

MINNESOTA STATE COLLEGES AND UNIVERSITIES

CHANCELLOR'S EMPLOYMENT AGREEMENT

The Board of Trustees ("Board") of Minnesota State Colleges and Universities ("MnSCU"), and Dr. Steven J. Rosenstone ("Chancellor") make and enter into this Employment Agreement ("Agreement") this 20th day of April, 2011. The Board and Chancellor agree to the following:

1. Appointment as Chancellor.

The Board appoints and employs Dr. Steven J. Rosenstone as Chancellor under the policies, supervision, and direction of the Board, including the terms of this Agreement, commencing on August 1, 2011.

2. Governing Law and Provisions.

This Agreement supplements terms, conditions, and provisions governing or relating to the employment of the Chancellor in the Personnel Plan for MnSCU Administrators ("Plan"), dated July 1, 2009 – June 30, 2011, as approved by the Legislative Subcommittee on Employee Relations ("LSER") and the Minnesota Legislature for periods covered by this Agreement. The Plan is incorporated herein by reference. The terms under the Plan may be changed by MnSCU at any time, in accordance with law, but any terms less favorable to the Chancellor shall not apply during the duration of this Agreement.

3. Terms of Appointment.

The Chancellor is an employee at will who serves at the pleasure of the Board. *See* Plan, § 1.3, subd. 1(a). Notwithstanding this employment status, the Chancellor commits and agrees to serve as Chancellor for the term August 1, 2011 through July 31, 2014. The Chancellor's appointment shall expire at the conclusion of this term, and shall not automatically continue or be renewed absent affirmative action or vote by the Board. No later than the start of the third year of the agreement, the parties shall enter into negotiations for a subsequent employment agreement. The Board may renew or continue the Chancellor's appointment only by a majority vote of the Board. In the event the vote proceeds by quorum, a majority vote to renew or continue the Chancellor's appointment must contain no fewer than eight (8) votes in favor of such action.

4. Duties and Responsibilities.

A. Best Efforts.

The Chancellor agrees to faithfully, industriously and with the maximum application of the Chancellor's experience, ability and talent, devote full-time attention and energies to the duties of Chancellor. The Chancellor shall have the duties and responsibilities delegated by the Board. The current description of job duties and responsibilities is in Board Policy IA.3,

incorporated herein by reference. The policy may be amended at any time as determined by the Board.

B. Other Employment.

The Chancellor is an executive branch employee subject to the provisions of Minn. Stat. Ch. 10A and section 43A.38. The Chancellor must seek and obtain permission from the Board before engaging in any employment outside of MnSCU during the term of appointment. The Chancellor may not engage in any activity that may be adverse to, or competitive or inconsistent with the interests of MnSCU.

C. On Leave Status.

It is understood that the Chancellor is on leave from a tenured faculty position at the University of Minnesota. It is expressly agreed that this status has been determined not to constitute a conflict of interest with MnSCU under Minn. Stat. Ch. 10A or section 43A.38.

5. Salary.

Salary of the Chancellor shall be reviewed on an annual basis by the Board.

A. Base Salary.

The Chancellor's base salary shall be \$360,000 (Three Hundred Sixty Thousand Dollars and no/100) for the period August 1, 2011, through June 30, 2012, unless revised by Board action. The Chancellor's salary for any time periods following shall be determined by the Board in accordance with the Plan, but the base salary shall not be decreased.

B. Performance Achievement Award.

The Chancellor shall be eligible to receive an annual performance achievement award not to exceed Fifty Thousand dollars (\$50,000), as determined by the Board of Trustees based on the Chancellor's performance for the fiscal year. The Board shall evaluate the Chancellor's performance for the year based on his achievement of mutually agreed upon specified goals and objectives and such other criteria the Board deems appropriate. To

aid the Board in its annual evaluation, the Chancellor agrees to furnish to the Board a self appraisal and such additional oral or written reports as it may request. In the event that less than a full year is completed, the Board may make a performance achievement award for the portion of the year completed.

6. Tax Liability.

The Chancellor shall be responsible for any personal income tax liability incurred as a result of this Agreement. If, and to the extent, Section 409A of the Internal Revenue Code applies to any of the terms and provisions of this Agreement, the provisions shall be read

in such a manner so that all payments hereunder comply with, or are exempt from, Section 409A of the Internal Revenue Code. The parties agree to cooperate so that this Agreement may be amended, as may be necessary to fully comply with, or to be exempt from, Section 409A of the Internal Revenue Code and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either party.

7. Employee Benefits.

A. Benefits Available Under Plan.

Unless otherwise provided in this Agreement, the Chancellor shall be eligible for any employee benefits provided under the Plan, in accordance with its terms.

B. Housing Allowance.

The Board shall provide the Chancellor a housing allowance not to exceed \$3,000 (Three Thousand Dollars and no/100) per month, in consideration of use of the Chancellor's residence for official functions, including meetings of MnSCU administrators, educators and staff, community representatives, representatives of other educational institutions and others with whom the Chancellor needs to interact on a less formal basis.

