

**CONCESSION AGREEMENT BETWEEN
THE CITY OF PALOS VERDES ESTATES AND
THE PALOS VERDES GOLF CLUB**

DATED NOVEMBER 13, 2012

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**CONCESSION AGREEMENT BETWEEN
THE CITY OF PALOS VERDES ESTATES AND
THE PALOS VERDES GOLF CLUB**

This Concession Agreement Between The City of Palos Verdes Estates and The Palos Verdes Golf Club (the “*Agreement*”) is made and entered into by and between the City of Palos Verdes Estates, a municipal corporation (the “*City*”), and Palos Verdes Golf Club, Inc., a California non-profit corporation (the “*Club*”) and is dated for reference this 13th day of November, 2012.

RECITALS

A. The City is the owner of certain property in Palos Verdes Estates known as the Palos Verdes Golf Club (the “*Premises*”).

B. The City and Club entered into an Amended and Restated Concession Agreement for Palos Verdes Golf Club dated April 22, 2003, which was modified by a First Amendment to the Amended and Restated Concession Agreement dated September 13, 2005 and a Second Amended and Restated Concession Agreement dated October 1, 2010 (collectively, the “*Original Agreement*”).

C. The City and Club desire to amend the Original Agreement by restating and modifying certain provisions.

NOW, THEREFORE, in consideration of the mutual covenants, promises and agreements contained in this Agreement, and valuable consideration the receipt and sufficiency of which is acknowledged, the parties hereby covenant, promise, and agree as follows:

1. Definitions. For purposes of this Agreement, the following terms shall have the definitions ascribed to them below:

"20% Limitation" has the meaning set forth in Section 22(b)(ii).

"City" means the City of Palos Verdes Estates acting by and through its City Council.

All references to approval by the "City" shall be construed to mean "approval by the City Council of the City of Palos Verdes Estates."

"Club" means the Palos Verdes Golf Club, Inc., a California non-profit corporation. Designation of the Club as a nonprofit corporation in this Agreement shall not be deemed to foreclose it from changing organizational status, provided it continues to comply with all requirements of this Agreement.

"Club Improvement Fund" means the total of all Member initiation fees, plus ten percent (10%) of all Members' monthly dues received by the Club, plus ten percent (10%) of all Gross Receipts relating to or arising from the Golf Course.

"Clubhouse" means the structures on the Site containing the restaurant, snack bar, bar, and locker room, as well as the improvements, appurtenances, furniture, furnishings, and equipment thereof, other personal property used in and about the Premises, the parking lot adjoining the Premises, and the parks and gardens adjoining the Premises, but excluding the parks, planted areas and recreational facilities in or surrounding the golf course which are not a part of the golf course proper.

"Golf Course" means the 18-hole golf course, practice areas, and all buildings appurtenant thereto at the Site, as well as the improvements, appurtenances, furniture and equipment thereof and other personal property used in and about the golf course.

"Gross Receipts" means all money received by the Club from its operation of the Premises, including, but not limited to, licenses, bonuses and/or rentals, if any, received from the use or operation of the Clubhouse or Golf Course. Specifically included, without limiting the generality of the foregoing, are all money, property, or other items of value received by the Club

for Member's dues, golf and green fees, golf cart rentals, and Clubhouse food and beverage sales.

Notwithstanding the foregoing, specifically excluded from "Gross Receipts" are (a) membership initiation fees or assessments levied on Members; (b) sales taxes paid by the Club and collected from its customers, to the extent that such taxes have been included in the gross sales prices; (c) to the extent they were included in gross sales, all sums disbursed for credits and refunds, and/or settlements of claims for loss or damage to merchandise; (d) workers compensation premium refunds; (e) proceeds from the sale of merchandise by the golf pro shop; (f) proceeds from golf lessons, excluding any portion imposed for use of the Golf Course or for any other items otherwise includable within Gross Receipts; (g) Club storage fees; and (h) gratuities resulting from food or beverage sales paid to Club's employees, provided the exempted portion shall not exceed eighteen percent (18%) of the total food and beverage sales.

"Member" is a person affiliated with the Club as a Regular Member.

"Premises" means the land as shown in Exhibit A and A(1) of this Agreement, except that property known as the "Palos Verdes Tennis Club" (Exhibit B).

"Regular Member" means a Member admitted to the Club in accordance with the provisions of Section 22 and entitled to certain rights and privileges, including voting rights, set forth in the Club's Bylaws.

"Regular Membership" depending on the context means (a) the membership interest held by a Regular Member or (b) the Regular Members as a collective body.

"Resident" means a person whose primary residence is within the City of Palos Verdes Estates, and who has provided the Club with evidence of such residency as provided in Section 22(a)(v).

“*Resident Member*” means a Member who is a Resident. A “*non-Resident Member*” means a Member who is not a Resident.

“*Residential Property*” has the meaning given in Section 22(a)(i).

“*Residential Property Owner*” has the meaning given in Section 22(a)(i).

2. Grant of Concession. The City does hereby grant to the Club a concession for the Premises, subject to all the terms and conditions contained in this Agreement.

3. Term of Agreement. The Term of this Agreement originally commenced under a preceding Agreement on July 1, 1993, and shall expire on December 31, 2024, unless the Club shall, at some earlier date, default in its obligations under this Agreement. The Club shall be in default if, sixty (60) days after the mailing by the City of a written notice which delineates the breach or default, it shall fail to remedy said breach or default of its obligations under this Agreement. In addition, the Club shall have the right to extend the Term of this Agreement pursuant to the provisions of Section 4 of this Agreement.

4. Option to Extend Agreement.

(a) Option Granted. The Club has previously been granted four (4) successive options to extend the Term of this Agreement, each option being for an additional five (5) year period. Options three (3) and four (4) were granted for the Club’s timely completion of the Clubhouse remodel in 2006. The first option may be exercised not earlier than one (1) year before the expiration date of this Agreement, nor later than six (6) months before such expiration date, by the Club giving the City written notice of its intention to exercise the first option. The second option may be exercised not earlier than one (1) year before the expiration date of the Agreement as extended by the first option period, nor later than six (6) months before such expiration date, by the Club giving the City written notice of its

intention to exercise the second option. The third option may be exercised not earlier than one (1) year before the expiration date of this Agreement as extended by the second option period, nor later than six (6) months before such expiration date, by the Club giving the City written notice of its intention to exercise the third option. The fourth option may be exercised not earlier than one (1) year before the expiration date of this Agreement as extended by the third option period, nor later than six (6) months before such expiration date, by the Club giving the City written notice of its intention to exercise the fourth option.

