Scientology International (the California non-profit religious corporation which is the Mother Church of the religion of Scientology) to the effect that the Tenant is not in good standing.~~

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Section 18. The Owner shall have the following remedies in the event of a default described in the preceding section. These remedies are not exclusive -- they are cumulative in addition to any remedies now or hereafter allowed by law.

(a) The Owner may continue this lease in full force and effect, and this lease will continue in full force and effect as long as the Owner does not terminate the Tenant's right to possession, and the Owner shall have the right to collect rent when due. During the period the Tenant is in default, the Owner may enter the Premises and relet them, or any part of them, to third parties for the Tenant's account. The Tenant shall be liable immediately to the Owner for all costs the Owner incurs in reletting the Premises, including, without limitation, broker's commissions, expenses of remodelling the Premises required by the reletting, and like costs. Reletting may be for a period longer or shorter than, or equal to, the remaining term of this lease. The Tenant shall pay to the Owner the rent due, less the rent the Owner receives from any reletting. No act by the Owner allowed by this paragraph shall terminate this lease unless the Owner notifies the

Tenant in writing that the Owner elects to terminate this lease.

(b) The Owner may terminate the Tenant's right to possession of the Premises. No act by the Owner other than giving written notice to the Tenant shall terminate this lease. Without limitation, acts of maintenance and efforts to relet the Premises shall not constitute a termination of the Tenant's right to possession unless the Owner so elects in writing. On termination, the Owner shall have the right to recover from the Tenant:

(1) The worth at the time of the award of the unpaid rent earned at the time of termination;

(2) The worth at the time of the award of the amount by which the unpaid rent that would have been earned after the date of termination until the time of the award exceeds the amount of the loss of rent that the Tenant proves could have been reasonably avoided;

(3) The worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of the award exceeds the amount of the loss of rent that the Tenant proves could have been reasonably avoided; and

(4) Any other amount necessary to

compensate the Owner for all detriment

proximately caused by the Tenant's default.

"The time of the award" as used in this section shall mean the date upon which an award is made by a court of competent jurisdiction or by arbitration as hereinafter provided. "The worth at the time of the award", as used in (1) and (2) above, shall be computed by allowing interest at the rate of 10% per annum; and, as used in (3) shall be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent.

Section 19. Any controversy, dispute or claim arising out of or relating to this lease shall be settled by arbitration in Los Angeles County in accordance with the following; provided, however, that nothing herein shall be construed as precluding the Owner from commencing an action for unlawful detainer in any court of competent jurisdiction:

(a) Either party may initiate arbitration by delivering a written demand for arbitration to the other party, stating the matter in dispute and naming an arbitrator.

(b) The party receiving the demand for arbitration shall either accept the arbitrator named by the other party as the sole arbitrator or shall designate a second arbitrator by written notice to the other party.

Failure to so designate a second arbitrator within 15

days of receiving the demand shall constitute an irrevocable waiver of the right to name a second arbitrator.

(c) The arbitrator or arbitrators shall determine the matter in dispute. If there are two arbitrators and they are unable to agree, then they shall select a third arbitrator, and if they are unable to agree upon a third arbitrator then either party may request any court of competent jurisdiction to designate a third arbitrator. If there shall be three arbitrators, their decisions shall be by majority vote.

(d) All determinations of the arbitrator or arbitrators shall be binding upon the parties, and may be enforced by either party by application to any court of competent jurisdiction.

(e) Neither party shall bring any action or other proceeding in any court arising out of any dispute under this lease, excepting only with respect to injunctive relief, specific performance or an action for unlawful detainer, unless such party shall have given written notice to the other party of intent to bring such action or proceeding and such other party shall not have demanded arbitration in accordance with the foregoing within 15 days thereafter.

Section 20. The term of this lease shall commence on ~~1~~ 3

~~January~~ 1989 and shall end on 31 December ~~2003~~ unless sooner  
*December* *2005*

terminated in accordance with any of the foregoing provisions.

If the Tenant shall remain in possession of the Premises or any part thereof after the expiration of the term hereof with the consent of the Owner, express or implied, such holding over shall be construed to be only a tenancy from month to month at the rental specified above and upon and subject to all of the terms, conditions and obligations of this lease.

Section 21. If the Tenant shall fail to pay any amount due to the Owner pursuant to this lease within five days after such amount shall be due, the Tenant shall pay to the Owner a late charge equal to 1% of the amount overdue multiplied by the number of weeks (including any fractional week as a full week) that the delinquency continues, to a maximum of 4% thereof. In addition to such late charge, the Tenant shall pay the Owner interest at a rate equal to 4% in excess of Bank of America's prime rate from time to time, on the unpaid balance of any such amount which shall not have been paid within 28 days after it became due.

Section 22. Any notice or demand by the Owner to the Tenant shall be effective as of the date of mailing thereof by first class mail, postage prepaid, addressed to the Tenant at the Premises or at such other address as the Tenant may specify by written notice to the Owner. Any notice or demand by the Tenant to the Owner shall be effective as of the date



of mailing thereof by first class mail, postage prepaid, addressed to the Owner at the following address or at such other address as the Owner may specify by written notice to the Tenant:

6331 Hollywood Boulevard  
Los Angeles, California 90028

Section 23. The lease contains all agreements of the parties with respect to the Premises and all matters mentioned herein during the term of this lease, without prejudice, however, to any rights, obligations, duties and debts arising or accruing prior to the date of commencement of the term hereof.

IN WITNESS WHEREOF, the Owner and the Tenant have executed this lease the day and year first above written.

BUILDING MANAGEMENT SERVICES

BY

Its

CHURCH OF SCIENTOLOGY  
INTERNATIONAL

BY

Its

EXHIBIT A

All of the property situated at 6724 Hollywood Boulevard  
known as the "Hollywood Inn."