SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
ADDENDUM TO
SUPERINTENDENT EMPLOYMENT AGREEMENT
ERIC PRATER

This Employment Agreement Addendum (“Addendum”) is made and entered into by and between the Governing Board of the San Luis Coastal Unified School District (“District” or “Board”) and Eric Prater (“Superintendent” or “Dr. Prater”) and is dated for reference purposes as of December 13, 2016.

Recitals

A. Dr. Prater has been employed as the District’s Superintendent since 2010. The terms of Dr. Prater’s employment are set forth in an Employment Agreement approved by the Board on December 15, 2015 (“Agreement”).

B. Under Dr. Prater’s leadership, the District has enjoyed tremendous success, and students have thrived both academically and programmatically.

C. Recently, under Dr. Prater’s leadership and with community support, Measure D was passed. Measure D bond funds will serve to modernize existing facilities and provide learning environments that engender school and community pride.

C. The District has maintained a balanced budget, secured multi-year agreements with all of its labor groups, and enjoys trusting relationships in the community.

D. This past summer the District learned that PG&E was going to close the Diablo Canyon Power Plant effective 2024-2025. This news was difficult for the District as the tax revenues the District earns from the plant total approximately $8 million a year.

E. Under Dr. Prater’s leadership, the District has been able to secure $36,000,000 to mitigate the impacts to the District flowing from closure of the power plant.

F. Dr. Prater desires the stability of home ownership and would like to purchase a home in the San Luis Obispo area so he can continue to serve the community and maintain his position as District Superintendent.

G. Maintaining a strong focus on student achievement, completing the facility projects promised under Measure D, and transitioning the District through the closure of Diablo Canyon Power Plant requires strong and stable leadership. To ensure leadership stability and in recognition of the many benefits the District has secured under Dr. Prater’s leadership, the Board desires to provide a housing loan to the Superintendent in accordance with the terms of this Addendum.

Agreement

1. **Housing Loan.** District agrees to loan the Superintendent the principal sum of up to nine hundred and fifty thousand dollars ($950,000) to assist Superintendent with the acquisition of his primary residence in the San Luis Obispo area. The Superintendent shall repay the Loan on a monthly basis amortized over thirty (30) years, with interest as stated below; and the Loan shall be secured by a first deed of trust on the real property purchased by the Superintendent. The term of the Loan shall commence on the date the Loan is funded through escrow.
2. **Interest.** Superintendent shall pay interest at the applicable federal rate for long-term loans at the rate set for December 2016. The interest rate shall be fixed over the life of the Loan.
3. **Home Location.** The Superintendent shall use his best efforts to purchase a home within the District's geographical boundaries but this shall not be a prerequisite for receipt of the Loan.
4. **Promissory Note/Deed of Trust.** The terms of the Loan shall be set forth in a promissory note, deed of trust, and related documents consistent with the terms of this Addendum.
5. **Title/Title Insurance.** Title to the property purchased with the Loan shall be held by the Superintendent and his spouse as community property. A CLTA or ALTA lender's policy of title insurance, as determined by the District, shall be issued to the District at the Superintendent's cost using the Loan funds.
6. **Costs.** All closing costs, escrow fees, title insurance costs, and other fees associated with the transaction shall be paid using the Loan Funds. The District shall not be responsible for paying any costs or other fees associated with the transaction.
7. **Escrow/Lending Instructions.** The purchase transaction shall be done through an escrow company selected by the District. Lending instructions shall be prepared by the District consistent with the terms of this Addendum.
8. **Prepayment.** The Superintendent shall be entitled to prepay the loan, without a prepayment interest penalty, at any time.
9. **Payroll Deduction.** The Superintendent shall repay the District all costs of the Loan, including principal, interest, property taxes, and other assessments and fees, on a monthly basis through payroll deduction.
10. **Life Insurance.** Under the terms of the Superintendent's current employment agreement, the District purchases a term life insurance policy on the Superintendent's life and the

Superintendent has discretion to name the beneficiary of the policy. The parties agree that the beneficiary designation shall be changed prior to the close of escrow to name the District as the beneficiary for one-half (1/2) of the proceeds of the policy. The Superintendent shall retain the discretion to name the beneficiary with respect to the remaining one-half of the proceeds of the policy. If Superintendent dies, the proceeds received by the District shall be applied to reduce the principal amount of the Loan, plus accrued interest. If the amount of the proceeds received from the life insurance company at the time of death exceed the then-current principal amount of the Loan, plus accrued interest, the balance shall revert to the Superintendent's designated beneficiary. If the Superintendent leaves the District's employment for any reason during the pendency of the Loan, the District may, at its election, continue to purchase life insurance for the Superintendent until the Loan, plus accrued interest, is paid in full. The Parties agree that if the Superintendent separates from the District and the District elects to purchase life insurance on his life, the District will be named as the sole beneficiary on the life insurance policy.