(b) Exercise of Option. Notwithstanding Subsection (a) of this Section, the right to exercise these options, or any of them, is contingent upon the Club having kept and performed, to the satisfaction of the City, the premises, covenants, conditions, and intent of this Agreement. In addition, as a portion of the review of the operations of this Agreement conducted to determine if the City will accept the Club's exercise of any option to renew, the City and the Club agree to examine the then most recent concession fee receipts, and any extension shall be contingent upon modification of this Agreement as necessary to ensure that these receipts remain at no less than the receipts received during fiscal year 1992-1993 after being adjusted for inflation using the cumulative Los Angeles - Long Beach Consumer Price Index, All Urban Consumers (or any successor thereto) from June 30, 1993, to the first date of the new term or the date closest but prior thereto for which such Index is available. The failure of the Club to exercise any option by the deadline provided in subsection (a) of this Section shall result in termination of this Agreement pursuant to Section 24.

5. Payments from Clubhouse and Golf Course Operations. The Club shall pay the City in consideration for the Club's operation of the Premises a ten percent (10%) concession fee which shall be computed based on Gross Receipts as defined in Section 1 above.

6. Records and Accounting. The Club shall keep full and accurate books of account and records which shall clearly reflect and record all monies or other items of value received by the Club. All funds due the City and all funds earmarked for specified accounts, if any, held by the City for the Club shall be delivered to the City no later than thirty (30) days after the end of the month during which they were received. In addition, the Club shall, on an annual basis, and at its own expense, submit to a full and complete audit by its then current authorized auditor. The Club specifically agrees to maintain, preserve, and protect any and all records requested by such auditor or by the City in accordance with generally accepted accounting procedures. The City shall have the right to conduct at its own cost and expense an audit of the Club's books and records, which audit shall be conducted during normal business hours.

7. Budget: City Approval of Fees and Charges.

(a) Budget Requirements. The Club shall by November of each year, prepare and deliver to the City a comprehensive budget for the next succeeding calendar year, together with a written request for approval by the City of such budget. Said budget shall indicate estimated income by source, expenditures by major category of expense, and any and all requests for major capital expenditures or long term deferred maintenance items to be funded from the Club Improvement Fund. The format of said document and the method of presentation shall be subject to approval by the City.

(b) Fees and Expenditures. No fee or charge of any kind including, without limitation, initiation fees, green fees, Members dues, and cart rental charges, but excluding restaurant and bar charges, charges for merchandise sold from the golf shop, Club storage charges and lesson fees, may be collected or imposed by the Club unless and until the City has approved said fee or charge either within the approved annual budget or as a separate item. No

capital improvements shall be made nor shall Member or user fees or charges, other than those related to food or beverage service, golf shop merchandise, Club storage, or lessons, be changed unless said improvements and/or changes are either included with the aforementioned annual budget and approved by the City, or are separately approved by the City. The City agrees to periodically consider requests from the Club to make adjustments to new Member initiation fees. However, all requests for initiation fee increases shall be coincident with major capital improvement programs or other similar needs for capital.

(c) Fee Differential. To provide consistency with the fees charged by other recreational venues in the City, pursuant to its authority to approve fees and charges imposed by the Club, the City has required the monthly fee charged to non-Resident Members to be higher than that charged to Resident Members. The City hereby agrees that for the term of this Agreement, it shall not require the monthly fee charged to non-Resident Members to exceed the monthly fee charged to Resident Members by more than twenty five dollars (\$25.00). However, the foregoing fee differential limitation shall not apply to Members who are non-Residential Property Owners and joined the Club after June 1, 1988, regardless of whether they are Residents. Initiation fees, dues, and other charges for non-Residential Property Owners shall be set by the Club subject to approval by the City within the annual budget or as a separate item.

8. Club Improvement Fund; City Approval of Capital Expenditures.

(a) Fund Established. The improvement of the Premises is a primary objective of both the City and the Club. The intent of the Club is to improve the services, the

quality of operation, and the Golf Course and facilities located on the Premises. The Club agrees it shall deposit all Member initiation fees, ten percent (10%) of all Members' monthly dues, and ten percent (10%) of all Gross Receipts relating to or arising from the Golf Course into a "Club Improvement Fund." Furthermore, at any time that the total net assets in the Club's Operating Fund exceed ten percent (10%) of the then current Annual Operating Budget, the Club shall deposit into the Club Improvement Fund the net surplus (only) from all operations. The Club Improvement Fund shall be used exclusively for: (i) major capital improvements to the Premises, (ii) major capital equipment purchases in accordance with the criteria set forth in this Subsection, (iii) long term deferred maintenance items, and (iv) extraordinary legal fees and costs of litigation, which for purposes of this Agreement shall mean any such fees and costs in excess of the sum of Fifteen Thousand Dollars (\$15,000) in one calendar year incurred by the Club and not reimbursed or reimbursable by the Club's insurer. Major capital equipment purchases shall be permitted from the Club Improvement Fund only if the equipment costs in excess of seven thousand five hundred dollars (\$7,500.00). All other equipment purchases shall be deemed ordinary operation and maintenance expenses and shall not be payable from the Club Improvement Fund. Ordinary Clubhouse and Golf Course operations and maintenance are specifically excluded from authorized uses of the Club Improvement Fund, nor may the Club distribute to its Members or otherwise dissipate any of the Club Improvement Fund except as specifically authorized in this Agreement or as otherwise approved by the City. Except for extraordinary legal fees and costs, no expenditure from the Club Improvement Fund shall be made unless said purchase is approved by the City, either as specified within the approved annual capital budget or as a separate item. All capital improvement expenditures must meet recognized standards for capital improvements. Should the Club fail to abide by this Section, it

could result, among other remedies, in the City determining that, henceforth, the Club Improvement Fund shall be held by the City rather than by the Club.

(b) Direct Capital Contribution. The Club is specifically authorized, pursuant to an authorized vote of its Regular Members, to call for direct capital contributions from its Regular Members. The City agrees that such direct capital contributions may be authorized whenever the Club determines there exists a need for improvements in excess of those achievable by using the Club Improvement Fund, or whenever the Club determines that, for purposes of more timely construction of needed improvements, additional capital will be required. Such direct capital contributions shall be specifically excluded from Gross Receipts computations, but shall be included in the annual budget presented to the City. Any capital contributions required by the Club pursuant to this Subsection may be made refundable to the Regular Members of the Club under such terms and conditions as are approved in advance by the City Council.

