DEPARTMENT OF THE NAVY
OFFICE OF THE SUPERINTENDENT
UNITED STATES NAVAL ACADEMY
121 BLAKE ROAD
ANNAPOLIS, MARYLAND 21402-5000

April 8, 2010

MEMORANDUM

From: Superintendent
To: Director of Athletics

Subj: EMPLOYMENT AGREEMENT DATED JUNE 1, 2008

1. The purpose of this document is to memorialize the subject agreement with respect to Paragraph 3b Deferred Compensation of the employment contract dated June 1, 2008.

2. Paragraph 3b states that deferred compensation is contingent on the Director of Athletics remaining at the United States Naval Academy through May 31, 2015.

3. The Director shall also maintain specific measurable objectives during his tenure.

4. The following details the performance required to qualify for the Deferred Compensation Plan.

   a. During the Director's tenure the graduation rate for student athletes at the United States Naval Academy shall meet or exceed the national average for Division I intercollegiate athletic programs that are members of the Bowl Championship Series.

   b. During the Director's tenure the cumulative overall winning percent of all Division I teams at the United States Naval Academy shall exceed 50%.

J. L. FOWLER
Vice Admiral, U.S. Navy
Superintendent

CHET S. GLADCHUK
Director of Athletics

R. C. Parsons
Deputy for Finance
Witness

DEPARTMENT OF THE NAVY
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NAVAL ACADEMY ATHLETIC ASSOCIATION ATHLETIC DIRECTOR EMPLOYMENT CONTRACT

This Contract, entered into this 5th day of June, 2009, is made between the Naval Academy Athletic Association (the "Association") and Chet S. Gladchuk (the "Director") (together, the "Parties").

RECITALS

WHEREAS, the Parties to this Contract entered into a Contract of Employment dated September 4, 2001 (the "2001 Contract");

AND WHEREAS, the 2001 Contract was amended by the Parties on July 19, 2004, and June 1, 2008;

AND WHEREAS, the Parties wish to replace the 2001 Contract, as amended, with a consolidated agreement that incorporates the terms of the 2001 Contract, as amended,

NOW THEREFORE, for the mutual promises contained herein and other consideration, the adequacy of which is acknowledged by the Association and the Directors, the Parties agree as follows:

1. **Employment.** The Association hereby employs the Director, and the Director hereby accepts such employment, in accordance with the terms and conditions set forth in this Contract.

2. **Duties of Director.**

   a. **Job Assignment.** The Director shall serve in a dual capacity as both Director of Athletics of the United States Naval Academy ("USNA") and President of the Association, a private non-profit organization. In this dual capacity, the Director shall:

      i. Support the Superintendent in the execution of the Mission of USNA: "To develop Midshipmen morally, mentally and physically and to imbue them with the highest ideals of duty, honor and loyalty in order to graduate leaders who are dedicated to a career of naval service and have potential for future development in mind and character to assume the highest responsibilities of command, citizenship and government.";

      ii. Supervise the handling of the affairs of the Athletic Department of USNA and the Association in accordance with National Collegiate

Athletic Association ("NCAA") rules and regulations, federal statutes and regulations as appropriate, the Constitution of the Association and the Operating Agreement between USNA and the Association;

iii. Be responsible for the performance of duties of all subordinate officers and employees;

iv. Be responsible for the execution of all established policies, orders and resolutions of the Association's Board of Control (the "Board");

v. Represent USNA and the Association in negotiations for contracts related to athletics that may be authorized by the Board;

vi. Sign on behalf of the Association, all deeds, leases, mortgages and other documents conveying or otherwise pertaining to real property or any interest in real property, title to which is held by the Association; and

vii. Be the custodian of the resources and properties of the Association.

b. **Additional Responsibilities.** In the performance of his duties, the Director shall:

i. Be subject to the direction of the Superintendent of USNA (the "Superintendent") in all matters at all times;

ii. Communicate and routinely consult with the Superintendent regarding all matters of strategic vision and policy;

iii. Support and coordinate with the Superintendent in matters of donor cultivation and stewardship;

iv. Defer to the direction of the Commandant of Midshipmen of USNA in those matters that fall within the jurisdiction of such Commandant; and

v. Assist and support the Board in the execution of the Board's responsibilities set forth in the Association's Constitution.

c. **Rules and Regulations.**

i. **Standards of Conduct.** As a representative of USNA, the Director is expected to uphold the highest standards of personal and ethical behavior.

ii. **Financial Disclosure.** The Director will continue to report any confidential financial disclosure information to the NCAA in accordance with NCAA guidelines applicable to Division I Athletic Directors.

