

THE SCHOOL DISTRICT OF PHILADELPHIA

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the "Agreement") dated as of March____, 2008, between **THE SCHOOL DISTRICT OF PHILADELPHIA** (the "School District") acting by and through its School Reform Commission (the "SRC"), with its principal place of business located at 440 North Broad Street, Philadelphia, Pennsylvania 19130, and Dr. Arlene Ackerman ("Dr. Ackerman").

WITNESSETH:

WHEREAS, the School Reform Commission ("SRC") wishes Dr. Ackerman to serve as the Chief Executive Officer of the School District and Executive Director of the Philadelphia Intermediate Unit (the "Intermediate Unit") up to the present date; and

WHEREAS, Dr. Ackerman would like to serve the School District and Intermediate Unit in such capacities;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the School District and Dr. Ackerman, intending to be legally bound, hereby agree as follows:

Section 1. Employment. The School District hereby employs Dr. Ackerman, and Dr. Ackerman hereby accepts employment, as Chief Executive Officer of the School District and Executive Director of the Intermediate Unit, in accordance with the terms and conditions hereinafter set forth.

Section 2. Term of Employment. The term of this Agreement shall be from June 1, 2008, to June 30, 2013 (the "Term"), unless earlier terminated pursuant to any event set forth in Section 8 below. The period ending each June 30, following June 30, 2008, during the term of employment shall be referred to as a "Year." The term of the Agreement shall be automatically extended for an additional year, if neither party has given written notice to the other, one hundred twenty (120) days before the expiration of the third year of the term, of its intent not to extend. The term shall automatically extend each year thereafter, for an additional year, if neither party has given written notice to the other, one hundred twenty (120) days before the end of the contract year, of its intent not to extend.

Section 3. Duties and Responsibilities.

3.1. Chief Executive Officer. Dr. Ackerman shall serve the School District in the capacity of Chief Executive Officer ("CEO"). In such capacity, Dr. Ackerman shall have all the power, authority, duties and responsibilities of a Superintendent under the Public School Code and the Education Supplement to the Philadelphia Home Rule Charter. These shall include: having charge of the administration of the School District under the policy direction of the SRC; carrying out the administration and supervision of the School District, including instituting reforms and systemic changes, such as curriculum and program offerings, as the

CEO finds necessary or expedient, in order to affect positive changes in the School District; directing, assigning and transferring teacher, principals, and other employees under her supervision; organizing, reorganizing and arranging administrative and supervisory staff, including instruction and business affairs, as best serves the School District; selecting, assigning and transferring personnel; suggesting policy deemed necessary for the School District and reasonably interpreting policies, regulations, rules and procedures; directing the financial planning of the School District, including the preparation of the annual budget and the submission of the budget to the SRC for review and approval; making administrative recommendations on items of business considered by the SRC as the CEO deems necessary for the efficient and effective operation of the District; acting as the liaison between the School District and the community; directing a program of public relations for the purpose of creating and maintaining a cooperative working relationship between the schools and the community; attending SRC meetings; establishing and implementing a process, including a means and time parameters, for keeping the SRC up-to-date on developments, initiatives and issues in the School District; and staying abreast of educational trends and developments by participating in professional development and professional organizations at the local, state and national levels.

3.2. Secretary/Treasurer of SRC. Dr. Ackerman shall serve as Secretary/Treasurer of the SRC and in that capacity, shall be responsible for (a) executing public securities and instruments of payment on behalf of the School District; (b) providing status reports to the SRC on the School District's budget and making multi-year projections; and (c) general supervision of all business affairs of the School District.

3.3. Executive Director of Intermediate Unit. Dr. Ackerman shall perform all services required of an Executive Director of the Intermediate Unit under the Public School Code.

3.4. Suggestions and Communications. The SRC, individually and collectively, agree that they will promptly refer to the CEO, orally or in writing where practicable, for her study and recommendation, any and all criticism, complaints, suggestions, communications or comments regarding the CEO's performance of her duties. Individual members of the SRC agree that they will not give direction to the CEO or any staff member regarding the management of the School District or solution of specific problems and that they shall refer all personnel issues, appeals, complaints, and other communications concerning the administration of the School District to the CEO for investigation and report to the SRC.

