



**CITY of GARDENA**

1700 WEST 162<sup>nd</sup> STREET

GARDENA, CALIFORNIA 90247-3732

PHONE (310) 217-9500

WEB SITE: [www.ci.gardena.ca.us](http://www.ci.gardena.ca.us)

MARK E. HENDERSON, *Mayor Pro Tem*

TASHA CERDA, *Councilmember*

DAN MEDINA, *Councilmember*

TERRENCE TERAUCHI, *Councilmember*

MINA SEMENZA, *City Clerk*

J. INGRID TSUKIYAMA, *City Treasurer*

MITCHELL G. LANSDELL, *City Manager*

PETER L. WALLIN, *City Attorney*

**CALL AND NOTICE OF A  
SPECIAL MEETING  
OF THE CITY COUNCIL OF THE  
CITY OF GARDENA, CALIFORNIA**

Notice is hereby given that Mayor Pro Tem Mark E. Henderson has called a special meeting of the Gardena City Council to be held on Wednesday, July 20, 2016, at 7:30 p.m. in the City Council Chambers of Gardena City Hall at 1700 West 162nd Street, Gardena, California 90247. The meeting has been called to consider approval of an Economic Assistance Agreement with Casino LLC (Larry Flynt's Lucky Lady Casino) pursuant to California Government Code Section 53083 as more particularly set forth in the Agenda of the Special Meeting.

Dated: July 18, 2016

/s/ MINA SEMENZA

MINA SEMENZA, *City Clerk*

# AGENDA CITY OF GARDENA Special CITY COUNCIL MEETING

Council Chamber at City Hall, 1700 W. 162<sup>nd</sup> Street, Gardena, California  
Website: [www.ci.gardena.ca.us](http://www.ci.gardena.ca.us)

MARK E. HENDERSON, Mayor Pro Tem  
TASHA CERDA, Council Member  
DAN MEDINA, Council Member  
TERRENCE TERAUCHI, Council Member



MINA SEMENZA, City Clerk  
J. INGRID TSUKIYAMA, City Treasurer  
MITCHELL G. LANSDELL, City Manager  
PETER L. WALLIN, City Attorney

July 20, 2016

Open Session 7:30 p.m.

**The City of Gardena, in complying with the Americans with Disabilities Act (ADA), requests individuals who require special accommodations to access, attend and/or participate in the City meeting due to disability, to please contact the City Clerk's Office by phone (310) 217-9565 or email [msemenza@ci.gardena.ca.us](mailto:msemenza@ci.gardena.ca.us), at least two business days prior to the scheduled meeting to ensure assistance is provided. Assistive listening devices are available.**

**PUBLIC COMMENT:** The City Council will hear from the public on any item on the agenda or any item of interest that is not on the agenda. The City Council cannot legally take action on any item not scheduled on the agenda. Such items may be referred for administrative action or scheduled on a future agenda. The public has the opportunity to address the City Council at the following times:

- Agenda Items - at the time the City Council considers the item or during Oral Communications
- Non-agenda Items - during Oral Communications
- Public Hearings - at the time for Public Hearings listed on the Agenda

If you wish to address the Council, please complete a "Speaker Request" form and present it to the City Clerk. You will be called to the podium by name when it is your turn to address the Council.

Pursuant to California Government Code Section 54953(b)(3), any member of the public wishing to address the legislative body directly pursuant to California Government Code Section 54954.3 may do so at each teleconference location at the time the item is considered.

**CELLPHONES AND OTHER DISTRACTIONS:** Use of cell phones, pagers and other communication devices is prohibited while the Council Meeting is in session. Please turn all devices off or place on a silent alert and leave the Chambers to use. During the meeting, please refrain from applause or other actions that may be disruptive to the speakers and the conduct of City business.

**Thank you for your attendance and cooperation.**

1. ROLL CALL

2. CITY CLERK CERTIFICATION

"I hereby certify under penalty of perjury under the laws of the State of California that the call and notice of this Special Meeting and the foregoing Agenda was posted in the City Hall lobby and on the City website, delivered to each Councilmember, and sent to each local newspaper of general circulation and radio or television station, requesting notice not less than 24 hours before the meeting. A copy of the Agenda and the Call and Notice of Special Meeting is on file in the Office of the City Clerk."