(c) Improvement Fees. In making improvements on the Premises, the Club shall be obligated to pay to the City all costs incurred by the City for inspection of such improvements, provided, however that the City agrees to waive any application fees otherwise required for processing of conditional use permits, variances, or other discretionary approvals required for such improvements.

9. Control of Member Spending Amounts. The Club may establish as a condition of membership for its Members such minimum spending amounts as the Club determines are necessary to provide for the smooth and efficient operation of the Premises. Any such amounts shall be included in the Club's budget and in the determination of Gross Receipts, but shall not

be subject to City approval for modification nor shall any portion thereof be required to be allocated to the Club Improvement Fund.

10. Premises Taken "As Is".

(a) Acceptance of Premises. The Club does hereby accept the Premises and the buildings, equipment, furniture, fixtures, and property of any kind or nature covered by this Agreement in the condition they now exist. The Club agrees it has the personal property required for operations of the Premises under the terms of this Agreement. The Club declares it has inspected said Premises, the buildings situated thereon, and all equipment, furniture, fixtures, and property of every kind and nature covered by this Agreement, and is relying solely upon such inspection, and not upon any statements or representations of the City, or its officers, agents or representatives, or any of them.

(b) City Property Defined. The Club agrees that any property of whatever nature purchased and placed in or upon the Premises by the Club, except the golf carts, inventory in the golf shop, and inventory of food and beverages in the Clubhouse, by way of additions to, or repairs, replacements or improvements, which shall in any way be used in conducting any business upon the Premises or any business incidental thereto, whether said property be affixed to the realty or not, shall immediately become the property of the City, and the Club shall at no time, without the prior written consent of the City, remove any articles of property belonging to the City, except for the purpose of repair or replacement. The exception contained in this Subsection shall not be deemed to waive the obligations of the Club upon termination of this Agreement as set forth in this Agreement.

11. Utilities. The Club shall pay when due any and all utility charges as well as any and all other charges duly assessed against the Club or the Premises by any governing jurisdiction including without limitation the City.

12. Insurance.

(a) The Club shall maintain insurance in an amount and of characteristics as follows:

(i) Commercial General Liability Insurance using Insurance Service Office "Commercial General Liability" policy form CG 00 01 0798, except that a self-insured retention is prohibited. Defense costs must be paid in addition to limits. There shall be no cross-liability exclusion for claims or suits by one insured against another. Limits are to be determined by the City, but in no event shall be less than One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) aggregate. The City and its officers, agents and employees shall be included as additional insureds in such policies, using standard ISO endorsement No. CG 2010 with an edition prior to 1992.

(ii) Workers' Compensation using standard ISO endorsement No. CG 2011 January 1995 edition, providing statutory benefits as required by law with employer's liability limits no less than One Million Dollars (\$1,000,000) per accident or disease.

(iii) Business Auto Coverage on ISO Business Auto Coverage form CA 00 01 including symbol 1 (Any Auto) or the exact equivalent.

Limits are to be determined by the City, but in no event shall be less than One Million Dollars (\$1,000,000) per accident. If the Club owns no vehicles, this requirement may be satisfied by a non-owned auto endorsement to the general liability policy described in paragraph (i) above. If the Club's employees will use personal automobiles in any way in connection with this Agreement, the Club shall provide evidence of personal auto liability coverage for each such person in the amounts set forth in this paragraph (iii).

(iv) Excess or Umbrella Liability Insurance (Over Primary) if used to meet limit requirements, shall provide coverage at least as broad as specified for the underlying coverage. Any such coverage provided under an umbrella liability policy shall include a drop down provision providing primary coverage above a maximum Twenty-five Thousand Dollars (\$25,000) self-insured retention for liability not covered by primary but covered by the umbrella. However, a policy(ies) of umbrella and/or excess insurance do not relieve the Club of the obligations set forth in subparagraph (a) to maintain a policy(ies) of insurance as provided therein. Coverage shall be provided on a "pay on behalf" basis, with defense costs payable in addition to policy limits. There shall be no cross liability exclusion precluding coverage for claims or suits by one insured against another. Coverage shall be applicable to the City for injury to employees of the Club.

(b) Proof of compliance with the insurance requirements set forth in this Section, consisting of certificates of insurance evidencing all of the coverage required and an additional insured endorsement to the Club's general liability policy, shall be provided by the

Club to the City on an annual basis. The Club shall provide certified copies of insurance policies to the City at the inception of this Agreement and at any time there is a change in insurer or a substantial change in the terms of coverage.

(c) The provisions of this Section establish minimum insurance requirements to satisfy the needs of the City and are not intended to foreclose the Club from acquiring such additional amounts or types of insurance as it deems advisable. Should the Club maintain additional insurance, the Club agrees to place into the Club Improvement Fund any and all monies received from its insurance carrier which represent repayments for furniture, fixtures, or real property damaged due to fire, earthquake, or any other insured event. Such monies may thereafter be spent in accordance with the provisions of Section 8 of this Agreement, provided, however, that the City may reimburse itself from such monies for any monies expended by the City for its direct costs in defending itself or the Club or for costs associated with obtaining reimbursements from the Club's insurance carrier.

13. Indemnification.

(a) Except as otherwise set forth in paragraph (b), below, the Club agrees to indemnify, defend and hold harmless the City and its officers, agents and employees ("*Indemnified Parties*") from and against any liabilities, damages, expenses (including reasonable attorneys' fees and expenses), liens and claims of any nature whatsoever ("*Liabilities*") which may be asserted against the Indemnified Parties or any of them by reason of this Agreement or the activities of the Club, or any of its officers, agents, or employees, in carrying out this Agreement, or by reason of any activity of the Club, of any of its officers, agents, employees, or guests, or of any other persons, in or upon the Premises or any part thereof, including, without limitation, any loss, damage or injury arising from or as a result of

the death of any person, or any accident, injury, loss, or damage whatsoever caused to any person or to any personal property belonging to the City, the Club, or any other person.

(b) The Club shall not be responsible for, and such indemnity shall not apply to any Liability, which results from, the sole negligence or willful misconduct of the City or its officers, agents or employees.

