

**AMENDMENT NO. 2 TO THE CONCESSION AGREEMENT
BETWEEN THE CITY OF PALOS VERDES ESTATES AND PALOS VERDES GOLF
CLUB, INC.**

THIS SECOND AMENDMENT ("Amendment") is made and entered into this 8th day of September, 2015, by and between the CITY OF PALOS VERDES ESTATES, a general law city and municipal corporation ("CITY"), and PALOS VERDES GOLF CLUB, INC., a California Nonprofit corporation (the "CLUB").

1. **RECITALS.** This Amendment is made with reference to the following facts and objectives:
 - A. On November 13, 2012, the CITY and the CLUB entered into a concession agreement for operation of the Palos Verdes Golf Club (the "Agreement"). The Agreement was amended in 2014 to authorize an increase in the membership of non-Residential Property Owners to not more than thirty percent (30%), upon satisfaction of certain conditions;
 - B. The Agreement does not provide for a Junior Executive Membership or account for the payment of referral fees;
 - C. CITY and the CLUB now mutually desire by this Amendment No. 2 to the Agreement ("Amendment") to amend the terms of the Agreement.

2. **AMENDMENT.** In consideration of the foregoing and pursuant to Section 25 of the Agreement, the Agreement is amended as follows:

- A. Subparagraph (a) of Section 8, entitled "Fund Established," is amended to read as follows:

"(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 less any referral credit given by the Club as provided in subsection 8(d), below, 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 five thousand dollars (\$5,000.00), which sum shall during the Term of this Agreement be adjusted as necessary to keep the purchasing power of such sum the same as in 1993 dollars. 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, all expenditures from the Club Improvement Fund are subject to the approval of the City as set forth in Section 7. 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. Paragraph 8 of the Agreement is amended to add Subsection (d), entitled "Referral Credit," as follows:

"(d) Referral Credit – For each prospective regular Member that accepts an offer of regular membership in the Club and identifies any current regular Member as the referrer for membership, the Club may award to the referring regular Member a referral credit in the form of a \$1,000.00 credit against the referring Member's membership fees. The amount of the referral credit shall be deposited into an account designated for ordinary operation and maintenance expenses from the initiation fee required to be paid by the prospective regular Member. The remainder of the initiation fee shall be deposited in accordance with paragraph 8(a). The Club shall establish rules, procedures and/or by-laws to implement the Referral Credit program consistent with this agreement."

C. Subparagraph (d) of Section 22, entitled "Other Membership Categories," is amended to read as follows:

"(v) Junior Executive Members – A Junior Executive Member is available for residents and non-residents between the ages of 25 and 40. Junior Executive Members shall enjoy all of the rights and privileges of Regular Members and shall be responsible to pay all fees, dues charges and minimums, except that Junior Executive Members are only required to pay for one-half of the new Member initiation cost. The Junior Executive Member must pay one-half of the then-applicable initiation fee prior to acceptance for regular Membership. The Club shall establish rules, procedures and bylaws to implement the Junior Executive Membership consistent with this Agreement."

3. **COUNTERPARTS.** This Amendment may be executed in any number or counterparts, each of which will be an original, but all of which together constitutes one instrument executed on the same date.

4. **LIMITED AMENDMENT.** Except as modified by this Amendment, all other terms and conditions of the Agreement, as amended by Amendment No. 1, remain in full force and effect.

This Amendment is executed on and shall become effective this 8th day of September, 2015, at Palos Verdes Estates, California.

CITY OF PALOS VERDES ESTATES



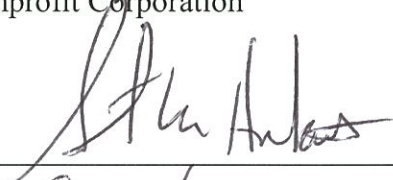
JAMES F. GOODHART, Mayor

ATTEST:



Vickie Kroneberger, City Clerk

PALOS VERDES GOLF CLUB, INC.,
a Nonprofit Corporation

By: 

Its: Gm / eo