Section 4. Compensation and Performance Evaluation.

4.1. Base Compensation. As base compensation for her services hereunder, effective June 1, 2008, the School District shall pay Dr. Ackerman an annual salary of Three Hundred Twenty-Five Thousand Dollars (\$325,000), payable in installments at such times as the School District pays other School District employees. Beginning July 1, 2009 and each subsequent Year of this Agreement, the CEO's annual base compensation shall be increased at the same time and at the same percentage rate as for full time teaching personnel, as provided in the collective bargaining agreement between the School District and the Philadelphia Federation of Teachers.

4.2. Withholding from Compensation. Dr. Ackerman hereby agrees that the School District may deduct and withhold from the compensation payable to her all Social Security and payroll taxes, pension deductions, and such other withholdings as shall be required by any statute, regulation or ordinance heretofore or hereafter enacted.

4.3. Performance Compensation. In addition to the base compensation in Subsection 4.1, Dr. Ackerman shall be entitled to an annual performance compensation in an amount up to twenty percent (20%) of her then annual salary. By September 1 of each Year of this Agreement, the reasonable objective criteria for being awarded such compensation shall be determined by agreement of the SRC and Dr. Ackerman. A determination of the achievement of the criteria and the compensation to be paid shall be determined not later than August 1, 2009 and by August 1 each following Year of this Agreement. Any compensation payments shall be made no more than 90 days after the Year for which a bonus may be awarded.

4.4. Performance Evaluation. The SRC and the CEO shall agree upon a time in each Year of this Agreement to conduct an evaluation in executive session of the CEO's performance and the working relationship of the CEO and the SRC. The evaluation shall be based upon performance criteria mutually agreed upon by the SRC and the CEO. The evaluation shall be reduced to writing in a form mutually agreed upon by the CEO and the SRC. Prior to the evaluation, the CEO shall report to the SRC her accomplishments and attainment of goals and objectives. Thereafter, the SRC will deliberate in executive session and shall provide the CEO with a copy of the written evaluation at least ten days prior to the executive session of the SRC scheduled to discuss such evaluation with the CEO. The performance evaluation shall be kept confidential by the SRC. In addition to the annual performance evaluation, the SRC and the CEO may meet on a quarterly basis to discuss issues of interest or concern that could properly be the subject matter of the CEO's evaluation, and if the SRC desires to reduce any such discussion to writing, the SRC will follow the procedures set forth for the annual performance evaluation.

4.5. Retention Bonus. Dr. Ackerman will be entitled to a retention bonus if she remains in the employ of the School District through June 30, 2011 in the amount of One Hundred Thousand Dollars (\$100,000) payable on the regular pay period following July 30, 2011. By July 30, 2011, the CEO and the SRC shall discuss retention bonuses to determine possible retention bonuses for subsequent years of this Agreement.

Section 5. Benefits.

5.1. Vacations. Dr. Ackerman shall be entitled to 34 days of vacation annually. Vacation days may be accumulated for up to sixty (60) days' worth of vacation days and used in subsequent years. Dr. Ackerman shall be compensated for any vacation days unused at the termination of her employment, in accordance with the formula then in effect for the School District's employees at the level of Director and above. At Dr. Ackerman's option, the School District will reimburse Dr. Ackerman annually for up to four (4) unused days of vacation at her daily rate based on her then annual salary.

5.2. Holidays. Dr. Ackerman shall be entitled to all paid holidays granted to other employees of the School District at the level of Director and above, plus three (3) personal days each Year. The personal days are to be scheduled in advance to the mutual convenience of Dr. Ackerman and the School District, to the extent possible. Personal days may be carried over into subsequent years, without limitation, and Dr. Ackerman shall be paid for unused personal days at the termination of employment, in the same manner as unused vacation days.

5.3. Medical, Dental, Vision, Prescription Drug Benefits. Dr. Ackerman shall be entitled (a) to select medical coverage under a PPO or HMO available to other School District employees at the level of Director and above, and (b) to participate in any dental, vision, and prescription drug benefit plans available to other School District employees at the level of Director and above, in accordance with such plans' terms and conditions as they may be amended from time to time, and at the expense of the School District. Upon termination of her employment, Dr. Ackerman will be entitled to continuation of such coverage, but at her expense, pursuant to the federal law known as COBRA.

