

EMPLOYMENT CONTRACT

Pursuant to a Resolution adopted on May 17, 2000 in accordance with State Education Law Section 2590-h, the Board of Education of the City School District of the City of New York (hereinafter referred to as the "Board") hereby agrees to employ HAROLD O. LEVY (hereinafter referred to as the "Chancellor") as Chancellor of the City School District of the City of New York, subject to satisfactory completion of a background investigation by the Department of Investigation, for the period commencing August 1, 2000 and terminating June 30, 2002 in accordance with the following terms and conditions:

1. DUTIES

The Chancellor shall faithfully perform the duties of the Chancellor of the City School District of the City of New York during the term of this Contract. He shall administer the school system of the City of New York in a manner consistent with city, state and federal law and regulations and the policies, practices and procedures of the Board. The Chancellor shall regularly advise the members of the Board of Education of the accomplishments, failures and needs of the schools of the school system, shall apprise the Board on the condition of the system's finances, and shall furnish the Board with timely information concerning the condition of the schools of the system in sufficient detail to enable the Board of Education and its members to carry out their statutory responsibilities to the school system.

The Chancellor and the Board acknowledge that the Chancellor is the Chief Executive and Administrative Officer of the city school system. His powers, authority and responsibilities are those set forth in statute and in law, which includes administrative responsibility over all staff in the New York City school system except for

those persons reporting directly to the Board of Education or as limited by New York State Law. The Chancellor acknowledges that the Board is responsible for policy formulation and has the authority set forth in statute and in law, as well as the authority and duty to review the performance of the Chancellor.

2. EVALUATION

The Board shall evaluate the Chancellor's performance at least annually. The Chancellor shall be provided an opportunity to discuss said annual evaluation with the Board.

3. SALARY

The Chancellor shall receive an annual salary of Two Hundred Forty-Five Thousand Dollars (\$245,000), which may not be decreased, but may be increased during the term of this Contract. The Chancellor's salary shall be reviewed on an annual basis prior to the commencement of the fiscal year and may be increased by the Board based upon review of the Chancellor's performance, increases in the compensation and fringe benefits granted to managerial staff, the state of the economy and the state of the school budget. The Chancellor shall be given an opportunity to discuss such salary and fringe benefit increases with the Board prior to any determination. If the Board determines to increase the Chancellor's compensation during the term of this Contract or any renewal or automatic extension thereof in accordance with paragraph 13, such increase shall be deemed automatically incorporated into this Contract in accordance with any such resolution adopted by the Board providing for such increased compensation, without the requirement of a written amendment of this Contract.

4. **PROCEEDS FROM RENTAL OF 80 STATE STREET RESIDENCE**

The Chancellor has chosen not to reside at or otherwise make use of the premises owned by the Board and located at 80 State Street in Brooklyn, which premises have been made available by the Board to previous Chancellors as their residence. The premises shall be promptly rented by the Board at a fair market value for residential use. The Chancellor shall receive from the Board an amount equivalent to the proceeds from the rental plus such additional sum as is necessary to offset any increased liability to the Chancellor for federal, state and city income tax. The amount shall be paid to the Chancellor at the same time as his salary.

5. **USE OF AUTOMOBILE AND DRIVER**

Consistent with the terms of paragraph 3 of the employment contract between the Board and the Chancellor executed January 20, 2000 ("Prior Contract") and the parties' practices thereunder, the Chancellor shall continue to be provided at Board expense a Board-maintained automobile and driver and executive protection personnel to enable him to perform his official duties.

6. **ANNUAL LEAVE ALLOWANCE**

The Chancellor shall be entitled to receive paid vacation subject to the following provisions. Paid vacation shall accrue at the rate of two and one half (2½) days per month. Vacations of more than one week's duration are subject to sufficient prior notice to the President of the Board. Vacations shall not interfere with the performance of the Chancellor's duties. The Chancellor shall receive a cash payment for unused vacation days at the expiration of this Contract (computed at the rate of \$1,113.64 per day). Annual leave accrued under paragraph 4 of the Prior Contract shall be carried forward.

7. **SICK LEAVE ALLOWANCE**

The Chancellor shall be allowed sick leave whenever the Chancellor's absence from work is due to personal illness which prevents him from attending work and performing his normal duties on such days, subject to the following provisions. The Chancellor shall earn and accumulate sick leave at the rate of one (1) day per month of employment. The Chancellor shall accumulate earned and unused sick leave and shall be entitled to receive a cash payment of \$1,113.64 for each three days of accrued sick leave at the expiration of this Contract. Sick leave accrued under paragraph 5 of the prior Contract shall be carried forward.