Duly Noticed by

/s/ MINA SEMENZA.....

Mina Semenza, City Clerk

Dated this 18th day of July, 2016

3. PUBLIC HEARING: Economic Assistance Agreement with Casino, LLC (Larry Flynt's Lucky Lady Casino)  
Government Code Section 53083

**Staff Recommendation: Conduct a Public Hearing (Note: Each speaker's comments to be limited to three (3) minutes); Approve Economic Assistance Agreement**

4. ADJOURNMENT

The next regular meeting of the City Council will be on Tuesday, July 26, 2016 at 7:00 p.m.



**City of Gardena**  
**Special City Council Meeting**

**AGENDA REPORT SUMMARY**

**TO: THE HONORABLE MEMBERS OF CITY COUNCIL**

**AGENDA TITLE: PUBLIC HEARING: ECONOMIC ASSISTANCE AGREEMENT WITH CASINO, LLC (LARRY FLYNT'S LUCKY LADY CASINO) GOVERNMENT CODE §53083**

<b>COUNCIL ACTION REQUIRED:</b>	<b>Action Taken</b>
Conduct a Public Hearing Approve the Economic Assistance Agreement	

**RECOMMENDATION AND STAFF SUMMARY:**

Staff respectfully recommends that the City Council conduct a Public Hearing and approve the Economic Assistance Agreement.

Pursuant to Gardena Municipal Code (GMC) 5.24.110, Staff presented and Council approved the transfer of the License to Casino, LLC (Larry Flynt's Lucky Lady Casino) on June 14, 2016. The transfer was conditional upon the applicant receiving a Gambling License from the California Gambling Control Commission.

On July 7, 2016, the California Gambling Control Commission approved the asset purchase and sales agreement and lease purchase option from the Normandie Casino to Casino, LLC.

On July 12, 2016, Council approved an Economic Assistance Agreement with Casino, LLC (Larry Flynt's Lucky Lady Casino). At the time the Agreement was presented for consideration, Casino, LLC ("the Company") was not in agreement with all of the terms. While the Council approved the Agreement, it was not acceptable to the Company.

Subsequent to the Council action, Staff and representatives of Casino, LLC began discussions regarding the Agreement. The Agreement being presented tonight for Council approval, has been approved by the Company.

On the morning of July 18, 2016, the Normandie Casino ceased operations and escrow for the Sale closed. The City has received the Economic Fee Balance of \$256,356.81.

Provision 2.c., setting a threshold of revenues from the two clubs of \$800,000 per month, has been deleted. It has been replaced by a new Section 18, which provides for a Reopener if tax revenues generated by the Hustler Casino become substantially diminished from recent years' levels.

**FINANCIAL IMPACT/COST:**

Estimate GAIN of Revenue to General Fund of \$911,659 over the term, plus Repayment of Loan Portion of \$182,331.  
 Estimate of LOST Revenue of \$729,327 over the term.

**ATTACHMENTS:**

1) Staff Report    2) Proposed Economic Assistance Agreement

Submitted by Mitchell G. Lansdell, Mitchell G. Lansdell, City Manager    Dated: 07/18/2016

# **SPECIAL CITY COUNCIL MEETING AGENDA STAFF REPORT**

**AGENDA TITLE: PUBLIC HEARING: ECONOMIC ASSISTANCE AGREEMENT WITH CASINO, LLC (LARRY FLYNT'S LUCKY LADY CASINO) GOVERNMENT CODE §53083**

**RECOMMENDATION:**

**Staff respectfully recommends that the City Council conduct a Public Hearing and approve the Economic Assistance Agreement.**

**BACKGROUND INFORMATION:**

On April 13, 2016, the City received an application for the transfer of the Normandie Casino's Card Club License to Casino, LLC (Larry Flynt's Lucky Lady Casino).

Pursuant to Gardena Municipal Code (GMC) 5.24.110, Staff presented and Council approved the transfer of the License to Casino, LLC (Larry Flynt's Lucky Lady Casino) on June 14, 2016. The transfer was conditional upon the applicant receiving a Gambling License from the California Gambling Control Commission.

