

THIRD AMENDMENT TO EMPLOYMENT AGREEMENT

This Third Amendment to Employment Agreement is entered into this 5th day of August, 1997, by and between the City of Redlands, a municipal corporation (hereinafter "City") and Daniel J. McHugh (hereinafter "Employee").

RECITALS

Whereas, City and Employee have entered into an Employment Agreement dated April 19, 1994, wherein City expressed its desire to employ the services of Employee as provided for by California Government Code Section 36505; and

Whereas, City and Employee on March 7, 1995, amended certain provisions of the Employment Agreement; and

Whereas, City and Employee on April 28, 1997, amended certain provisions of the Employment Agreement; and

Whereas, it is the desire of the City Council of City and Employee to amend certain provisions of the Employment Agreement as hereinafter provided;

Now, therefore, in consideration of the mutual covenants contained herein, the City of Redlands and Daniel J. McHugh agree as follows:

AGREEMENT

1. Section 2 of the Employment Agreement relating to salary is hereby amended to read as follows:

"City shall pay Employee for his services rendered pursuant hereto an annual base salary of \$102,252, effective 7/1/97, payable in installments at the same time as other employees of City are paid. City shall increase this base salary by two and one half percent (2.5%), commencing on the closest payperiod to 5/5/98. City shall increase this adjusted base salary by another two and one half percent (2.5%), commencing on the closest payperiod to 5/5/99."

2. Section 3 of the Employment Agreement is hereby amended to add the following:

"Employee shall have the option to buy back one hundred (100) hours of accrued vacation annually. Employee shall also have the option to buy back up to ninety six (96) hours of accrued sick leave, less any sick leave hours used during the year."

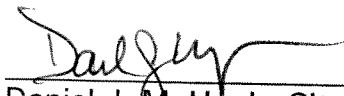
Third Amendment to Employment Agreement
Page Two

In witness hereof the parties have executed this Agreement on the 5th day of August, 1997.

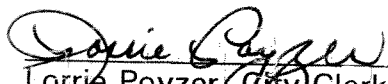
CITY OF REDLANDS


Swen Larson, Mayor

EMPLOYEE


Daniel J. McHugh, City Attorney

ATTEST:


Lorrie Poyzer, City Clerk