5.4. Life Insurance. The School District shall pay the cost of a One Million Dollar (\$1,000,000) term life insurance policy on the life of Dr. Ackerman during the Term. Alternatively, and at Dr. Ackerman's option, the School District will pay the cost of a Five Hundred Thousand Dollar (\$500,000) level term life insurance policy on the life of Dr. Ackerman, with a term of 20 years, and Dr. Ackerman will be entitled to continue that policy at her own expense after her employment as Chief Executive Officer ends. Notwithstanding the foregoing, the expense payable by the School District pursuant to this Section 5.4 will not exceed Six Thousand Dollars (\$6,000) for each Year of this Agreement, and the School District will have no obligation to continue payment after the termination of this Agreement.

5.5. Retirement. Dr. Ackerman shall be entitled to receive any retirement benefits that are available to employees of the School District at the Director level and above. She shall be required to participate in the retirement plan applicable to employees of the School District at the level of Director and above that is administered by the Commonwealth of Pennsylvania, and shall be eligible to participate in any tax-sheltered annuity offerings available to such employees. In addition, during the term of this Agreement, the School District shall annually contribute an aggregate sum of Sixty Five Thousand Dollars (\$65,000), in monthly installments, to a tax sheltered annuity plan or plans and, to the extent necessary and appropriate for purposes of compliance with applicable tax requirements and other applicable laws, to a qualified deferred compensation plan or plans, a qualified governmental excess benefit plan, and/or other supplemental retirement program.

5.6. Professional Development and Business Expenses. Dr. Ackerman shall be reimbursed for the reasonable business expenses incurred by her in connection with performance of her duties hereunder during the term of employment upon presentation of an itemized account and written proof of such expenses in accordance with policies adopted by the School District from time to time. In addition, the School District shall pay the CEO's dues for professional associations, including the American Association of

School Administrators, the Pennsylvania Association of School Administrators, the National Alliance of Black School Educators and for travel and related expenses of attending the meetings and conferences of such professional associations.

5.7. Automobile. The School District shall provide Dr. Ackerman for her business and personal use a late model car or similar vehicle and shall pay the maintenance and insurance costs related to such vehicle.

5.8. Other Benefits. The School District shall provide Dr. Ackerman with a Blackberry and cell phone (and shall pay for Blackberry usage and reasonable cell phone usage), a laptop computer, and home printer/fax machine. In addition, the School District shall reimburse Dr. Ackerman for legal fees incurred in connection with preparing and negotiating this Agreement and for reasonable relocation expenses not to exceed Fifteen Thousand Dollars (\$15,000). Such fees and expenses shall be reimbursed upon presentation of written proof in accordance with policies adopted by the School District from time to time. The School District shall also provide Dr. Ackerman such other fringe and employee benefits (including sick leave benefits), not enumerated herein, that are accorded to School District employees at the level of Director and above, as described in Exhibit "A" attached hereto.

Section 6. Extent of Services.

6.1. Entire Working Time. During the term of employment, Dr. Ackerman shall devote her entire working time to diligent and faithful performance of the obligations assigned to her, and shall not be engaged in any other business or employment pursuits, whether or not for pecuniary gain; except, however, Dr. Ackerman (a) shall be entitled periodically to give speeches not as part of her duties hereunder, and shall be entitled to retain fees or honoraria; and (b) may accept appointments to boards (both for profit and nonprofit), commissions and agencies and may engage in such other activities as she deems appropriate and not inconsistent with the best interests of the School District or performance of her duties as Chief Executive Officer and after consultation with the SRC.

6.2. Outside Consulting. Notwithstanding the provisions of Section 6.1 above, Dr. Ackerman may engage in limited outside consulting activities during the Term. Dr. Ackerman may not consult for any entity that does business with or seeks to do business with the School District. Dr. Ackerman may rely upon a statement from the School District indicating that an entity is doing business with or seeking to do business with the School District. Such consulting may not extend beyond 30 days per Year and each work day spent consulting shall reduce the number of days available for vacation or as personal days. In providing such services, Dr. Ackerman may not use resources of the School District and must obtain the consent of the SRC if the consulting is for an entity that is not a school district, which consent shall not be unreasonably withheld.