The Supplemental Agreement provided that the outstanding Economic Incentive Fee balance from the Normandie Casino in the amount of \$256,356.81 be paid at the close of escrow. It also ensures that Larry Flynt's Lucky Lady Casino continues to provide support to community organizations equal to the amount provided to the community by the Normandie Casino.

On July 7, 2016, the California Gambling Control Commission approved the asset purchase and sales agreement and lease purchase option from the Normandie Casino to Casino, LLC.

On July 12, 2016, Council approved an Economic Assistance Agreement with Casino, LLC (Larry Flynt's Lucky Lady Casino). At the time the Agreement was presented for consideration, Casino, LLC ("the Company") was not in agreement with all of the terms. While the Council approved the Agreement, it was not acceptable to the Company.

Subsequent to the Council action, Staff and representatives of Casino, LLC began discussions regarding the Agreement. The Agreement being presented tonight for Council approval, has been approved by the Company.

On the morning of July 18, 2016, the Normandie Casino ceased operations and escrow for the Sale closed. The City has received the Economic Fee Balance of \$256,356.81.

Casino, LLC is processing employees to open operation within the next few days. The new owner is anticipating spending in excess of \$60,000,000 over the next four (4) years to purchase the license, lease/purchase the property and renovate and promote the Casino.

Pursuant to Government Code §53083, the City is required to hold a Public Hearing prior to approving an economic subsidy agreement.

Provision 2.c., setting a threshold of revenues from the two clubs of \$800,000 per month, has been deleted. It has been replaced by a new Section 18, which provides for a Reopener if tax revenues generated by the Hustler Casino become substantially diminished from recent years' levels.

The proposed Economic Assistance Agreement provides for a term of eight (8) years. The City agrees to reimburse one-half (50%) of the twelve percent (12.0%) gross revenue fee on gross revenue in excess of \$2,000,000 per month, provided that the reimbursement returned to the Casino does not exceed the activity expenditures.

In no event will the reimbursement payments paid by the City exceed the sum of expenditures shown on the statement of activities.

The Agreement commences on the first of the month following the close of escrow, August 1, 2016. Eighty percent (80.0%) of the reimbursement payments shall constitute a grant to support the Company's promotional and renovation activities and twenty percent (20.0%) shall constitute a loan.

The interest-free loan shall be repaid commencing on the eighth (8<sup>th</sup>) anniversary of the Agreement. Repayment shall be made in a monthly amount equal to one percent (1.0%) of the monthly gross gaming revenues of the Card Club in excess of \$2,000,000.

The Agreement also provides that the Company will pay three percent (3.0%) of the gross revenue License Fee rather than twelve percent (12.0%) from revenue received from the Company's third party proposition players. The City is currently not collecting any fees from that revenue stream.

**REPORT:**

The report required by Government Code §53083 is based on the Agreement, as presented. *"On and after January 1, 2014, each local agency shall, before approving any economic subsidy within its jurisdiction, provide all of the following information in written form available to the public, and through the Internet web site."*

- (1) Casino, LLC, a California Limited Liability Company  
Larry Flynt, Manager  
8484 Wilshire Boulevard, Suite 900  
Beverly Hills, CA 90211  
  
Larry Flynt's Lucky Lady Casino  
1045 Rosecrans Avenue  
Gardena, CA 90247

- (2) Economic Assistance Agreement  
Start date: August 1, 2016, to July 31, 2024

- (3) The Economic Assistance Agreement provides public funds to Casino, LLC only from the tax revenue generated by the Company. The Agreement provides that, if revenue from Gross License fees from Larry Flynt's Lucky Lady Casino exceeds \$240,000, fifty percent (50.0%) or one-half of the amount received above that amount will be

reimbursed to the Company. The reimbursed payment made by the City will consist of eighty percent (80%) grant and twenty percent (20%) loan. The loan portion to be repaid without interest beginning at the end of the Agreement. Based on the estimated growth of the Gross Gaming Revenue, the City would gain \$911,659 during the term, equal to an amount returned to the Company as reimbursement of which \$182,331 would be in the form of a loan – net revenue loss of \$729,327.

