

**EMPLOYMENT AGREEMENT**  
**BETWEEN THE UNIVERSITY OF TEXAS SYSTEM**  
**AND WILLIAM H. McRAVEN, Admiral, USN, Retired**

**THIS EMPLOYMENT AGREEMENT** (this "Agreement") is effective on the date The University of Texas System Board of Regents ("Board"), votes to ratify this Agreement ("Effective Date"), and is by and between THE UNIVERSITY OF TEXAS SYSTEM ("System") and WILLIAM H. McRAVEN, Admiral, USN, Retired ("Adm. McRaven").

**RECITALS**

A. The System and Adm. McRaven herein enter into the Employment Agreement dated as of the Effective Date.

B. The parties acknowledge that Adm. McRaven was offered and has accepted the position of CHANCELLOR of THE UNIVERSITY OF TEXAS SYSTEM ("Chancellor") on the terms set forth in this Agreement.

C. Adm. McRaven's years of experience and tenure in senior leadership positions and his background, talents, and abilities uniquely qualify him to hold the position of Chancellor of The University of Texas System.

D. This Agreement and its execution have been duly authorized by the Board, subject to full Board ratification at the next scheduled Board meeting.

**AGREEMENT**

**NOW, THEREFORE**, for and in consideration of the mutual benefits and consideration received and to be received by the respective parties, Adm. McRaven is employed as Chancellor upon the following terms, conditions, covenants, and agreements:

**I. EMPLOYMENT AND APPOINTMENT**

Adm. McRaven's employment with the System shall be effective December 1, 2014, and his employment as Chancellor shall be effective January 5, 2015.

**II. TERM OF AGREEMENT**

The term of this Agreement shall begin as of the Effective Date, and such term shall continue for a period ending January 5, 2018, subject to earlier termination as provided in Section VIII hereunder. During the period from December 1, 2014, through January 4, 2015, Adm. McRaven shall be employed as a non-salaried employee of the System holding the position of Chancellor-Designate.

### III. SALARY AND OTHER COMPENSATION

A. Base Salary. Adm. McRaven shall be remunerated for services rendered as Chancellor based on an annual base rate salary of \$1,200,000 per year payable in accordance with the System's established pay practices, with such compensation to begin as of January 5, 2015. The Board will review Adm. McRaven's performance and overall compensation at least annually commencing on or before the start of each calendar year during the term of this Agreement.

B. Annual Retention Payment. In consideration of Adm. McRaven's commitment and service described in this Agreement, the System agrees to pay Adm. McRaven an annual retention bonus in the amount of \$100,000 ("Retention Bonus"). The Retention Bonus shall be due and payable within sixty (60) days of the Board's completion of Adm. McRaven's annual performance evaluation, with the first annual performance evaluation performed no later than November 2015, and the first Retention Bonus to be due and payable on or before December 30, 2015.

C. Contingent Performance Review Payment. Upon completion of mutually agreed annual achievement efforts, the System may pay Adm. McRaven, an additional annual performance bonus in the amount of \$200,000 ("Contingent Performance Payment"). The Contingent Performance Payment, if awarded, shall be due within sixty (60) days of the Board's completion of Adm. McRaven's annual performance evaluation. The Board of Regents may award a greater Contingent Performance Payment in its discretion based upon outstanding effort.

D. Contingent Contract Completion Payment. In consideration of Adm. McRaven's successful completion of the full term of this Agreement, the System agrees to pay Adm. McRaven a contract completion payment in the amount of \$300,000 ("Completion Payment"). The Completion Payment, if awarded, shall be due and payable within thirty (30) days of Adm. McRaven's full term as Chancellor under this Agreement, with the Completion Payment to be due and payable within sixty (60) days after January 5, 2018.

E. One-Time Contract Commencement Payment. The System agrees to pay Adm. McRaven a one-time payment in the amount of \$300,000, within thirty (30) days of the Effective Date. This payment is in lieu of any additional payment for costs associated with the moving, storage, relocation and transitional living expenses of Adm. McRaven and [REDACTED] and any other expenses related to relocation.

F. Notwithstanding anything to the contrary herein, the payments described in this Section III are subject to Section VIII of this Agreement.

### IV. PERFORMANCE

Adm. McRaven shall serve, and shall oversee and administer the activities and operations of the System with maximum application of effort, experience and ability consistent with Board and System policy. Adm. McRaven agrees to devote his full-time and attention and to use his talents and best efforts to perform the duties assigned to him as Chancellor, by this Agreement and by law. Adm. McRaven may, with prior written consent of the Chairman of the Board, participate

as a member of board(s) of directors of for-profit and nonprofit corporations, subject to all applicable U.T. System and Board policies. Adm. McRaven may also expend reasonable time on charitable and other professional activities; provided that these activities do not interfere with his full and faithful performance of duties as Chancellor. Specifically, Adm. McRaven shall be permitted to engage in up to 6 outside speeches per year as mutually agreed to by the Chairman of the Board and Adm. McRaven, or by prior written consent, and to serve on not less than one for-profit board, subject to state law, *Regents' Rules*, the System's conflicts policy and approval. All income or other compensation due Adm. McRaven in connection with any approved outside activities shall be paid to and retained by him and reported in accordance with applicable law and established System policy.