Section 7. Confidentiality. Dr. Ackerman hereby agrees not to use any Confidential Information as hereinafter defined, or disclose any Confidential Information to any person or entity at any time in the future, without SRC's prior written consent, unless required to do so by a court of competent jurisdiction, or by an administrative or legislative

body with purported or apparent jurisdiction to order Dr. Ackerman to divulge, disclose or make accessible such information. For purposes of this Section, "Confidential Information" shall include any and all information not generally available to the public through legitimate means regarding any past, current or anticipated future business, practice or activity of SRC, the School District, or any SRC member, officer, employee, contractor or agent thereof, as well as any and all information relating to SRC's business, research, development, purchasing and accounting. Confidential Information includes, but is not limited to, information that is in the possession of SRC or the School District and has not been disclosed or would be exempt from disclosure under Pennsylvania or federal freedom of information laws, including information that may constitute a "trade secret" under applicable law. While not exhaustive, specific examples of Confidential Information include: computer program designs and passwords; research data obtained or produced by the School District or SRC; test questions and scoring keys used to administer academic examinations; vendor lists and cost data for contracts that have not been publicly awarded; employee files and salaries; insurance data and records and information related to insurance claims; information regarding the closed session deliberations of the SRC; internal memoranda expressing opinions or involving the formulation of SRC policy; records relating to the adjudication of employee or student disciplinary proceedings; and student records of present or past School District students.

Dr. Ackerman understands that the obligation under this Agreement not to use or disclose to others Confidential Information shall remain in effect until the date upon which the Confidential Information has been publicly disclosed in a manner authorized by SRC or otherwise becomes publicly known through lawful and legitimate means.

Section 8. Termination. This Agreement shall terminate prior to the expiration of the Term upon the occurrence of any one of the following events:

8.1. Death. In the event that Dr. Ackerman dies during the term of employment, the School District shall pay to her executors, legal representatives or administrators an amount equal to one twelfth (1/12) of the salary set forth in Section 4.1 hereof, and thereafter the School District shall have no further liability or obligation under the terms of this Agreement to her executors, legal representatives, administrators, heirs or assigns or any other person claiming under or through her; provided, however, that Dr. Ackerman's estate or designated beneficiaries shall be entitled to receive (a) the payments prescribed for such recipients under any death benefit plan which may be in effect for employees of the School District in which Dr. Ackerman participated and (b) any salary, reimbursements or other payments then due and owing. It is understood and agreed by the parties that nothing in this provision shall be deemed to waive any protection provided to Dr. Ackerman by any workers' compensation statute or other law requiring provision of a safe work place.

8.2. Cause. The School District may terminate this Agreement at any time for "cause" in accordance with the terms of the Public School Code of 1949, as amended, or the Educational Supplement of the Philadelphia Home Rule Charter effective August 15 of any Year upon written notice to Dr. Ackerman not less than three (3) months prior to the effective date of such termination, provided that notice shall not be required in the event of the

commission of a felony by Dr. Ackerman. In the event of termination pursuant to this Section 8.2, the School District shall be required to pay Dr. Ackerman any salary, reimbursements, other payments and benefits due and owing through the effective date of termination, but Dr. Ackerman shall not be entitled to receive any further salary payments, contributions or other benefits set forth in Sections 4 or 5 accruing after the effective date of termination.

8.3. Without Cause. The SRC, upon a four-fifths vote of its members, may at its option unilaterally terminate this Agreement by giving the CEO at least ninety days written notice of unilateral termination. If Dr. Ackerman's employment is terminated by the SRC without cause, she shall be entitled to all compensation and other payments and benefits she would have earned as an employee through June 30, 2013.

8.4 Termination by Dr. Ackerman. Dr. Ackerman may at her option unilaterally terminate this Agreement by giving the SRC at least ninety days' written notice of unilateral termination. In the event of such termination, Dr. Ackerman shall not be entitled to receive any further salary payments, contributions or other benefits set forth in Sections 4 or 5 accruing after the effective date of termination.