3. **Compensation of the Director.**

a. **Salary.** Effective June 1, 2009, the Association shall pay the Director the sum of (b) (4), (b) (6) [redacted] per year as base salary, such salary to be paid in semi-monthly installments. In addition to the cost of living raises provided for in Section 3(c) of this Contract, the base salary of the Director shall be increased by an additional (b) (4), (b) (6) [redacted] on June 1st in each of the years 2010, 2011, 2012, 2013 and 2014. In return for the Director's commitment to remain at Navy for the remainder of his active career, this base salary compensation may be periodically reviewed by the Superintendent in order to ensure the Director remains in the top (b) (4), (b) (6) [redacted] compensation level of NCAA Division I Athletic Directors.

b. **Retention Incentive.** In addition to the base salary described above, the Director shall continue to be paid the sum of (b) (4), (b) (6) [redacted] per year as a retention incentive.

c. **Deferred Compensation.** Effective 1 June 2008, the Association shall establish an Employer Contribution to a New 457(f) Plan in the amount of (b) (4), (b) (6) [redacted] per year. This new plan will vest, and be taxable in full, on 31 May 2015. Assuming the Director remains at Navy, the terms are targeted, but not guaranteed, to produce a lump sum in 2015 that represents 65% of the estimated salary of the Director in 2015, reduced by a factor of 14 years of total service at the United States Naval Academy divided by 30 years of total career service.

d. **Cost of Living Raises.** The Director shall continue to be eligible for cost of living salary increases as part of the annual review of all Association employees. These raises shall become effective on September 1st of each year, commencing September 1, 2009, and continuing for each year of employment, including any future extensions.

e. **Bonuses.** The Director shall be eligible for performance bonuses based upon objective criteria periodically developed by the Director and approved by the Superintendent during the term of this Contract. Additionally, the Association will also pay to the Director the following:

i. The sum of (b) (4), (b) (6) [redacted] if the composite military performance grade for all varsity athletes at the end of the academic year equals or exceeds the composite average for all midshipmen for the same period; the sum of (b) (4), (b) (6) [redacted] (b) (4), (b) (6) [redacted] if the composite conduct grade for all varsity athletes at the end of the academic year equals or exceeds the composite average for all midshipmen for the same period; and the sum of (b) (4), (b) (6) [redacted] if the composite semester quality point rating ("SQPR") for all varsity athletes equals or exceeds the composite average for all midshipmen for the same period.

ii. The sum o (b) (4), (b) (6) [redacted] for a 20% increase in season football tickets over the previous year's total, and the sum of (b) (4), (b) (6) [redacted] for a 20% increase in season basketball tickets over the previous year's total.

iii. The sum of (b) (4), (b) (6) [redacted] each time the USNA football team defeats the football teams of both the United States Military Academy ("USMA") and the United States Air Force Academy in the same season.

iv. The sum of (b) (4), (b) (6) [redacted] each time the USNA football team is selected for and plays in an NCAA post-season bowl game.

v. One of the following sums once each sports year when varsity athletic teams of USNA win Patriot League Tournament Championships in the same school year:

1. 4 Championship Wins: (b) (4), (b) (6) [redacted]
2. 5 Championship Wins:
3. 6 Championship Wins:
4. 7 Championship Wins:
5. 8 Championship Wins:
6. 9 Championship Wins:

In addition, the sum of (b) (4), (b) (6) [redacted] shall be paid to the Director when USNA places first in overall competition among all school in the Patriot League.

vi. One of the following sums once each sports year when varsity athletic teams of USNA win competitions against athletic teams of USMA in the same school year:

1. 1 Win More Than USMA: (b) (4), (b) (6)
2. 2 Wins More Than USMA: [redacted]
3. 3 Wins More Than USMA: [redacted]
4. 4 Wins More Than USMA: [redacted]
5. 5 Wins More Than USMA: [redacted]
6. 6 Wins More Than USMA: [redacted]
7. 7 or More Wins More Than USMA: [redacted]