8. **HEALTH AND WELFARE BENEFITS**

The Board shall arrange for and make available to the Chancellor for himself, his spouse and their dependent children a choice of health and hospital coverage which is the same as or comparable to the coverage the Chancellor had immediately before entering into this Contract. The Board shall pay for the full premium cost of such coverage. The Board shall also provide supplemental welfare benefits to the Chancellor for himself, his spouse and their dependent children. It is understood that the Chancellor shall receive coverage under the Management Benefits Fund or other appropriate fund.

9. **ADDITIONAL BENEFITS**

a. **Retirement**

The Board shall make required contributions to the New York City Teachers' Retirement System during the term of this Contract.

b. Disability

Disability benefits shall be those provided by the Management Benefits Fund, that is, 50% of salary payable after six months of disability, up to a maximum of \$60,000 annually up to age 65.

c. Annuity

The Board shall contribute Nine Thousand Five Hundred Dollars (\$9,500) to a Section 403(b) annuity on behalf of the Chancellor.

d. Life Insurance

The Board shall contribute a sum for the payment of premiums on a life insurance policy for the Chancellor which is the same as or comparable to the coverage the Chancellor had immediately before entering into this Contract for the years served by the Chancellor under this Contract or any renewal or automatic extension thereof in accordance with paragraph 13. The Board shall also provide additional compensation equal in amount to any federal income tax liability incurred by the Chancellor in connection with the purchase of such insurance. For this purpose, the Chancellor's rate of tax shall be assumed to be 39.6% and shall be adjusted upward in the event tax rates are increased.

10. OFFICIAL BUSINESS EXPENSES; OUTSIDE ACTIVITIES

a. Attendance at Meetings, Conferences, etc.

The Chancellor may attend and participate in such meetings, programs, conventions and other activities on behalf of the school system as may in his judgment be necessary and appropriate to his responsibilities, provided that if the Chancellor

attends such meetings, programs, conventions and other activities which are of duration longer than one day, he shall provide prior notice to the President of the Board.

b. Reimbursement of Business Expenses

The Board agrees that the Chancellor will be reimbursed for all ordinary and necessary expenditures made by him in connection with his official duties, including, but not limited to, travel, lodging, meals away from home, telephone and related business expenses. Such reimbursement shall be subject to the limitations, restrictions and regulations governing reimbursement of Board of Education employees to the extent that such expenditures are not covered by the sponsoring entity.

c. Membership Dues, Entertainment Expenses

In addition to the reimbursement of expenses described in subparagraph 10b hereof, the Chancellor shall receive from private funds obtained and controlled by the Board and/or from public funds an annual expense allowance of up to \$12,500 to be used to cover the costs of appropriate dues, memberships, meals, meetings, entertainment at home and other similar expenses related to the conduct of official school business, including reasonable supplemental costs for expenses incurred under subparagraph 10b above, which may exceed the maximum allowable reimbursements under rules and regulations governing reimbursements of Board of Education employees. Any unused portion of this annual expense allowance shall be carried over from year to year; in addition, the unused portion of the expense allowance provided for in subparagraph 8c of the prior Contract shall be carried over in this Contract. The Chancellor shall furnish documentation necessary to justify reimbursement.

d. Credit Cards

For expenses incurred after the execution of this Contract, the Chancellor shall be provided a corporate credit card and a telephone credit card for appropriate official expenditures in accordance with subparagraphs 10a and 10c above. The Chancellor shall furnish documentation necessary to justify payment. The Board shall provide prompt payment to each card issuer for approved expenditures. The Board reserves the right to establish reasonable rules regarding the use of such credit card in accordance with the provisions of this paragraph.

e. Audit

The incurring and payment of all expenses under this paragraph are subject to pre-audit and post-audit and approval by the Auditor General of the Board of Education, as well as post-audit by the Comptroller of the City of New York.

f. Outside Activities

In addition to the matters described in subparagraph 10a hereof, it is understood that the position of Chancellor is a full-time position requiring the Chancellor's full-time attention and efforts and that any outside activities shall be limited consistent with his duties and responsibilities as Chancellor. The Chancellor may undertake speaking engagements, guest appearances, lecture, teaching and writing positions. The Chancellor may join the board of directors of any corporation which does not do any business with the Board or the City of New York, provided the President of the Board has approved the Chancellor's holding of such a position, which approval shall not be unreasonably refused. The Chancellor may participate in such activities and may accept honoraria, fees or other compensation for such work. His participation in the

activities described in this subparagraph (i) shall not conflict with his duties, functions and responsibilities as Chancellor or represent a conflict of interest; (ii) if other than occasional activities as more specifically provided for herein, shall be on reasonable prior notice to the President of the Board, whose approval shall not be unreasonably withheld.

