Attachment A

AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT

This Amendment No. 1 to Employment Agreement ("Amendment No. 1") is entered into ______, 2008, by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("CITY"), and CARL YEATS, its Former Director of Administrative Services ("Former ASD Director").

RECITALS:

WHEREAS, the City and Former ASD Director entered into an Employment Agreement which became effective on May 16, 2002 (the "Agreement"); and

WHEREAS, the Employment Agreement provided for a City Loan in the amount of \$800,000 to the Former ASD Director to purchase a home;

WHEREAS, the City Loan bears interest at the rate that is the lesser of (a) the sum of the Portfolio Rate (as adjusted from time to time) plus one quarter of one percent (0.25%) per annum, and (b) twelve percent (12%) per annum.

WHEREAS, the loan was due on sale of the house or within twelve (12) months after Termination of Employment;

WHEREAS, the Former ASD Director has terminated employment with the City;

WHEREAS, the parties wish to extend the Agreement an additional six (6) months to June 30, 2009, and adjust the interest rate to six (6) percent in order to permit Former ASD Director to refinance through a private lender.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment No. 1, the parties agree:

<u>SECTION 1</u>. Section 5.3 (City Loan) is amended to read as follows:

"City shall provide to ASD Director a loan (the "City Loan"), secured by a note and first deed of trust on the home purchased by ASD Director, up to the lower of the amount of \$800,000.00 or ninety per cent (90%), of the purchase price or appraised value of the home, whichever is lower. The term of the City Loan shall be 30 years. The interest on the City Loan shall be adjusted annually on July 1 and shall be as follows:

5.3.1. The sum of the City's portfolio rate, which is defined as the annual rate of return on investment funds of the City of Palo Alto during the most recent fiscal year, plus one quarter percent (1/4%) as calculated annually by the City's Department of Administrative Services and independently verified by the City Auditor, such rate not to exceed twelve percent (12%) per annum.

5.3.2. Effective January 1, 2009, the interest rate shall be adjusted to 6% per annum.

SECTION 2. Section 5.8 entitled ("Loan Repayment and Acceleration") is amended to read as follows:

"The loan shall be due and payable in full either upon sale of the house, ASD Director ceasing to reside in the house as his principal residence, or within twelve (12) eighteen (18) months after termination of ASD Director's employment with the City of Palo Alto, whichever occurs earlier. Following execution of this Amendment No. 1, ASD Director shall use his efforts to privately refinance the loan."

<u>SECTION 3.</u> Except as herein modified, all other provisions of the Agreement, including any exhibits and subsequent amendments thereto, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this amendment the day and year first written.

Dated:	CITY OF PALO ALTO
	MAYOR
	By
Attest:	
City Clerk	Carl Yeats
Dated:	MANAGER
	James Keene
Approved as to Form:	
City Attorney	

Carl L. Yeats 1331 Glen Eyrie Avenue San Jose, California 95125

November 21, 2008

Lalo Perez Director of Administrative Services 250 Hamilton Avenue City Of Palo Alto, CA 94301

RE: Home Loan Extension

Dear Lalo,

As-you know, the current economic environment has decorated rapidly, and as you and I have discussed, I have been trying to secure a new 30 year fixed rate home loan since September. After numerous attempts, working with different loan representatives, I have found that it is very difficult to secure a conforming 30 year fixed rate loan over the \$629,000 limit. Our current loan balance is approximately \$707,000, and that amount seems to cause loan underwriters great concern; even though we have over 30 percent equity and very positive credit ratings.

I am therefore formally requesting a one year extension of my home loan with the City of Palo Alto, hopefully this will provide adequate time for both the commercial loan and residential housing markets to improve.

I greatly appreciate your, the City Manger and the City Councils consideration of this request.

Sincerely,

Carl Yeats