

incentive paid to the three most highly compensated full-time tenured faculty members of the LBJ School of Public Affairs. Notwithstanding the forgoing, Adm. McRaven shall not be eligible for such one-year paid leave assignment if his employment under this Agreement is terminated pursuant to the provisions of Section VIII.B.

VIII. TERMINATION

A. Resignation. If, during the term of this Agreement, Adm. McRaven resigns from his position as Chancellor, no further compensation or benefits shall be due under this Agreement; provided, however, that the provisions of Section VIII.F shall apply to any such resignation. Adm. McRaven shall provide the System a minimum of ninety (90) days written notice of his resignation to the extent practicable.

B. Termination by the System for Cause. The Board may terminate Adm. McRaven for Cause after giving Adm. McRaven thirty (30) days written notice, during which time Adm. McRaven shall have the right to cure the allegations for Cause, if curable, and a reasonable opportunity to be heard with respect to the grounds for Cause. "Cause" is defined as (1) conviction (including a pleading of nolo contendere) for a felony, (2) conviction (including a pleading of nolo contendere) for a misdemeanor involving moral turpitude that materially impairs Adm. McRaven's ability to discharge his duties hereunder, (3) fraud, (4) embezzlement, (5) theft, (6) engaging in conduct that displays a continual and serious disrespect or disregard for the Board and/or the System; or (7) engaging in conduct by Adm. McRaven that brings material public disrespect, contempt or ridicule upon University of Texas institutions and/or the System, or creates a material adverse effect on the reputation and/or brand of University of Texas institutions and/or the System. Upon termination for Cause, no further compensation or benefits shall be due under this Agreement; provided, however, that the provisions of Section VIII.F shall apply to any such termination.

C. Termination by the System Without Cause. The System may terminate this Agreement without Cause at any time by giving ninety (90) days written notice to Adm. McRaven. In such event, Adm. McRaven shall be entitled to receive his base salary for the remainder of the three-year term of this Agreement, as set forth in Section III. In addition, Adm. McRaven shall receive any Retention Bonus, Contingent Performance Bonus (at target) during the remainder of the term and a pro rata portion of the Completion Payment, all payable in a lump sum promptly upon such termination. Any such payments shall not exceed an amount equal to the discounted net present cash value of the contract on termination at the market rate of interest at the time of termination. If he elects to assume faculty status, Adm. McRaven will be entitled to continue his participation in the System's retirement program, health and dental, and life insurance as an employee of the System consistent with then-current System policy and state and federal law. The System's obligations to make payments as described above shall be reduced to the extent of Adm. McRaven's compensation from new full-time employment after such termination and during the remainder of the three-year term of this Agreement. Such reduction shall include amounts received by Adm. McRaven by reason of his taking a one-year paid leave assignment and/or assuming faculty status as provided in Section VII. Adm. McRaven agrees to provide reasonable evidence of his new full-time employment salary under this paragraph. The provisions of Section VIII.F shall apply to any such termination.

D. Permanent Disability. If Adm. McRaven becomes permanently disabled during his service as Chancellor, this Agreement shall terminate effective on the date of permanent disability and he shall receive all benefits to which he is entitled pursuant to the System's disability insurance plans in which he participates and payout of the then-current balance in the Deferred Compensation Plan.

For purposes of this Agreement, "Permanent Disability" shall mean the inability of Adm. McRaven to perform the essential functions of the position of Chancellor for a period of six (6) continuous months, with reasonable accommodations (as such term is defined in 42 U.S.C. § 12111(9), as amended, and in the applicable law interpreting same).

E. Death. In the event of the death of Adm. McRaven during the term of this Agreement, his compensation and benefits shall cease immediately and this Agreement shall terminate effective on the date of death. As determined by state and/or federal laws, Adm. McRaven's estate shall be entitled to receive all benefits to which he is entitled under the System's various insurance plans and payout of the then-current balance in the Deferred Compensation Plan.

F. Effect of Termination. Termination of this Agreement under any of the foregoing paragraphs shall not affect any retirement, welfare (including but not limited to medical, death, and disability programs), or any other benefits accrued as of the date of such termination under any program or plan established and maintained by the System for which Adm. McRaven qualifies or in which Adm. McRaven participates, all of which shall be governed by their respective terms.

IX. MISCELLANEOUS

A. General. Other than the Deferred Compensation Plan, this Agreement is the complete agreement between Adm. McRaven and the System concerning the employment of Adm. McRaven by the System and the appointment of Adm. McRaven as Chancellor, and shall, as of the Effective Date hereof, supersede any other agreements between the parties. The parties stipulate that neither of them has made any representation to the other with respect to the subject matter of this Agreement except such representations as are specifically set forth herein. No modification of this Agreement or any part thereof shall be valid unless in writing and signed by both Adm. McRaven and the Chairman of the Board of Regents on behalf of the System. If any provision of this Agreement shall be determined to be void, invalid, or unenforceable or illegal for any reason, it shall be ineffective only to the extent of such prohibition, and the validity and enforceability of all the remaining provisions shall not be affected. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and sent by registered mail to his residence address, in the case of Adm. McRaven, or to the Office of the Board of Regents, in the case of the System, addressed to the attention of the Chairman of the Board. The rights and obligations of the System under this Agreement shall inure to the benefits of and be binding upon successors and assigns of the System. Adm. McRaven may not assign any of his rights or obligations under this Agreement. This Agreement is intended to fully comply with all applicable state and federal laws and System regulations and any provision to the contrary shall be null and void. This Agreement shall be governed and construed, and the rights and obligations of the parties hereto shall be determined, in accordance with the laws of the State of Texas.

B. Enforcement. The payments and benefits provided in Section VIII (or cessation thereof) have been carefully considered and agreed upon by the System and Adm. McRaven and represent the sole obligations of the System resulting from Adm. McRaven's termination under the circumstances defined therein.

C. Mediation. If a dispute arises out of or related to this Agreement and the dispute cannot be settled through direct discussions, the System and Adm. McRaven agree that they shall first endeavor to settle the dispute in an amicable fashion, including the use of non-binding mediation. Within fifteen (15) days after delivery of a written notice of a request for mediation from one party to the other, the dispute shall be submitted to a single mediator chosen by the parties in Austin, Texas. The cost of mediation shall be paid by the System.

D. Counterparts. This Agreement may be executed in counterparts, and by the parties on separate counterparts each of which, when so executed, shall constitute but one of the same instrument.

[Remainder of Page Intentionally Left Blank – Signature Page to Follow]

SIGNED AND EXECUTED in duplicate originals as indicated below, but effective as of the Effective Date.

Adm. William H. McRaven, USN (Ret'd).

Date Signed: _____

THE UNIVERSITY OF TEXAS SYSTEM

Paul L. Foster
Chairman, Board of Regents

Date Signed: _____