- (4) Card Club revenue represents eighteen percent (18.0%) of General Fund revenue. The Company anticipates spending in excess of \$60,000,000 to acquire, renovate and promote the new Club. Similar economic assistance agreements in 2002 stimulated additional revenue which was sustained beyond the time of the agreement. The sharing of revenue growth is intended to provide sustained increase in revenue. This will provide future expansion of the business with the possible inclusion of a Hotel and additional retail at the site.
- (5) The renovation of the Casino and the purchase of property will increase the annual property taxes. The reimbursement agreement would provide an estimated additional \$911,569 in revenue to the City, with an additional \$182,331 to be paid after the term of the agreement.
- (6) The Company will employ approximately 380 people: Approximately 342 full-time and 38 part-time.

The required Public Hearing has been advertised.

Staff recommends that the City Council approve the Economic Assistance Agreement, as presented.

Submitted by:   
Mitchell G. Lansdell, City Manager

Date: 07/18/2016

Attachment:  
Economic Assistance Agreement

## ECONOMIC ASSISTANCE AGREEMENT

This Agreement for Economic Assistance ("Agreement") is entered into this 20<sup>th</sup> day of July, 2016, by and between the CITY OF GARDENA, CALIFORNIA, a municipal corporation (hereinafter the "City") and CASINO, LLC, a California limited liability company (hereinafter referred to as the "Company").

### RECITALS

The parties hereto have entered into this Agreement based upon and in reliance on the following facts:

A. The Company has purchased an existing licensed card club in the City of Gardena (the "Normandie Casino"), located at, 1045 W. Rosecrans Ave., Gardena, CA 90247 (the "Site"), in which card club Company desires to conduct business under the name *Larry Flynt's Lucky Lady Casino* (the "Card Club");

B. In order to continue to do (or conduct) business, the Company intends to invest approximately \$17,000,000.00 to renovate and promote the Card Club as more particularly detailed on Exhibit "A" to this Agreement;

C. The City desires to retain this business and its employment base within the City as well as see an increase in the employment base;

D. The City desires to retain the tax revenue which this business generates pursuant to Chapter 5.24 of the Gardena Municipal Code ("GMC") as well as to see an increase in said revenue to the City; and

E. The City has publicized this Agreement in accordance with Government Code §53083

NOW, THEREFORE, for the consideration and subject to the terms, conditions and provisions set forth herein, the City and Company agree as follows:

1. Use of Site as Card Club. The Company agrees to maintain and use the Site as a card club from the date of this Agreement (subject to necessary Site renovation) and continuing until the City Loan, described in Section 3 of this Agreement, has been repaid in full.

2. City Assistance. City shall provide economic assistance to Company by reimbursing Company for the costs of promotional and renovation expenses of the Company for the Card Club on a monthly basis in accordance with the following:

a. The Company shall submit a statement each month which clearly itemizes the promotional and renovation activities (the "Statement of Activities") of the Card Club and the cost for each such activity, whether incurred by the Company, or its affiliate, Gardena LF, LLC. The Statement of Activities shall be submitted along with the "Monthly Statement of Gross Revenue—Card Club" which is required to be submitted on or before the tenth of each month in accordance with Gardena Municipal Code Section 5.24.390F.

b. The City shall reimburse the Company up to the aggregate amount of the current and previous Statements of Activities. The reimbursement payment (the "Reimbursement Payment") shall be in an amount

equal to one-half (50.0%) of the 12% Gross Revenue License Fees on gross gaming revenues in excess of Two Million Dollars (\$2,000,000.00) per month. For example, if the Monthly Statement of Gross Revenues—Card Club shows \$2,200,000.00 of gross gaming revenue, the Company will be reimbursed \$12,000.00 (one-half of the \$24,000 of “Gross Revenue License Fees” paid the City on gross gaming revenues in excess of \$2,000,000.00), provided that the reimbursement would not exceed aggregate amounts shown on Statements of Activity.

c. Provided this Agreement is in full force and effect, and there is no event of default by Company continuing past any applicable cure or grace period in this Agreement, City shall pay each Reimbursement Payment within fifteen (15) business days from the City's receipt of: (i) each month's Statement of Activities and (ii) the Gross Revenue License Fees for said month paid in accordance with GMC Section 5.24.390F.1.

