



Office of the President
Oregon State University, 600 Kerr Administration Building, Corvallis, Oregon 97331-2128
Phone 541-737-4133 | Fax 541-737-3033

To: Scott Barnes
From: Edward J. Ray, President
Date: December 22, 2016
RE: Memorandum of Understanding Regarding Employment

On behalf of Oregon State University ("University"), I am pleased to offer you the position of Vice President and Director of Intercollegiate Athletics ("Athletic Director") for the University, with duties customarily performed by an athletic director of a "Pac-12" collegiate institution, effective upon satisfactory completion of all background checks or February 13, 2017, whichever date is later (the "Effective Date"). The essential terms of our offer are described below in this Memorandum of Understanding, and will be set forth in a formal employment contract with the University that is substantially similar in form to Exhibit A attached hereto and incorporated by reference, to be executed at the earliest possible date ("Employment Agreement"). Your acceptance of this offer will constitute a binding agreement between you and the University until such time that the Employment Agreement is fully executed, after which the Employment Agreement will be the binding agreement.

I. **Term of Employment Agreement:** Six (6) years

II. **Base Salary**

- A. Annual Base Salary: \$850,000
- B. Annual 3% cost of living increase.

III. **Incentive Compensation**

A. Annual bonus* for each year in which the football team achieves the following milestones:

- | | |
|--------------------------------------|----------|
| a. Pac-12 North champion | \$5,000 |
| b. Pac-12 champion | \$10,000 |
| c. Post season bowl game participant | \$15,000 |

B. Annual bonus* for each year in which the men's basketball team achieves the following milestones:

- | | |
|-----------------------------------|----------|
| a. Pac-12 regular season champion | \$5,000 |
| b. Pac-12 tournament champion | \$5,000 |
| c. NCAA tournament participant | \$15,000 |

*These annual bonuses are not cumulative (*i.e.*, the maximum amount payable for each of these categories is \$15,000 a year)

- C. Annual \$5,000 bonus for each year in which any University intercollegiate sports team (men's or women's) *other than* football or men's basketball wins a PAC-12 regular season championship or Pac-12 championship game.
- D. Annual \$5,000 bonus for each year in which all University intercollegiate sports teams (men's and women's) finish in the top half of the Pac-12 conference.
- F. Annual \$5,000 bonus for each academic year in which the football and men's basketball teams' APR scores achieve top 6 in Pac-12.
- G. Annual \$5,000 bonus for each academic year in which the school APR composite score places it in the top 6 in the Pac-12.
- H. Annual \$20,000 bonus for achieving agreed upon financial stability goals consistent with the University's Athletics Financial Stability Plan. The President will authorize payment depending solely upon his assessment of the Athletic Director's performance measured against those goals. Any payment under this section is non-recurring and may be reduced or eliminated in the sole discretion of the President.
- I. Annual \$10,000 bonus. The Athletic Director shall establish a multi-year fundraising plan, developed in conjunction with the OSU Foundation and approved by the President. The President will authorize payment depending solely upon his assessment of the Athletic Director's performance measured against the goals established in that plan. Any payment under this section is non-recurring and may be reduced or eliminated in the sole discretion of the President.
- J. Annual \$10,000 bonus. The Athletic Director shall develop a multi-year athletic facility master plan which must be developed and coordinated in conjunction with the University's capital planning process and approved by the President. The President will authorize payment depending solely upon his assessment of the Athletic Director's performance measured against the goals established in that plan. Any payment under this section is non-recurring and may be reduced or eliminated in the sole discretion of the President.
- K. Annual \$10,000 bonus. The President will meet with the Athletic Director annually to establish goals related to the maintenance and growth of

programs designed to enhance student athlete welfare, including their transition to post collegiate life. President will authorize payment depending solely upon his assessment of the Athletic Director's performance measured against those agreed upon goals. Any payment under this section is non-recurring and may be reduced or eliminated in the sole discretion of the President.

- L. Contract Fulfillment bonus. \$300,000 to be paid upon completion of full term of the Employment Agreement. University to forgive any loan under Section V(B).