11. **Retention Guarantee.** The Superintendent agrees to remain as the District's Superintendent until at least June 30, 2021. If the Superintendent leaves the District to assume other employment prior to June 30, 2021, the unpaid principal and interest on the note shall be due and payable in full within twenty-four (24) months of the date of the Superintendent's separation from the District. If the Superintendent leaves the District to retire with CalSTRS, or due to death, disability, or due to any involuntary reason prior to June 30, 2021, the unpaid principal and interest on the note may continue to be repaid according to the terms of the Note over the remaining balance of the thirty- (30) year term.

12. **Compensation Restructure-Retention Incentive.** All of the District's employees except the Superintendent have received a one percent (1%) salary increase retroactive to July 1, 2016, for the 2016-17 school year. Under the terms of his Agreement with the District, if Dr. Prater receives a positive evaluation, Dr. Prater will be entitled to an annual two percent (2%) step increase in each of the next four (4) school years (see Agreement, section 3(b)). Additionally, under the terms of the Agreement, if Dr. Prater remains the District Superintendent until June 30, 2019, he will be entitled to a twenty-eight thousand dollar ($28,000) contribution to his IRS Section 403b account. The total value of these step increases, salary increases, and section 403b contributions approximates fifty thousand dollars ($50,000). Superintendent

agrees to forego his right to receive all of these forms of compensation. However, if Dr. Prater remains as Superintendent until at least June 30, 2021, then, in July of 2021, the District shall make a one-time payment of $50,000 to reduce the Loan principal and accrued interest and the repayment schedule shall be amended accordingly.

13. **Tax Issues.** District shall determine all tax issues, including but not limited to, the potential forgiveness of principal on the Note, in the manner required by law. Superintendent expressly represents and warrants his understanding that loan forgiveness in lieu of a District payment into a Section 403b account has tax repercussions and that the potential loan forgiveness in the calendar year 2021 may result in the District treating the reduction on the principal balance of the mortgage as taxable income.
14. **Tax/Retirement Representations**. The District has made no representations or warranties regarding any tax or retirement consequences of this Addendum. All tax and retirement consequences of this Addendum shall be borne exclusively by the Superintendent. Notwithstanding any other provision of this Addendum or the Agreement, the District shall not be liable for any state or federal tax consequences or any retirement consequences of any nature as a result of this Addendum or the Agreement, including but not limited to, the promissory note, life insurance, or other benefits provided to the Superintendent or any designated beneficiary, heirs, administrators, executors, successors, or assigns of the Superintendent. The Superintendent shall assume sole liability for all state and federal tax consequences and all retirement consequences of any nature occurring at any time. The Superintendent agrees to defend, indemnify, and hold the District harmless from all related state and federal tax and retirement consequences of this Addendum and the Agreement.
15. **Promissory Note, Deed of Trust, and Related Documents**. District and Superintendent shall enter into a separate promissory note that addresses specifically the terms of the Loan. Superintendent agrees to execute a Note, a first deed of trust, and all related documents, including documents required through escrow, to effectuate the purpose and intent of this Addendum.
16. **IRS Compliance**. To the extent necessary to comply with Section 409A and section 457 of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of determining Superintendent's entitlement to payments or benefits required to be paid under this Agreement on account of a termination of Superintendent's employment, "termination of

employment" and variations thereof shall mean Superintendent's "separation from service" from the District within the meaning of Section 409A(a)(2)(A)(i) of the Code and the default rules of Treasury Regulations Section 1.409A-1(h) promulgated thereunder, and the "Termination Date" shall be the date of Superintendent's separation from service.

17. **Impact on the Agreement**. All terms and conditions of the Agreement shall remain in full force and effect except as modified by this Addendum. Specifically, the parties agree that Superintendent shall no longer be entitled to any merit-based step increases in accordance with Section 3(b) of the Agreement, the District and the Superintendent will change the beneficiary designated for the term life insurance policy referenced in Section 3(d) of the Agreement, and that Superintendent will not be entitled to the Section 403b contribution set forth in Section 7 of the Agreement.
18. **Execution.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose.
19. **Public Record.** The parties recognize that, once final, this Agreement is a public record and must be made available to the public upon request.

Dated: December 13, 2016

SAN LUIS COASTAL
UNIFIED SCHOOL DISTRICT

Kathryn Eisendrath Rogers

Board President

Dated: December 13, 2016

SUPERINTENDENT

Eric Prater

Eric Prater
Superintendent

This Agreement was approved by the Governing Board in open session at a regularly called meeting held on December 13, 2016.