Section 9. Disability. In the event that Dr. Ackerman becomes disabled by reason of illness, injury or incapacity and is unable to perform her duties and responsibilities hereunder to the full extent required by the SRC on behalf of the School District, for up to twelve consecutive months she shall continue during this period to be compensated as provided in Sections 4 and 5 hereof. In addition, if Dr. Ackerman continues to be disabled after the twelve months have elapsed, the School District shall provide Dr. Ackerman with a wage continuation benefit equal to 100 percent of the base compensation she is then receiving pursuant to Section 4.1 at the time the disability begins, for up to one additional year. Thereafter, this Agreement may be terminated by the School District, and the School District shall have no further liability or obligation to Dr. Ackerman for compensation hereunder; provided, however, that Dr. Ackerman will be entitled to receive (a) the payments prescribed under any disability benefit plan which may be in effect for employees of the School District at the level of Director and above and (b) any salary, reimbursements or other payments then due and owing. Dr. Ackerman agrees, in the event of any dispute under this section, to submit to a physical examination by a licensed physician mutually agreeable to Dr. Ackerman and the SRC. It is understood that nothing in this section shall constitute a waiver of any rights which Dr. Ackerman may have under applicable workers' compensation laws, provisions of the American with Disabilities Act, or provisions of state statutes of similar effect.

Section 10. Indemnification. SRC represents and warrants to Dr. Ackerman that the SRC adopted Resolution E-2 dated April 17, 2002, a true and correct copy of which is attached hereto as Exhibit "B," and that the terms of such resolution apply to Dr. Ackerman.

Section 11. Miscellaneous.

11.1. Survival. Notwithstanding the termination of this Agreement by reason of Dr. Ackerman's disability under Section 9 or for cause under Section 8.2, her obligations under Section 7 hereof shall survive and remain in full force and effect for the periods therein

provided.

11.2. Governing Law. This Agreement shall be governed by and interpreted under the laws of the Commonwealth of Pennsylvania.

11.3. Notices. Any and all notices and other communications required or permitted hereunder or necessary or convenient in connection herewith shall be in writing and shall be deemed to have been given when hand delivered or mailed by registered or certified mail, as follows (provided that notice of change of address shall be deemed given only when received):

If to the School District, to: The School District of Philadelphia
440 North Broad Street
Philadelphia, PA 19130
Attention: Sandra Dungee Glenn,
Chairwoman

With a copy to: The School District of Philadelphia
440 North Broad Street
Philadelphia, PA 19130
Attention: Office of General Counsel

If to Dr. Ackerman, to: The School District of Philadelphia 440
North Broad Street
Philadelphia, PA 19130
Attention: Dr. Arlene Ackerman

With a copy to: Maree Sneed, Esquire
Hogan & Hartson
555 13th St. NW
Washington, DC 20004

or to such other names or addresses as the School District or Dr. Ackerman, as the case may be, shall designate by notice to each other person entitled to receive notices in the manner specified in this Section.

11.4. Contents of Agreement; Amendments. This Agreement sets forth the entire understanding between the parties hereto with respect to the subject matter hereof and cannot be changed, modified, extended or terminated except upon written amendment approved by the SRC on behalf of the School District and Dr. Ackerman.

11.5. Assignment. All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, executors,

administrators, legal representatives, successors and assigns of the parties hereto, except that the duties and responsibilities of Dr. Ackerman hereunder are of a personal nature and shall not be assignable or delegatable in whole or in part by Dr. Ackerman.

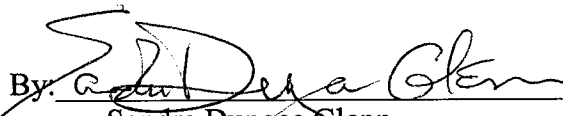
11.6. Severability. If any provision of this Agreement or application thereof to anyone or under any circumstances is adjudicated to be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect any other provision or application of this Agreement which can be given effect without the invalid or unenforceable provision or application and shall not invalidate or render unenforceable such provision or application in any other jurisdiction.

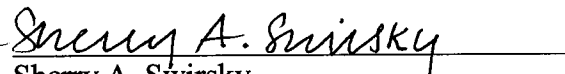
11.7. Counterparts. This Agreement may be executed in counterparts.