(For example, if the USNA overall program against USMA is 16-13 in one sports year, the bonus would be calculated as "3 More Wins Than USMA" and the bonus would be (b) (4), (b) (6) [redacted]

vii. The sum of (b) (4), (b) (6) [redacted] each time a USNA varsity team wins a National Championship in Football, Men's or Women's Basketball, Men's or Women's Lacrosse, Men's or Women's Soccer, Men's Baseball, Men's Heavyweight Crew, Women's Crew, or Men's Lightweight Crew. The sum of (b) (4), (b) (6) [redacted] each time a USNA varsity team wins a National Championship in Squash, Golf, Tennis, Wrestling, Gymnastics, Men's or Women's Swimming, Men's or Women's Cross Country, Sprint Football, Water Polo, Men's or Women's Indoor or Outdoor Track, Volleyball, Rifle, or Diving.

viii. The sum of (b) (4), (b) (6) [redacted] upon completion of construction of a new Rugby Complex.

ix. "Face of the Navy" bonus – the sum of (b) (4), (b) (6) [redacted] each time there is a national rating of 2.5 or higher for an Army-Navy Football telecast and an additional sum of (b) (4), (b) (6) [redacted] each time there is a national rating of 3.2 or higher for an Army-Navy Football telecast.

x. The sum of (b) (6) (b) (4) [redacted] upon completion of construction of an expansion to Ricketts Hall.

4. **Director Benefits.**

a. **Government Housing.** At the request of USNA, and to facilitate the effective administration of his duties while so employed, the Director and his immediate family will occupy Government quarters at USNA as available and as assigned by the Superintendent and Lincoln Housing.

(b) (6), (b) (2)

[redacted]

b. **Annual Leave.** The Director will be entitled to (b) (6), work days' annual leave per calendar year. The Director will notify the Superintendent at least seven days in advance of his intent to take annual leave in excess of three days. Annual leave may be accrued and carried over as outlined in the Association's Employee Benefits Plan. Upon termination, for any reason, accrued annual leave will be forfeited without compensation.

c. **Sick Leave.** The Director will be entitled to (b) (6), (b) days sick leave per calendar year. Sick leave may be accrued and carried over as outlined in the Association's Employee Benefits Plan. Upon termination, for any reason, accrued sick leave will be forfeited without compensation.

d. **Leave of Absence.** The Director will be entitled to other leave (e.g., emergency leave attendant to a death or critical illness in his or his spouse's immediate family) for a period of three work days per calendar year. Additional time may be authorized by the Superintendent.

e. **Moving Expenses.** On or after May 31, 2015, the payment of moving expenses associated with retirement of the Director or termination without cause is authorized. Payment of moving expenses associated with termination of this contract for cause is not authorized.

f. **Reimbursable Business Expenses.** In addition to his compensation, the Director will be entitled to receive reimbursement for all expenses incurred by him while executing the business of the Association and traveling in furtherance of the business of the Association and in the performance of his duties as Director, subject to such reasonable rules and regulations as imposed by the Board or by the Superintendent.

g. **Medical and Dental Expenses.** At his own election, the Director and his immediate family will be entitled, subject to medical qualification, to participate in any medical or dental plan in use by the Association.

h. **Automobile Expenses.** The Director will be entitled to the use of one vehicle to be furnished by the Association. Appropriate liability insurance for this vehicle (b) (6), (b) (2) [redacted]

i. **Complimentary Tickets.** The Director will be entitled to 12 complimentary tickets for his personal use for home football games at

Navy-Marine Corps Memorial Stadium and for the Army-Navy Football game.

j. **Courtesy/Honorary Memberships.** The Director will be entitled to a courtesy family membership in the Naval Academy Golf Association as well as an honorary membership provided by the Annapolis Yacht Club (AYC). The honorary membership in the AYC is provided by the club (b) (6), (b) (2) [redacted] Legitimate business expenses of the Director at the AYC will be paid by the Association and personal expenses at the AYC will be paid by the Director.

k. **Life Insurance.** Subject to medical qualification, the Director shall be provided a term life insurance policy for (b) (6), (b) (4) [redacted] (b) (6), (b) (4) [redacted] at Association expense. The policy shall be put in place as soon as feasible and remain in effect for the period in which the Director remains employed as the Director. Beneficiaries shall be as designated by the Director.