(c) The Parties agree to work cooperatively in the defense of any Liability brought against the Club or the City or both which arises from or is related to this Agreement, the activities of the Club or any of its officers, agents, or employees in carrying out this Agreement, or any activity of the Club, of any of its officers, agents, employees, or guests, or of any other persons, in or upon the Premises or any part thereof. In connection therewith, the City agrees it will consider any proposal for settlement of any Liability for which the Club is required to indemnify the City pursuant to the provisions of this Section 13, and if such proposal is recommended by the Club, the City will not unreasonably withhold its consent to such settlement provided that such settlement does not impose additional obligations, restrictions or monetary damages on the City.

(d) The provision by the Club of insurance pursuant to Section 12 of this Agreement shall not relieve the Club of the indemnification obligations set forth herein.

(e) Notwithstanding any provision of this Agreement to the contrary, the indemnity obligations in this Section 13 shall survive the termination of this Agreement.

(f) The City and the Club each hereby waive any and all rights of recovery against the other, or against the officers, employees, agents, and representatives of the other, for loss of or damage to such waiving party or its property or the property of others under its

control to the extent that such loss or damage is insured against under any insurance policy in force at the time of such loss or damage.

14. Premises Maintenance. The Club shall be responsible for the full and complete maintenance of the Premises, and every part thereof. In addition, the Club shall, at its own cost and expense, at all times keep and maintain all shrubs and plants around and about the Premises in a healthy and sightly condition.

15. Destruction by Fire, Earthquake, or Act of God.

(a) In the event the structures on the Premises are damaged or destroyed by fire, earthquake or Act of God, the City shall appoint an investigatory committee consisting of three construction experts. The City will select one expert, the Club will select one expert, and the two designated experts will select a third expert. If the Club fails to notify the City of the expert it selects within 30 days of a written request from the City to designate an expert to serve on the investigatory committee, the Club shall have waived its right to designate an expert to serve on the committee and the City may either designate a second expert to serve on the committee or assign the task to one expert of its selection. If two experts are selected to serve on the committee, then they shall together select a third expert; if they fail to agree on the designation of the third expert within the thirty (30) days of the date on which the second expert was selected, the City shall make the appointment of the third expert. The committee will investigate and provide information to the City on the projected cost of rebuilding and/or repair of the premises.

(b.) In the event that the structures on the Premises are damaged or destroyed by fire, earthquake or Act of God to the extent that as determined by the City Council, the cost of rebuilding and/or repair exceeds the sum total amount of any insurance proceeds and any cash held in deposit or reserve by the Club (including any amounts held in the Club Improvement Fund), then the City may within one hundred twenty (120) days of such event terminate this Agreement by providing written notice thereof to the Club.

(c) In the event of such termination, all furniture, fixtures, deposits, inventory, accumulated funds in the Club Improvement Fund or in the Initiation Fees Special Fund (less any amounts due to Members for reimbursement for assessments or loans), and any and all other money, equipment and property of the Club, including, without limitation, proceeds received from any insurance policies held by the Club, but excluding golf shop inventory and golf carts, shall immediately become the property of the City. Any necessary or appropriate payments shall thenceforth be made by, and at the sole option of, the City. If the City does not terminate this Agreement within the time specified, it shall assign to the Club the proceeds of any insurance which the City holds on the Premises and the Club shall rebuild and reconstruct the Premises and resume operations therein as expeditiously as possible.

16. Anti-Assignment It is hereby understood and agreed that the Club may not assign or hypothecate any part of this Agreement, or enter into any agreement or other instrument whatsoever affecting the Premises without the prior written consent of the City in its sole and absolute discretion, and any attempt so to do shall be void and confer no rights on any third party and shall be cause for termination of this Agreement by the City at its option. This provision against assignment and hypothecation shall be deemed to be a continuing covenant and shall

apply not only to the Club but to any and all assignees and to anyone who may in any manner acquire any interest in the Club or in this Agreement. The granting, giving and waiving of any one or more consents shall not render unnecessary, nor be deemed to be or operate as a waiver of the necessity for any subsequent consents.

17. Covenant of Performance.

(a) Termination for Specified Causes. The Club covenants that if the concession fee required by this Agreement, or any part thereof, shall be unpaid when due, or if the Club shall fail to perform any of the covenants, conditions, provisions or agreements contained in this Agreement, or if any petition in bankruptcy or insolvency is filed by or against the Club under Chapter XI of the Bankruptcy Act or under any legislation designed to give relief to debtors, or if any assignment shall be made of the Club's property for the benefit of creditors, or if a trustee in bankruptcy or a receiver of any property of the Club shall be appointed in any suit or proceedings by or against the Club, or if the Club should dissolve for any reason, then in any of the said events, the City may terminate this Agreement and recover and resume possession of the Premises, by force or otherwise, without being liable therefore.

(b) Unlawful Detainer. In the event the Club shall hold the Premises, or any part thereof, for one day after the happening of any of the events in Subsection (a) of this Section, it shall be deemed guilty of unlawful detainer of the Premises under the statutes of the State of California, and shall be subject to eviction and removal with or without process of law.

(c) Attorneys Fees. The Club further covenants and agrees to pay to the City all costs and reasonable attorney's fees which the City may be required to incur in enforcing any of the rights or remedies given it by the terms or provisions of this Section.

18. Time of the Essence. Time is of the essence of this Agreement and of every covenant of the Club.

19. Agreement Binding on Heirs and Assigns. Each and all of the terms, conditions, covenants and obligations hereof shall inure to the benefit of and bind the heirs, personal representatives, successors and assigns of the parties hereto and all persons holding under or through them or any of them. The Club's covenants hereunder, including those against assignment, are continuing and binding without exception on all who take or acquire any interest hereunder. Without limitation or qualifying any of the foregoing provisions of this Agreement, every person taking any interest hereunder by, through, or under the Club shall by virtue of the taking or acceptance of such interest and without further act be deemed to have become bound hereunder and to have assumed and agreed to perform all of the covenants and obligations of the Club hereunder to the same extent as though such assignee had personally executed this Agreement.

20. Food and Drink. The City agrees that the Club shall be the only person, firm, or corporation, except for the City, that shall have the right to serve food or drink upon the Golf Course or within the Clubhouse without the prior written approval of the City.

21. Preferences for Clubhouse Use.

(a) Use by City-based Organizations. The Club shall give reasonable preference over any other reservations for the use of the Clubhouse or Golf Course or any part thereof to organizations that are City-based. The City shall maintain a list of said "City-based" organizations and shall be the sole source for the definition thereof. Said preferences shall consist of offering Club facilities to City-based organizations, for purposes of scheduling

events, a minimum of one month earlier than the facilities are made available to other organizations.