d. In no event shall the aggregate of the Reimbursement Payments paid by the City exceed the sum of expenditures shown on the Statement of Activities during the term of this Agreement.

e. Company's right to receive and City's obligation to pay monthly Reimbursement Payments shall commence on the date of this Agreement, and shall end eight (8) years thereafter.

f. Eighty percent (80.0%) of the Reimbursement Payments shall constitute grants in support of Company's promotional and renovation activities and twenty percent (20.0%) shall constitute a loan repayable in accordance with Section 3 of this Agreement.

3. City Loan. The Company agrees that twenty percent (20.0%) of each Reimbursement Payment is and shall be deemed an interest free loan by the City to Company (the "City Loan"). The City Loan shall be repaid by Company as follows:

a. Company shall repay the City Loan monthly, commencing on the eighth (8<sup>th</sup>) anniversary of the first month following the execution of this Agreement. Repayment shall be made in a monthly amount equal to one percent (1%) of monthly gross gaming revenues of the Card Club in excess of \$2,000,000.

b. In the event that monthly gross gaming revenue of the Card Club does not exceed \$2,000,000 in any month, no amount shall be payable on the City Loan for that month.

4. Payments by Third Party Proposition Player Company.

a. Company has entered into an agreement (the “TPPP Agreement”) with PT Gaming, LLC (the “TPPP”) pursuant to which TPPP makes payments to Company as consideration for playing in the Card Club certain games as a “third Party Proposition Player”.

b. The Company acknowledges that the City considers the gross payments to be received by the Company from the TPPP for promotional activities, advertising, support services and for the use of the Company's facilities per the TPPP Agreement (the “TPPP Payments”) as gross gaming revenue of the card club business of Company under GMC Section 5.24.390 F. Company disagrees with City's position, but Company agrees to separately identify and list the amount of TPPP Payments it receives in each monthly Statement of

Revenues and will include same in the calculation of the Gross Revenue License Fees to be paid by the Company to the City, but at the rate of 3.0% rather than 12% The TPPP Payments shall qualify for the Reimbursement Payment, except that such amount when included for purposes of the determination of the Reimbursement Payment shall be calculated at one-half of the 3.0% fee (i.e., 1.5%). Furthermore, such fee shall only be paid to the extent the sum of the TPPP Payments and the gross gaming revenue of the card game business of Company excluding TPPP Payments, exceeds \$2,000,000 for a month. The Company's obligation pursuant to this Section 4 shall remain in effect for so long as Company, or any successor in interest to Company, operates a card club on the Site.

c. Company's obligation pursuant to this Section 4 shall apply to the current and any future third party proposition player agreements pursuant to which Company receives payments in exchange for the right of a third-party proposition player to play in the Card Club. Notwithstanding the foregoing, this Agreement does not impose any obligations on, nor create any rights in favor of the Company affiliate's card room, "Hustler Casino" or its third party proposition players, with respect to its own third party proposition player arrangements, if any, with TPPP or other third party proposition players.

5. Change in Ownership, Management and Control of Company. The qualifications and identity of Company is of particular concern to the City. It is because of those qualifications and identity that the City has entered into this Agreement with Company. Except as expressly set forth in this Agreement, no voluntary or involuntary successor in interest of Company shall acquire any rights or powers under this Agreement. Company shall not assign all or any part of this Agreement without the prior written approval of the City which approval shall not unreasonably be withheld. City approval of the transfer and assignment of this Agreement by Company shall be in City's sole and reasonable judgment as to the comparative capabilities and qualifications of another participant to perform the obligations of Company under this Agreement.

6. Defaults – General. Subject to the extensions of time set forth in Section 15 of this Agreement, failure or delay by either party to perform any term or provision of this Agreement constitutes a default under this Agreement. The party who so fails or delays must immediately, upon written notice, commence to cure, correct, or remedy such failure or delay and shall complete such cure, correction or remedy with reasonable diligence and during any period of curing shall not be in default.

The injured party shall give written notice of default to the party in default, specifying the default complained of by the injured party. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.