## V. RESIDENCE

Adm. McRaven shall be required, as a condition of employment and for the benefit and convenience of the System, to live in Bauer House in Austin, Texas ("Residence"). Residence at Bauer House is required to assist the Chancellor in the proper performance of his duties of employment and to serve the best interests of the System. This requirement results from the nature of the System's responsibilities and the need for the Chancellor to accommodate student and staff meetings, System events, and other official functions at the Residence in the performance of his duties. The System shall provide adequate clerical and custodial staff to Adm. McRaven and shall provide or pay for all reasonable maintenance and operating expenses, including without limitation, grounds keeping, housekeeping, and repair on the Residence. The housekeeping services may be utilized related to the personal portion of Bauer House. Personal services must be documented and the value of these services will be reported as taxable income.

Adm. McRaven may use the Residence for entertaining community groups, associations, individuals, alumni, prospective university friends, donors and anyone else judged by the Chancellor to advance the System and its mission. Costs associated with such events shall be paid by the System. In addition, it is acknowledged that the house serves as the personal residence of the Chancellor and, as a result, there will be occasions where entertaining of a personal, rather than business nature will occur. In such situations the use of the Residence is permissible but the Chancellor is personally responsible for the costs of such personal entertainment.

As Bauer House and most of its contents are defined as state property under the laws of the State of Texas, the System is required to have an annual physical inventory. Adm. McRaven agrees to make the Bauer House and the state property therein available to the System to conduct this inventory during the timeframe scheduled for the annual property inventory, and at mutually convenient times prior to the termination of this Agreement. All efforts will be made to ensure that all personal non-state property owned by Adm. McRaven and [REDACTED] will not be included in the inventory.

Upon termination of this Agreement or upon cessation of service as Chancellor, Adm. McRaven agrees to vacate the Residence within thirty (30) days. The [REDACTED] of Adm. McRaven has ninety (90) days to vacate the residence if Adm. McRaven dies or becomes permanently disabled during the term of this Agreement. All property within the Bauer House that is deemed

state property shall remain in the Bauer House upon Adm. McRaven vacating the Residence as described herein. Adm. McRaven shall be entitled to occupy Bauer House on December 1, 2014, his first day of employment with the System.

## VI. BENEFITS

A. Employee Benefits Generally. Adm. McRaven shall be entitled to participate in all benefits programs customarily available to senior executives of the System in accordance with applicable state and federal laws and the System's rules and regulations governing such programs, including without limitation group life insurance with a death benefit of \$1,500,000.

B. Supplemental Retirement Provisions. Adm. McRaven and the System have agreed to enter into a deferred compensation agreement effective on January 5, 2015, (the "Deferred Compensation Agreement"). The Deferred Compensation Agreement will provide Adm. McRaven with deferred compensation benefits for the period from January 5, 2015 through January 5, 2018. For each of the calendar years 2015, 2016 and 2017, the System will credit Adm. McRaven's account under the Deferred Compensation Plan with \$400,000, for a potential total of \$1,200,000 of deferred compensation contributions. Subject to acceleration of vesting in the case of death, disability, involuntary termination without cause, Adm. McRaven will vest in the amounts credited to his account as set out in the Deferred Compensation Plan.

C. Club Memberships. Adm. McRaven shall be provided the use of a membership in and payment of the dues and reasonable expenses of such club memberships as deemed appropriate and approved in writing by the Chairman of the Board to assist in the discharge of his official duties.

D. General Expenses. Subject to the limitations of the laws of the State of Texas, the System shall allocate sufficient funds for Adm. McRaven's office and for salaries for personnel required to staff such office, travel, official entertainment expenses and other official activities. Adm. McRaven's reasonable travel, entertainment and other business expenses incurred in his capacity as Chancellor shall be paid or reimbursed with an appropriate source of funds. Subject to State of Texas travel guidelines and laws and applicable *Regents' Rules*, the System shall cover the reasonable costs of travel and entertainment expenses of Adm. McRaven's [REDACTED] when [REDACTED] him on travel or entertainment for the benefit of the System. The expenses of Adm. McRaven and [REDACTED] shall be reviewed and approved pursuant to applicable *Regents' Rules*.

## VII. TENURE

Subject to normal academic review and approval procedures, Adm. McRaven shall be appointed as Professor of Public Affairs, with tenure, at The University of Texas at Austin. Pursuant to such tenure, Adm. McRaven shall be eligible for one (1) year of paid leave assignment at his academic salary after serving at least four (4) years as Chancellor, to prepare for faculty duties at the assigned academic rate. Consistent with the provisions of Texas Education Code §51.948(c), the total academic rate compensation will be set at an amount at least equal to the average of the total academic rate compensation not including applicable

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: \_\_\_\_\_