(b) Use by City Property Owners and/or Residents. The Premises are City property both dedicated to park and recreational purposes and subject to deed restrictions relating to their use by City residents and persons who own real property within the City. The Premises may not be conducted as a private club or solely for the benefit of Members of the Club. The Club may reasonably limit access to and permitted uses of the Premises, including the Golf Course, as may be necessary to ensure the safety of its Members and the general public.

(c) Use by City. The Club shall, on mutually agreed dates, reserve Club facilities for the use of the City. Food, beverage, and personnel costs, if any, shall be provided by the Club to the City “at direct cost” and exclusive of any additional fees or overhead charges of any kind. Moneys received by the Club from these events will be exempted from Gross Receipts in determining the concession fee.

22. Regular Membership.

As provided in the Club’s Bylaws, there is one class of membership with voting rights – Regular Membership. Regular Membership consists of two groups—Residential Property Owners and non-Residential Property Owners. The membership requirements for the two groups are described in Subsections (a) and (b) below. Based on the City’s desire to impose some limitation on the percentage of Regular Members who do not own Residential Property, the parties agree the total number of Regular Members who are non-Residential Property Owners

shall not exceed twenty percent (20%) of the maximum allowable number of Regular Members as further specified in Subsection (b)(ii) below.

(a) Residential Property Owners.

(i) There shall be one Regular Membership in the Club permitted for each residential building site or residential dwelling unit (such as a condominium) within the boundaries of that area commonly known as 'Palos Verdes Estates' as set forth in that certain Grant Deed dated June 14, 1940, recorded in Book 17615, page 163 of the Books and Records of the County of Los Angeles (*i.e.*, within the boundaries of the incorporated City of Palos Verdes Estates, of Tracts 6881 and 9302 of Los Angeles County) ("**Residential Property**"). Irrespective of whether legal title to a Residential Property is vested in two or more persons, only one Regular Membership is allocated to a Residential Property.

Except as set forth in Sections 22(a)(ii)-(iii) and 22(b), no person shall be accepted as a Regular Member, or permitted to remain as a Regular Member, unless that person can demonstrate, to the satisfaction of the Club and City, if required, that the person is the owner of Residential Property ("**Residential Property Owner**"). A person shall be considered a Residential Property Owner only if the person is: (A) the sole holder of the fee interest in Residential Property or a fee interest in Residential Property with only a spouse holding any other interest in the Property; (B) the spouse of the sole holder of the fee interest in Residential Property, provided the Club is given satisfactory evidence the owner of the Residential Property has consented to transfer his/her right to membership as established in this Agreement to the spouse; (C) the holder of no less than a fifty-percent (50%) fee interest in Residential Property

with any other person(s) who is not a spouse, provided the Club is provided satisfactory evidence that any owner of the Residential Property not related by marriage has consented to the person being deemed the owner of the Residential Property for purposes of Club membership; or (D) the trustor or beneficiary of a trust that is the owner of Residential Property, provided the Club is provided satisfactory evidence the person is deemed the owner of the Residential Property for purposes of Club membership by every other person with an interest in the trust.

(ii) Pre-June 1988 Exception: Notwithstanding the provisions of paragraph (i) above, any Regular Member who was a Regular Member before June 1, 1988, and has consistently retained that Regular Membership in accordance with the Club's Bylaws since that time, may retain his or her Regular Membership regardless of whether he or she owns Residential Property or is a Resident.

(iii) June 1988-July 1993 Exception: Notwithstanding the provisions of paragraph (i), any Regular Member who joined the Club on or after June 1, 1988, and before July 1, 1993, and has consistently retained that Regular Membership in accordance with the Club's Bylaws since that time, may retain his or her Regular Membership in the Club regardless of whether he or she owns Residential Property, but only if he or she remains a Resident. If he or she changes residency to a locale other than the City, he or she shall cease to be a Regular Member effective as of the date of residency change, unless he or she is at such time and thereafter remains a Residential Property Owner, in which case, he or she may retain his or her Regular Membership.

(iv) Confirmation of Status. At least once every two years, the Club shall confirm the eligibility status of Regular Members who hold Regular Membership pursuant to Section 22(a). Upon completion of this confirmation process as set forth in Subsections (A) and (B) below, the Club shall take such steps as may be necessary to assure compliance with this Agreement.

(A) Confirmation of Ownership. For each Regular Member required to own Residential Property (*i.e.*, those Regular Members who either joined the Club between June 1, 1988, and July 1, 1993 and are no longer Residents, or joined the Club after July 1, 1993), the Club shall require the Member to provide the Club with a copy of the most recent property tax bill for such Residential Property, provided, however, that the Regular Member may redact the amount of tax due shown on such bill.

(B) Confirmation of Residency. For each Regular Member required to reside in the City (*i.e.*, those Regular Members who joined the Club between June 1, 1988 and July 1, 1993 and no longer own Residential Property), the Club shall require the Member to provide the Club with a copy of the following items, each of which shall reflect the Regular Member's name and a corresponding address within the City: (1) valid California driver's license; (2) car registration; (3) telephone bill; (4) gas bill; and (5) electric bill. The Club may accept fewer than all of the items specified if it has conducted a good-faith examination and is satisfied the Regular Member is unable to provide all such documentation and resides within the City.

(b) Non-Residential Property Owners.

(i) Admission. Subject to the 20% Limitation set forth in Subsection (ii) and the maximum number of Regular Members set forth in Subsection (c), the Club may admit non-Residential Property Owners to Regular Membership provided there are no Residential Property Owners on the Waiting List who are willing to accept Regular Membership.

(ii) 20% Limitation. The parties agree the total number of Regular Members who are non-Residential Property Owners shall not exceed twenty percent (20%) of the maximum allowable number of Regular Members as specified in this Agreement (the "**20% Limitation**"). At all times, applicants for membership who are Residential Property Owners and fulfill all other requirements shall have priority for membership over non-Residential Property Owners.

(iii) Priority for Former Members. Any Regular Member who joined the Club after June 1, 1988 and ceases to be eligible for Regular Membership based on the requirements set forth in Section 22(a) ("**Former Member**") may apply to be re-admitted as a non-Residential Property Owner Regular Member, and will be offered membership as a non-Residential Property Owner subject to the Club rules as established by the Club's Board of Directors ("Board") and provided the application for readmission is received within sixty (60) days from the termination of membership and the terminated membership had been consistently maintained for a period of no less than five (5) years (exclusive of any period of inactive status). The Former Member under these circumstances shall receive credit for the then current Regular Member

initiation fee and will pay, in addition, a fee established from time to time by the Board for non-Residential Property Owners.