Any failures or delays by either party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by either party in asserting any of its rights and remedies shall not deprive either party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

7. Legal Actions.

a. Institution of Legal Actions. In addition to any other rights or remedies, either party may institute legal action to cure, correct, or remedy any default to recover damages for any default, or to obtain

any other remedy consistent with the purpose of this Agreement. Such legal actions must be instituted in the Superior Court of the County of Los Angeles, State of California, in any other appropriate court in that County, or in the Federal District Court in the Central District of California.

b. Applicable Law. The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

c. Acceptance of Service of Process. In the event that any legal action is commenced by Company against the City, service of process on the City shall be made by personal service upon the City Manager or Mayor of the City, or in such other manner as may be provided by law.

In the event that any legal action is commenced by City against the Company, service of process on the Company shall be made by personal service upon any officer of Company or in such manner as may be provided by law and shall be valid whether made within or outside of the State of California.

8. Rights and Remedies are Cumulative. Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the parties are cumulative and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times of any other rights or remedies for the same default or any other default by the other party.

9. Damages. If either party defaults with regard to any of the provisions of this Agreement, the non-defaulting party shall serve written notice of such default upon the defaulting party. If the default is not cured by the defaulting party within sixty (60) days after service of the notice of default, the defaulting party shall be liable to the other party for damages caused by such default.

10. Specific Performance. If either party defaults under any of the provisions of this Agreement, the non-defaulting party shall serve written notice of such default upon such defaulting party. If the default is not commenced to be cured within thirty (30) days after service of the notice of default and is not cured promptly within a reasonable time after the commencement, the nondefaulting party, at its option, may institute an action for specific performance of the terms of this Agreement.

11. Notices, Demands, Communications Between the Parties. Formal notices, demands, and communications between the City and the Company shall be sufficiently given if personally delivered or dispatched by registered or certified mail, postage prepaid, return receipt requested, to the principal offices of the City and Company, as set forth below:

City: City of Gardena  
1700 West 162nd Street  
Gardena, CA 90247-3778  
Attn: City Manager

Copy to: Wallin, Kress, Reisman & Kranitz, LLP  
2800 28<sup>th</sup> Street, Suite 315  
Santa Monica, CA 90405  
Attn: Peter Wallin

Company: Casino, LLC  
8484 Wilshire Blvd., Suite 900  
Beverly Hills, CA 90211  
Attn: Larry Flynt

Such written notices, demands and communications may be sent in the same manner to such other addresses as either party may from time to time designate by mail as provided in this Section 11.

12. Conflict of Interests. No member, official or employee of the City shall have any personal interest, direct or indirect, in this Agreement nor shall any such member, official or employee participate in any decision relating to the Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly, interested.

13. Warranty Against Payment of Consideration for Agreement. Company warrants that it has not paid or given, and will not pay or give, any third party any money or other consideration for obtaining this Agreement. Such prohibition shall not apply to consideration paid to consultants, attorneys, contractors or other persons for services rendered in connection with the Agreement.

14. Nonliability of City Officials and Employees. No member, official, or employee of the City shall be personally liable to Company or any successor in interest, in the event of any default or breach by the City, or for any amount which may become due to Company or to its successor, or on any obligations under the terms of this Agreement.

15. Enforced Delay Extension of Time of Performance. Notwithstanding specific provisions of this Agreement, performance by either party hereunder shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lock-outs; labor disputes; riots; floods; earthquakes; fires; casualties; acts of God; action of the elements; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lark of transportation; governmental restrictions or priority; litigation including litigation challenging the validity of this transaction or any element thereof; unusually severe weather; acts of the other party; or any other causes beyond the control or without the fault of the party claiming an extension of time to perform. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other party within thirty (30) days of the commencement of the cause. Times of performance under this Agreement may also be extended in writing by the City and Company.