NOTE – If all possible bonuses are earned, the total base salary and incentive compensation paid to Athletic Director each year is \$975,000 (excluding the Contract Fulfillment Bonus).

IV. Moving Expenses

- A. Up to \$75,000 consistent with University policy. If you terminate employment with the University without cause prior to June 30, 2019, you will reimburse University for any moving expenses paid to you.

V. Contract Termination Expense

- A. University pays up to \$400,000 of the contract termination expense.
- B. University will reimburse Athletic Director for up to \$250,000 in state and federal income tax liability incurred and paid by Athletic Director resulting from University's payment of the contract termination expense ("Contract Termination Expense") on behalf of Athletic Director (the "Tax Equalization Payment") within 10 days after Athletic Director's payment of such tax liability and written request to University for reimbursement. The Tax Equalization Payment is a loan by University to Athletic Director and will accrue interest at the mid-term Applicable Federal Rate as of the date such loan is made. (The mid-term Applicable Federal Rate is 1.47% per annum as of December 2016, but may be different at the time the loan is made.) The loan shall mature and be payable upon the earlier to occur of the termination or expiration of Athletic Director's employment with University or six (6) years after the date the loan is made and will be documented after Athletic Director's payment of his 2017 income taxes in a written promissory note payable to University containing typical terms for an unsecured instrument for such purposes. University and Athletic Director anticipate that the Contract Fulfillment bonus payable to Athletic Director, assuming it is earned under the terms of Athletic Director's Employment Agreement, may be used to pay the loan at its maturity.
- C. Both parties agree to cooperate to minimize tax exposure.

VI. Additional Benefits in Furtherance of Athletic Department Programs

- A. Complimentary tickets - 12 to men's basketball home games, 12 to football home games, and other tickets in the same numbers as provided to Department staff per department policy.
- B. Family travel - spousal travel to regular season away competition in an amount not to exceed \$5,000 each year. Dependent children travel to one post-season competition. Spouse may accompany AD to any football bowl game or any national level post-season men's or women's basketball tournament as part of the University's official party.
- C. University will pay the cost for AD's full membership in the Corvallis Country Club.
- D. Annual \$20,000 car allowance.
- E. All standard employee benefits on the same terms as provided to other full-time, unclassified OSU employees, including but not limited to health, life, and disability insurance and retirement benefits.
- F. An athletic director's box for football home games.

VII. Signing Bonus

- A. University will pay you a signing bonus of \$25,000 within 30 days of the date all parties sign this Memorandum of Understanding.

VIII. Early Termination by Athletic Director

If you terminate your employment before the expiration of the six (6) year term, you will pay, or cause to be paid by your subsequent employer, to University, an amount equal to the sum of the following:

- As liquidated damages, an amount equal to the base salary that would be due you for the remaining term of the Employment Agreement;
- As repayment of the unamortized portion of the Contract Termination Expense and accelerated repayment of the Tax Equalization Payment (including all accrued interest) made by the University as described in Paragraph V above, the unamortized portion of the Contract Termination Expense is an amount determined by (i) dividing the Contract Termination Expense by seventy-two (72), and (ii) multiplying the quotient so determined in (i) by the number of complete and partial months remaining in the six (6) year term as of the effective date of termination.

One half of the payment will be due within 30 days after the effective date of termination, the remainder will be payable on a monthly basis over what would have been the remaining term of the Employment Agreement. Any amount paid after the 30 days will accrue interest as provided in the Employment Agreement.

This Memorandum of Understanding supersedes any understandings, agreements, or representations, oral or written, not specified herein with respect to the terms and conditions of your employment as Athletic Director, and will be governed by Oregon law.

If you are in agreement with the foregoing, kindly sign and return to me a copy of this Memorandum of Understanding as soon as possible.

Sincerely,



By: _____
Edward J. Ray, President

12/22/2016
Date

Agreed to and Accepted:



By: _____
Scott Barnes

12/22/2016
Date