

**FIRST SUPPLEMENTAL AGREEMENT TO EMPLOYMENT AGREEMENT -
MANAGER OF SOUTH BAYSIDE SYSTEM AUTHORITY**

THIS AGREEMENT made and entered into as of September 1, 2009 by and between the **SOUTH BAYSIDE SYSTEM AUTHORITY**, a California public entity ("Authority"), and **DANIEL T. CHILD** ("Manager");

WITNESSETH:

WHEREAS, Authority and Manager entered into that certain agreement entitled, "Amended and Restated Employment Agreement-Manager of South Bayside System Authority," dated as of February 14, 2008 ("Agreement"); and

WHEREAS, pursuant to Paragraph 11 of the Agreement Authority purchased from Manager residential property located at 551 Highland Ave., Half Moon Bay, California ("HMB Property") and,

WHEREAS, pursuant to paragraph 12 of the Agreement Authority leased the HMB Property back to Manager; and

WHEREAS, Paragraph 13 of the Agreement provides, among other matters, that Authority reserves the right to require Manager to relocate his residence at the convenience of Authority; and

WHEREAS, this Commission desires to exercise its right to require Manager to relocate his residence to a site within the boundaries of the wastewater service area of any one of the Member Agencies of Authority, to wit: within the service areas of the City of Belmont, the City of San Carlos, the City Redwood City or the West Bay Sanitary District; and

WHEREAS, the parties desire hereby to supplement the Agreement to provide terms and conditions relating to relocation of Manager's residence;

NOW THEREFORE, in consideration of the mutual covenants, agreements, and conditions contained herein, the parties hereto agree as follows:

1. Relocation. Pursuant to Paragraph 12 of the Agreement, Manager is hereby authorized and directed to use his best efforts within ninety (90) days from May 1, 2010 to negotiate on behalf of Authority a tentative agreement to purchase residential property ("Substitute Property") for the exclusive use of Manager and his immediate family as Manager's principal residence and domicile in lieu of, and to be

substituted for, the HMB Property. The Substitute Property shall be located within the boundaries of the wastewater service areas of any one of Authority's Member Agencies.

2. Budget. The purchase price of the Substitute Property plus any costs of remodeling, repair or rehabilitation thereof to make the Substitute Property suitable for Manager's use shall be limited to \$2,500,000. "Suitable for Manager's use," means a level of physical condition substantially equivalent to that of the HMB Property as of the date hereof.

3. Authority's Approval; Escrow. Upon reaching a tentative agreement for purchase of the Substitute Property, Manager shall report the terms and conditions thereof to the Committee appointed in paragraph 7, below. If the Committee approves the tentative agreement, Manager may proceed to open an escrow for purchase of the Substitute Property, title to which shall be held by the Authority. The provisions and conditions of escrow shall conform to the instructions of the Committee and shall be subject to the approval of Authority's Attorney as to legal compliance. If the Committee disapproves the tentative agreement, the Manager shall seek another site for the Substitute Property and negotiate a tentative agreement for purchase of that site or proceed as otherwise directed by the Committee.

4. Lease-Back. Authority hereby agrees to lease the Substitute Property to Manager, the terms and conditions of which lease shall substantially conform to the provisions of Paragraph 12 (Lease-Back) of the Agreement, except as to the description of the property, the Rent Equivalent (also referred to as "In Lieu Compensation"), which shall be adjusted as set forth in Paragraph 6, below, and such other terms and conditions as may be necessary to reflect particular circumstances attendant upon acquisition and use of the Substitute Property including, without limitation, the physical condition, location and value thereof.

5. Appreciated Value. The parties agree that Manager may acquire an interest in the appreciated value of the Substitute Property as such value may appear and increase over such time as Manager is employed by Authority or upon expiration of the lease term thereof, whichever sooner occurs; provided, that if

Manager's employment is terminated for cause (as described in the Agreement), Manager shall acquire no interest and shall have not acquired any interest in said appreciated value. The appreciated value of the Substitute Property shall be that increment of the fair market value of the Substitute Property above the original purchase price thereof as said value may increase from and after title thereto is acquired by Authority. The fair market value shall be determined by the sale price of the Substitute Property or, if no sale occurs within one (1) year after Manager's cessation of employment, by an appraisal prepared at Authority's cost by an expert professional real property appraiser selected by Authority.

Manager's interest in the appreciated value shall be a function of his years of employment with the Authority as follows:

<u>Years Employed</u>	<u>Percentage Acquired</u>
0-6	0%
7	21%, upon the first day of the 7 th year of employment
8-10	3% per year
11-15	4% per year
16 and above	0%

Pursuant to the above schedule, Manager shall acquire no more than, and the maximum interest that Manager may acquire shall be, 50%. If Manager's employment ceases prior to completion of fifteen (15) years for any reason other than termination for cause, Manager's share of the appreciated value shall be determined in accordance with the above schedule; provided, that if said interest so determined is less than 25%, Manager's interest shall be 25%, to the effect that the minimum interest acquired shall be 25%.

If the fair market value of the Substitute Property at the time Manager's employment ceases is equal to or less than its purchase price no apportionment of value shall occur and Authority shall bear the burden of the equivalency or loss.

6. Amended Rent Equivalent. From and after January 1, 2010, the Rent Equivalent (also described as "In Lieu Compensation") provided under Paragraph 12.(c) of the Agreement shall be, and is hereby amended to be, \$2,000 per month.

7. Committee. This First Supplemental Agreement shall be administered and implemented on behalf of Authority by a Committee comprised of the

representatives on Authority's Commission from the City of Belmont, California and the West Bay Sanitary District. Manager shall report to the Committee as hereinabove provided.


8. Effect. Except as to the contrary provided and as hereby supplemented, all other terms and conditions of the Agreement shall be and remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first hereinabove written.

SOUTH BAYSIDE SYSTEM AUTHORITY, a
California public entity

By:  _____
Jeff Ira, Chair

Attest:

By:  _____
Robert Grassilli, Secretary

MANAGER

By:  _____
Daniel T. Child