5. **Term of Employment.** The term of employment will extend to May 31, 2015. Unless otherwise provided written notice by the Superintendent by June 1, 2014, the term of this Contract will automatically be extended to May 31, 2016. A similar one-year extension will be applicable for each year beyond the 2015-2016 extension unless written notice to the contrary is provided by the Superintendent by June 1 of the appropriate year.

6. **Termination of Employment.**

a. **General Provisions.** In the event the Superintendent should decide to terminate the Director's employment, without cause and prior to the end of the term of employment set forth in Section 5 of this Contract, the Director shall be entitled to the remainder of all base salary for the balance of the term of this Contract, including any income deferred and accrued as described in Section 3.c of this Contract. This provision does not include a continuing entitlement to benefits or their value (e.g., housing, leave, medical and dental plans, automobile expenses, complimentary tickets, golf club membership, and life insurance). In the event of a termination described in this Section 6.a, the Director would be required to make reasonable and diligent efforts to obtain comparable employment and, if employment is so obtained, the base salary to be paid by the Association would be reduced by the salary compensation paid by Director's new employer.

b. **Termination for Cause.** This Contract may be terminated for cause if the Board, upon appropriate investigation and review, determines by majority vote that the Director, by commission or omission, has committed:

i. Fraud, theft, misappropriation, or other intentional act of dishonesty;

ii. A material breach of this Contract, including a pattern of repeated failures to carry out his duties and responsibilities as provided in Section 2 of this Contract;

iii. A violation of the rules or regulations of the NCAA (or other similar governing body) leading to any type of administrative sanction against USNA (including probation); or

iv. Any felony under state or federal law, for which any adjudication is rendered except a not guilty finding.

Prior to determining that cause exists for termination of this Contract, the Board shall provide written notice to the Director, at least ten (10) calendar days in advance of the date upon which the Board meets to consider whether to make such a determination, and afford the Director an opportunity to make a personal appearance before the Board and to make a personal statement and/or submit documentary evidence for the Board's consideration. If this Contract is terminated for cause, the Director will not be entitled to any further compensation under the terms of this Contract as of the effective date of termination.

c. **Termination due to Death or Total Disability of the Director.** If the Director dies, or becomes disabled to the extent that, in the judgment of the Board, he is unable to perform his duties, this Contract shall be automatically terminated. In addition to any entitlement of Director to Worker's Compensation, the Association shall pay to Director, or his estate, the sum of (b) (4), (b) (6) [redacted] (b) (4), (b) (6) [redacted] The Board may determine the Director is totally disabled if he, by reason of incapacity, injury, illness, or other physical or mental condition, is unable to perform his duties for a period of 90 consecutive days. If the Director occupies Government quarters at USNA and is occupying those quarters at the time of his death or disability, the Director and/or his immediate family may continue to occupy the quarters for a period of not more than 60 days from the date of Director's death or the date when the Board determines that the Director is totally disabled.

7. **Severability; Governing Law.**

a. If any clause or provision herein shall be adjudicated to be invalid or unenforceable by a court of competent jurisdiction, or by operation of any applicable law, it shall not affect the validity of any other clause or provision, which shall remain in full force and effect.

b. This Contract shall be governed by the laws of the State of Maryland. In any successful action by the Association to enforce this Contract, the Association shall be entitled to recover attorney's fees and expenses incurred in such action.

8. **Complete Agreement.** This Contract is the sole written agreement between the Director and the Association and supersedes and replaces the 2001 Contract, as amended by the Parties on July 19, 2004, and June 1, 2008, and all prior oral representations or understandings. It may not be modified, changed, or altered by any prior promise or statement made; nor shall any modification of it be binding upon the Association until such written modification be agreed to by the Superintendent.

IN WITNESS WHEROF, the undersigned have executed this Contact on the date and year first written above.

CHET S. GLADCHUK

R.C. PARSONS
Captain, CEC, USN (Ret.)
Witness

J. L. FOWLER
Vice Admiral, USN
Superintendent

R.C. PARSONS
Captain, CEC, USN (Ret.)
Witness