(c) Membership Number. The Club shall make a reasonable offer to retain a Regular Membership of not less than five hundred (500). The maximum number of Regular Members shall be six hundred (600). At all times, subject only to the maximum number of Regular Members, applications from Residential Property Owners who meet all applicable requirements shall be accepted within a reasonable period of time, not to exceed twenty-four (24) months, provided, however, the City shall not require the Club to accept new Regular Members when the Club is at its authorized maximum Regular Membership. When the Club is at its maximum Regular Membership, it shall continue to accept applications from Residential Property Owners and shall place those applicants on the Waiting List. The positions on the Waiting List shall be in the order of the date of application, subject in all cases to the priority of Residential Property Owners over non-Residential Property Owners.

(d) Other Membership Categories. In addition to the category of Regular Membership specifically referenced in this Agreement, the following categories are provided:

(i) Clubhouse Associate – A “Clubhouse Associate Membership” shall have access only to Clubhouse facilities. A Clubhouse Member shall have no golfing privileges other than those available to the general public. The benefits and obligations of a Clubhouse Membership shall be specified in the rules and regulations issued by the Club, subject to the approval by the City. There is no limit on the number of Clubhouse Memberships and membership shall not be limited to persons who are Residents or Residential Property Owners of the City.

(ii) Honorary Membership – Honorary Membership, either for life or for a term of years, may be awarded only by a unanimous vote of the Board in recognition of any contributions or service to the Club or to the game of golf in general. Honorary Members will not be required to pay membership fees, dues, or minimums, or be liable for assessments, but except for voting and serving as an officer or director, shall have all rights and privileges of Regular Members.

(iii) Senior Membership - Senior Membership is at the discretion of the Board, in accordance with rules and procedures as established by the Club. Senior Members shall be responsible for payment of 1/2 the annual membership fees. Any current assessment balance shall be paid within 30 days of acceptance as a Senior Member. Senior Members are prohibited from using the Golf Course on weekends or holidays and do not have voting privileges.

(iv) Widow/Widower Associate Membership – The surviving spouse of a Regular-Family Membership may apply in writing to the Committee for reclassification of their Regular-Family Membership to a Widow-Widower Associate Membership within 6 months of the death of the member's spouse. Membership obligations and privileges are those as specified in the Club's Membership Handbook.

(e) Inactive Status – A Regular Member may apply in writing to the Club's membership committee ("Committee") to be placed on Inactive status. If the Regular Member's application is approved by the Committee and the Board, the Regular Member will be placed on Inactive status. Inactive status must continue for a minimum of 12 months. A

person on Inactive status must pay a monthly fee as established by the Board, which fee may be modified from time to time. No other fees, dues, assessments, or minimums will be charged while the person is on Inactive status. A person on Inactive status has no benefits or privileges to the Premises or activities, other than those afforded the general public. Reinstatement from Inactive status shall be in accordance with rules and regulations established by the Club. If a person requesting to be reinstated as a Regular Member while on Inactive status is approved by the Committee, the application will receive the first available Regular Membership.

(f) Waiting List. The Club shall maintain a Waiting List and shall admit new Members pursuant to the Club's Bylaws and the Club's Member Handbook, as may be amended from time to time.

23. Board of Directors. The Club may establish criteria for membership on its Board of Directors, subject to the following requirements: The Club shall undertake its best efforts to determine whether any person appointed or elected to the Board of Directors is a Resident or a non-Resident. Notwithstanding any provision of the Club's Bylaws to the contrary, (i) the percentage of non-Residents serving on the Board of Directors shall be the same as or less than the percentage of Regular Members of the Club who are either non-Residents or non-Residential Property Owners, and (ii) important policy matters acted upon by the Board shall require that a majority of three (3) of the five (5) Board members required for a quorum be Residents.

24. Termination.

(a) Covenants Upon Termination. In the event of the termination of this Agreement and irrespective of the cause therefore, the Club agrees peaceably to surrender and turn over to the City the Premises and every part thereof, all of the deposits then held by the Club, including but not limited to, the Club Improvement Fund, together with all furniture, fixtures, equipment and inventory of personal property, including, but not limited to, all supplies of food and drink, but excluding golf shop inventory and golf carts, its liquor license, any other licenses required by law in connection with the operation of the Premises to the extent that same are legally transferable, and any and all policies of insurance held by it in connection with the operation of the Premises. The City agrees that any funds received and any insurance proceeds received (collectively the “*capital improvement funds*”) shall be expended as soon as practicable for improvement of the Premises. The City further agrees that in such event it shall consider recommendations of the Club as to the specific nature of the improvements which should be made and that it will in no event expend such capital improvement funds for other than improvement of the Premises.

(b) Reestablishment of a Golf Club. Upon termination of this Agreement, the City agrees to give highest priority to attempting to re-establish a golf club for operation of the Premises or parts thereof, and in such circumstance that the then existing Regular Members of the Club will receive absolute priority in membership to the re-formed club. Should such a new club be formed, all remaining capital improvement funds shall be returned to the re-formed club.

25. Amendments. No alteration, amendment or modification of this Agreement shall be valid unless evidenced by a written instrument executed by the Parties hereto with the same

formality as this Agreement. The Club shall provide written notice to the City within 45 days of any approved amendment, alteration or modification to the Club's Bylaws.

26. Inspection. The Club agrees that at all times when the Premises are open for operation, it will permit the City or any designated representative of the City to inspect the Premises or any part thereof. In addition, the Club shall send to the City a copy of the minutes of each meeting of the Club's Board of Directors, Membership Committee and Finance Committee, immediately following approval of such minutes by such body, any revisions to the Club Bylaws, and any correspondence with Members regarding financial issues.

27. Rules and Regulations. The Club agrees that it shall operate and maintain the Golf Course and Clubhouse and every part thereof, in compliance with this Agreement and with the Rules and Regulations of the Palos Verdes Golf Club, including the schedule of fees and charges approved by the City, and shall enforce said Rules and Regulations.

28. Relationship of the Parties. The relationship of the parties hereto is solely that of owner and concessionaire, and nothing in this Agreement shall be construed as effecting or constituting a partnership between the parties hereto, and the parties hereto expressly declare that it is not their intention in any respect to conduct a business upon the said Premises, and the Club shall have no right or ability to obligate the City in any manner or way whatsoever.