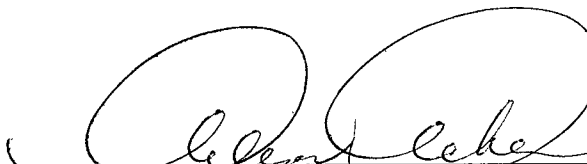
IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

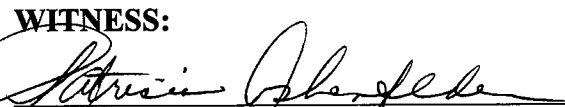
**THE SCHOOL DISTRICT OF
PHILADELPHIA**

APPROVED AS TO FORM:

By: 
Sandra Dungee Glenn
Chairwoman, School Reform Commission


Sherry A. Swirsky
General Counsel


DR. ARLENE ACKERMAN

WITNESS:

Name:

Dated: 5/6/08

Dated: 5/6/08

Exhibit "A"

NON-REPRESENTED SDP EMPLOYEES APPOINTED TO THE POSITION OF DIRECTOR LEVEL AND ABOVE BENEFITS OVERVIEW

Health Plan Coverage

- The SDP provides non-represented employees and their eligible dependents medical, dental (United Concordia), optical (Independence Blue Cross), and prescription (Independence Blue Cross Select Drug Program) coverage at no cost to the employee. You may choose from among any of the following medical health plan options:
 - Keystone 10 HMO
 - Personal Choice 15/25/70

Life Insurance

- Non-represented employees appointed to the position of Director and above receive a life insurance policy of \$20,000 as well as \$25,000 in supplemental coverage through Aetna U.S. Healthcare at no cost to the employee.

Retirement

- The Public School Employees' Retirement System (PSERS) is one of the largest public pension plans in the nation. This defined benefit plan guarantees you a monthly lifetime benefit based on your age, final average salary, and years of credited service after you reach a certain combination of age and/or service.
- Mandatory contribution of 7.5 percent of gross salary deducted on a pre-tax basis. These contributions are deducted from your paycheck and are held by PSERS in a retirement account which earns 4 percent interest annually. Employees can withdraw all contributions and interest upon retirement and still receive the monthly lifetime benefit.

Wage Continuation

- Non-represented employees appointed to the position of Director and above are not entitled to Wage Continuation, however they are granted 1 year of sick leave at 100% of pay.

Tax Sheltered Annuity Program

- A Section 403(b) and Section 457(b) Tax Sheltered Annuity Program has been created through which SDP employees may elect to contribute a portion of their salary on a pre-tax basis to an authorized SDP program-participating carrier.

Flexible Spending Accounts

- Flexible Spending Accounts allow you to set aside dollars on a pre-tax basis to pay for certain expenses related to health care or dependent care. This is also available for parking and transit expenses. Elections are made per calendar year and are taken from your paycheck each pay. Open enrollment is on an annual basis, occurring each November.

Commuter Benefit Program

- The School District of Philadelphia is pleased to offer a Commuter Benefit Program. This benefit is paid with pre-tax dollars deducted directly from your paycheck.

- ***Delaware Valley TransitChek*** has been selected as our commuter benefits provider. This program allows you to pay for all or part of your commuting expenses, on public transit, with pre-tax dollars. Currently, the IRS monthly maximum pre-tax allowance for transit is \$110.00.

Time-Off-Work Programs

- Personal Leave – Granted three (3) days per year beginning on September 1; the three days are prorated if the employment start date is after September 1.
- Personal Illness – do not receive personal illness days, however, they are granted 1 year of sick leave at 100% of pay.
- Vacation – accrue up to 22 days per year. Vacation is accrued on a monthly basis at 1.83 days per month.

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Exhibit "B"

E-2
April 17, 2002

RESOLVED, That the General Counsel shall defend and the School District of Philadelphia shall indemnify and hold harmless Members of the Board of Education, Members of the SRC and officers and employees of the School District, whether or not currently appointed or employed by the School District, against and from any and all personal liability actions, causes of action, and any and all claims made against them whatever for acts performed within the scope of their appointment or employment.