16. Inspection of Books and Records. The City has the right, upon two (2) business day's prior written notice and during normal business hours, to inspect and audit the books and records of Company pertaining to

the Statement of Activities or third party proposition player agreements as pertinent to the purposes of this Agreement. Any information obtained by City pursuant to this Section shall be and shall remain strictly confidential and shall not be disclosed by the City unless directed by a court of competent jurisdiction to so disclose. Company acknowledges that the City is a public agency which is subject to the Public Records Act (Government Code Section 6250 et seq.). The City's right to copy any documents pursuant to this Section 16 shall be subject to the prior consent of Company. In the event that any of the above documents are legally compelled to be disclosed, then City will provide Company with prompt written notice so that Company may seek a protective order or other appropriate remedy. The City will make all good faith efforts to protect Company's privacy regarding all such documents pursuant to this Section 16.

17. Company's Covenants, Representations and Warranties. Company covenants, represents and warrants as follows:

a. **Organization and Standing of Company.** Company represents that the Company is duly organized, qualified and validly existing and in good standing under the laws of the State of California and is duly qualified to do business and in good standing under the laws of each other jurisdiction where the operation of its business or its ownership of property make such qualification necessary, and has all requisite power and authority to own, lease and operate its properties, to carry on its business as now and whenever conducted, and to enter into and perform its obligations under this Agreement.

b. **Licenses.** Company and/or any person or entity owning or operating the Site has duly obtained and maintained, or will duly obtain and maintain, and will continue to obtain and maintain, all licenses, permits, consents and approvals as required by all applicable governmental authorities to own and operate the business on the Site.

c. **Enforceability.** This Agreement and all other instruments to be executed in connection herewith, will, as of the date of their execution, have been duly and validly executed by Company and each such document constitutes, or will constitute, as of the date executed, a legally valid and binding and fully enforceable obligation of Company, in accordance with each and every term and condition stated therein.

d. **Litigation and Compliance.** There are no suits, other proceedings or investigations pending or threatened against, or affecting the business or the properties of Company which, if determined adversely to Company would have a materially adverse effect on the financial condition of Company, nor is Company in violation of any laws or ordinances.

e. **Adverse Conditions, Etc.** Company does not know or have any reason to know of any adverse condition or circumstances, pending or threatened litigation, governmental action, or other condition which could prevent or materially impair Company's ability to operate the Card Club on the Site as contemplated by the terms of this Agreement.

f. **Community Support.** Company shall use good faith efforts to support community activities in amounts not less than those shown on Exhibit A to this Agreement, utilize local vendors and contractors in the work to be performed in accordance with Exhibit A, and utilize the services of the City residents to fill any jobs created by the expansion.

18. Reopener. The parties recognize that the City's financial stability is highly dependent on tax revenues generated by continued operation of both the Hustler Casino and Larry Flynt's Lucky Lady Casino. In the event that future revenues from the Hustler Casino become substantially diminished from recent years' levels, the City may reopen negotiation of the terms of this Agreement upon written notice to Company. Upon receipt of such notice, and for 60 days following thereafter, the City and the Company shall use good faith efforts to negotiate changes to this Agreement that will preserve current levels of tax revenues for the City.

19. Entire Agreement. This Agreement may be executed in counterparts. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the City and Company and all amendments hereto must be in writing and signed by the appropriate authorities of the City and Company.

IN WITNESS THEREOF, the parties have executed this Agreement for Economic Assistance as of the date first above written.

CASINO, LLC

Date: \_\_\_\_\_

By: \_\_\_\_\_

Larry Flynt, Manager

CITY OF GARDENA, CALIFORNIA

Date: \_\_\_\_\_

By: \_\_\_\_\_

Mayor Pro Tem

ATTEST:

By: \_\_\_\_\_

City Clerk

APPROVED AS TO FORM:

By: 

City Attorney

EXHIBIT A

**Larry Flynt's Lucky Lady Casino**

Economic Assistance Program  
Investment in Casino Property  
City of Gardena

<b>Expenses</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Total</b>
Casino Bet Chips	\$ 350,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 425,000
Renovations (Capital Expenditures)	5,065,488	350,000	1,200,000	400,000	7,015,488
Selling and Promotions	2,350,000	2,350,000	2,350,000	2,350,000	9,400,000
Local Charity Donations	20,000	20,000	20,000	20,000	80,000
<b>Total</b>					<b><u><u>\$ 16,920,488</u></u></b>

*Note: Does not include future development of the property (hotel, retail, restaurant, etc.)*