29. Interpretation. In the event of any conflict between this Agreement and any other agreement between the Parties or the Club Bylaws, the terms of this Agreement shall prevail.

30. Notice. Notice shall be given by personal delivery or by depositing the notice in the U.S. Mail, postage prepaid, addressed as follows:

If to the Club:

Palos Verdes Golf Club
Attention: General Manager
3301 Via Campesina
Palos Verdes Estates, California 90274

If to the City:


The City of Palos Verdes Estates
Attention: City Manager
340 Palos Verdes Drive West
Palos Verdes Estates, California 90274

Notice shall be deemed given on the day of receipt, if personally served, or on the second day following deposit in the mail, if served by mail.

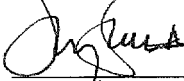
Executed at Palos Verdes Estates, California.

CITY OF PALOS VERDES ESTATES, a
Municipal Corporation

By:

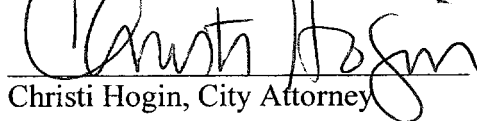

James F. Goodhart, Mayor Pro Tem

ATTEST:



Judy Smith, City Clerk

APPROVED AS TO FORM:

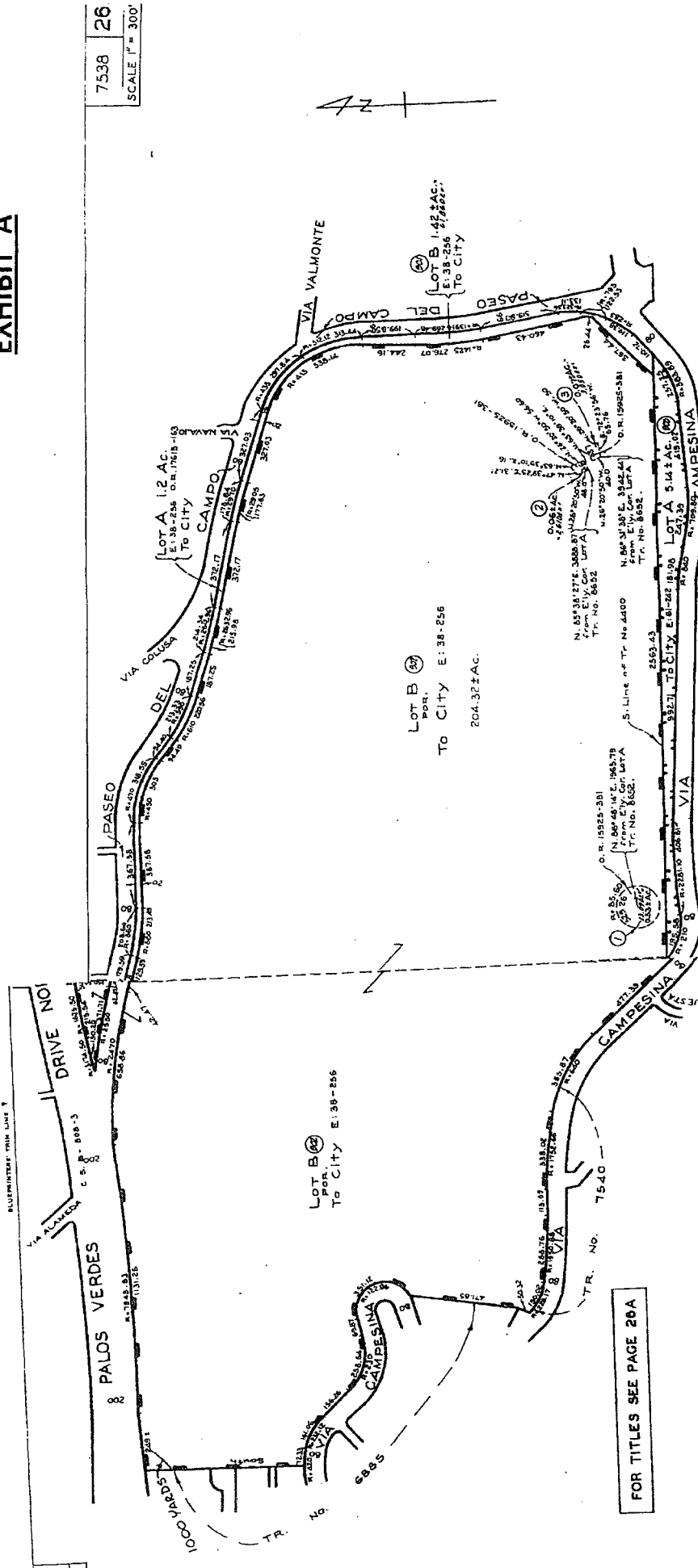

Christi Hogin, City Attorney

PALOS VERDES GOLF CLUB, INC., a Nonprofit Corporation

By: George L. Kovine Jr

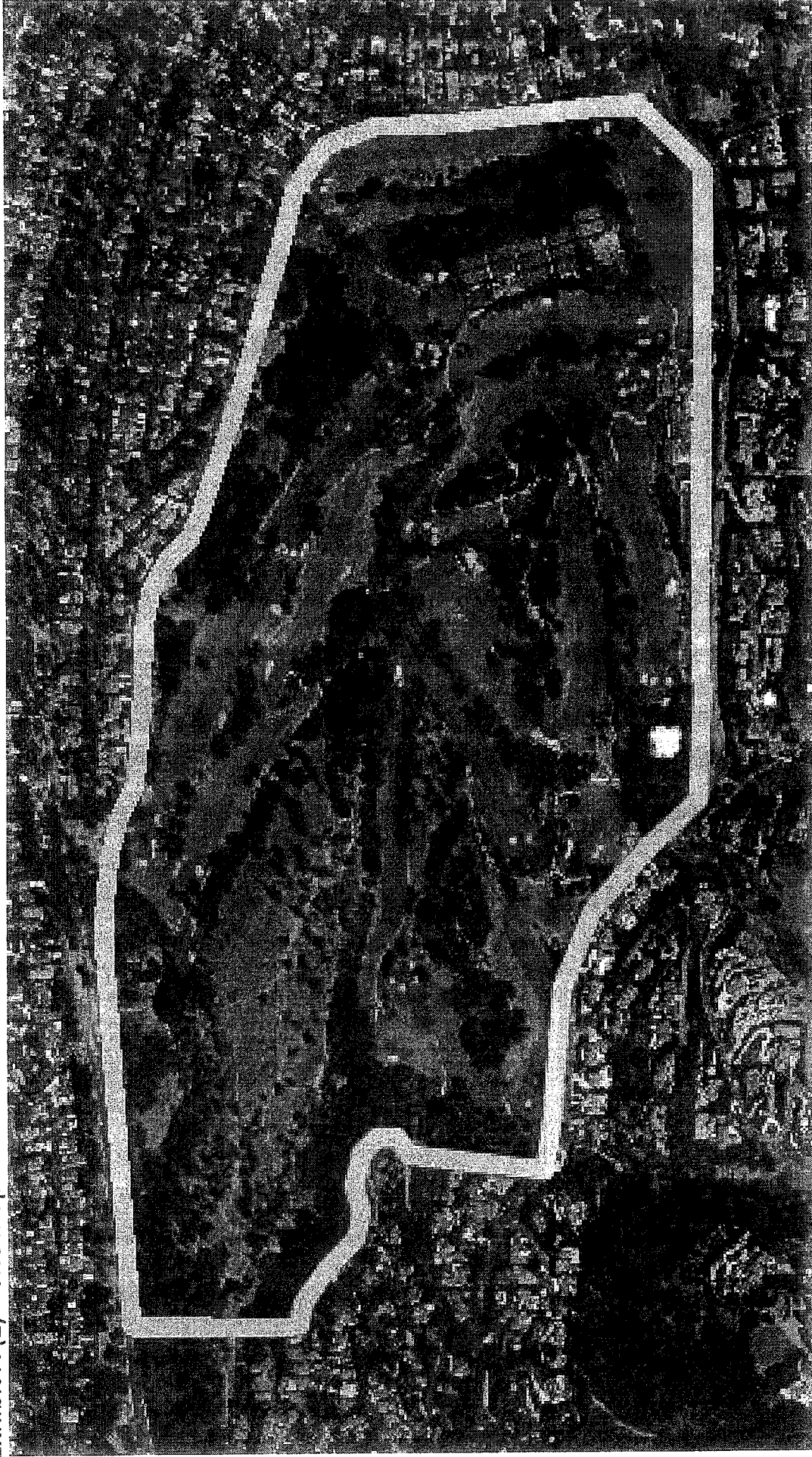
Its: President

EXHIBIT A



7538 26
SCALE 1" = 300'

Exhibit A (1) – Site Map – Palos Verdes Golf Club



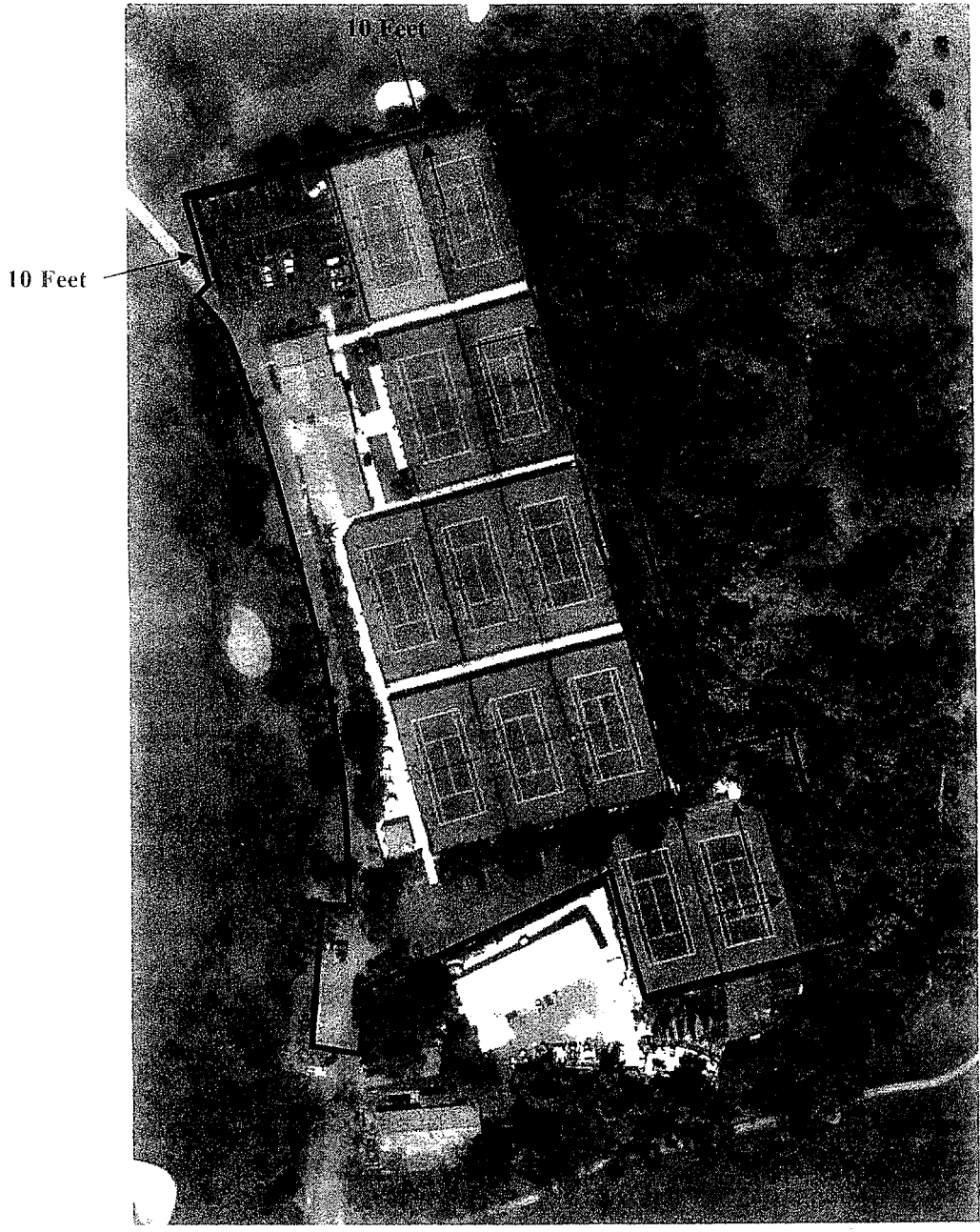


EXHIBIT B
PALOS VERDES TENNIS CLUB