11. MEDICAL EXAMINATION

The Chancellor shall be required to submit to and the Board shall annually pay for the full cost of a comprehensive physical examination at a medical center to be selected by the Chancellor. The Chancellor represents that he is in good health and can perform the duties of Chancellor and has provided to the Board a copy of his last annual medical report. All medical reports of the examining physician(s), including his last annual medical report referred to above, detailing the physical condition of the Chancellor shall be filed with the Medical Division of the Board of Education and shall be treated as confidential information by the Medical Division except to the extent that it is appropriate for the Medical Division to discuss such report with the Board. Nothing in this paragraph shall be deemed to limit the Board's authority under law to require the Chancellor to undergo a medical examination by the Board's Medical Division based upon a reasonable belief that the Chancellor is unable to perform his duties because of a disability.

12. TERMINATION/SUSPENSION OF SERVICE

a. This Contract shall automatically terminate upon the death or physical or mental inability of the Chancellor to perform the duties of Chancellor for a period of six (6) months during any one year period.

b. The Board may terminate the services of the Chancellor with or without cause at any time during the term of this Contract, any Renewal Contract or any automatic extension thereof. Upon any such termination, all salary payments and other benefits provided for in this Contract shall be discontinued except for those accrued termination benefits as set forth in paragraph 6 and subparagraph 7c (accrued annual leave; and accrued sick leave earned and accrued during the term of this Contract or any renewal or automatic extension thereof in accordance with paragraph 13). In addition, the Board shall pay to the Chancellor, as severance pay and in full satisfaction of the Board's obligations hereunder a lump sum equivalent to his salary for the lesser of one year or the period remaining on his then contract at the annual rate then in effect, provided that if the Board terminates the Chancellor's services after receiving from him notice of his intention to terminate this Contract, the Board's obligations hereunder shall be discharged by payment to the Chancellor of a lump sum equivalent to his salary for three months and continuing benefits for three months under paragraphs 3, 4, 8 and 9.

c. The Board may suspend the Chancellor with pay up to a maximum of sixty (60) days. During the period of any suspension with pay, the provisions of the paragraphs 1, 5, 6 and 7, and subparagraphs a, b, c, d and f of paragraph 10 of this Contract shall be suspended. However, the Board reserves the right to assign the Chancellor to perform duties similar and equivalent to those performed by consultants to the Board which bear a reasonable relationship to his competence and training and which are consistent with the dignity of his profession.

d. The Chancellor may terminate this Contract at any time, with or without reason. If he gives at least three months prior written notice of such termination, then his salary and benefits described above in paragraphs 3, 4, 8, 9 and 10 shall continue

for at least three months following such notice. But this subparagraph 11d shall not require the Board to provide the Chancellor with more than three months of continuing benefits as described herein if, after the Chancellor gives the Board the notice required herein, the Chancellor fails to continue in office for more than three months for any reason, including removal by the Board.

13. EXTENSION OF EMPLOYMENT

The Board shall give the Chancellor written notice by April 1, 2002 if the Board does not wish to extend the Chancellor's services beyond the period covered by this Contract. Failure by the Board to notify the Chancellor shall be deemed an extension of one (1) year, that is, until June 30, 2003.

14. MODIFICATION

This Contract may not be orally changed or modified; any and all changes must be in writing and executed by the parties thereto.

15. CONTRACT IN ITS ENTIRETY

The parties agree that this Contract contains the entire understanding between the parties and that there are no representations, conditions, understandings, promises or considerations of any nature whatsoever, except as herein expressed or as may be mutually agreed in writing.

16. NEW YORK LAW

This Contract will be construed in accordance with the laws of the State of New York.

17. WAIVER

Any waiver of any provision in this Contract shall not be deemed to be a waiver of any other or of a subsequent breach, and shall not be construed to be a modification of the terms of the Contract.

18. SEVERABILITY

In the event any portion of this Contract shall be declared illegal and unenforceable, the balance of this Contract shall remain viable and binding upon the parties.

The above terms and conditions are hereby accepted and agreed to by the parties.

BOARD OF EDUCATION OF
THE CITY OF NEW YORK

DATE: 9/20/00

BY: William C. Thompson, Jr.
WILLIAM C. THOMPSON, JR.

DATE: 9/20/00

BY: Harold O. Levy
HAROLD O. LEVY

STATE OF NEW YORK)

)

COUNTY OF KINGS)

On this 20th day of September, 2000, personally appeared before me WILLIAM C. THOMPSON, JR., known to me to be the President of the New York City Board of Education, who acknowledged that he had executed the within Contract.

DONNA E. ANDERSON
Notary Public, State of New York
No. 52-4971206
Qualified in Nassau County
Commission Expires Aug. 27, 2002


NOTARY PUBLIC