C. Transportation and Communication Allowance.

The Board shall provide the Chancellor \$1,000 (One Thousand Dollars and no/100) per month as a transportation allowance to cover miscellaneous and incidental transportation and communication costs not otherwise paid or reimbursable under the Plan.

D. Supplemental Allowance.

The Board shall provide the Chancellor \$833 per month (Eight Hundred Thirty-three Dollars and no/100) as a supplemental allowance to cover additional incidental costs and expenses not otherwise paid or reimbursable.

E. Severance Payment.

If the Chancellor completes the entire term of the Agreement in Section 3, without termination or reassignment, and the contract is not renewed by the Parties, the Chancellor shall receive six months of severance pay pursuant to Plan section 1.08, subd. 2. The amount shall be paid in a lump sum immediately following completion of the Chancellor appointment, whether or not the Chancellor continues in other employment with the Board.

F. Death or Disability.

In the event of the Chancellor's death or total disability, the payments under Paragraphs 5.B and 7.E, above, shall be automatically awarded and paid within 2 1/2 months following the Chancellor's death or MnSCU's

determination of the Chancellor's total disability. For purposes of this provision, "disability" shall mean the Chancellor's entitlement to benefits for total disability under any long term disability benefit plan or program maintained by MnSCU for the Chancellor's benefit.

8. Termination of Agreement.

A. Termination by Board.

The Board may terminate the Chancellor's appointment at any time, without cause, by providing 120 days written notice to the Chancellor. If the Board terminates the Chancellor's appointment after August 1, 2011, and prior to the end of the Agreement on July 31, 2014, the Board shall pay the Chancellor at the time of termination an amount equal to twelve (12) months of the Chancellor's current annual salary at the time of termination, exclusive of benefits, or an amount equal to the salary for the time remaining under the contract term, whichever is less. The amount shall be paid in a lump sum immediately following completion of the Chancellor appointment, whether or not the Chancellor continues in other employment with the Board. In addition, the Chancellor shall be eligible to receive up to \$5,000 (Five Thousand Dollars and no/00) in outplacement services during the reassignment period. Upon notice of termination without cause, the Chancellor shall be reassigned for one year to serve as Distinguished Senior Fellow for Academic Affairs, pursuant to the Plan, Section 1.03, Subd.1, Paragraph (e).

B. Non-renewal.

Either the Board or the Chancellor may determine not to renew the contract beyond its three year term. In the event of non-renewal by the Board, unless due to just cause (as defined below), the Chancellor shall receive a two year appointment as Distinguished Senior Fellow for Academic Affairs, pursuant to the Plan, Section 1.03, Subd.1, Paragraph (d), immediately following the completion of this Agreement. The total compensation during the Appointment as Distinguished Senior Fellow for Academic Affairs shall be equivalent to the sum of the base salary as Chancellor contained in paragraph 5A, the performance achievement award (prorated monthly) contained in paragraph 5B, and the benefits contained in paragraphs 7B, 7C, and 7D, provided that the total compensation shall not exceed the maximum salary established under Section 1.13, Subd. 3 of the Plan.

C. Resignation.

The Chancellor may resign prior to the expiration of the term of this Agreement, only upon providing 120 days written notice to MnSCU. In that event, the Chancellor shall, in good faith, use best efforts to aid, cooperate with, and assist the Board in its transition efforts in appointing and employing a new or interim Chancellor. In the event of a resignation,

the Chancellor shall be paid only up to the effective date of the resignation and shall not receive the payments described under Paragraphs 7.E or 8.A, except as provided herein. However, should the Chancellor resign for "Good Reason" prior to completion of the term in Paragraph 3, the Chancellor shall be entitled to receive the severance payment under Paragraph 7.E above. For purposes of this Agreement, Good Reason means: 1. Material breach by the Board of the Agreement; 2. Reassignment without written consent of the Chancellor to any position other than chancellor; or 3. A requirement that the Chancellor report to any person or entity other than the Board.

9. Exception to Salary Continuation.

Notwithstanding any language under this Agreement to the contrary, no payment for benefits under this Agreement beyond those provided under the Plan shall be made to the Chancellor if the Board notifies the Chancellor that it is terminating the Chancellor's appointment or employment for "Just Cause," which shall be defined as:

- A. Deliberate or serious violation of the duties and responsibilities set forth in this Agreement, or refusal or unwillingness to perform such duties and responsibilities in good faith, the Chancellor's gross negligence, fraud, dishonesty, or conviction of a crime involving moral turpitude or a felony.
- B. Intentional conduct of the Chancellor which reasonably could be expected to injure the reputation, business or business relationships of MnSCU.
- C. Intentional or serious violation of any law, rule, regulation, constitutional provision, or Board policy of MnSCU, or local, state or federal law, which, in the sole judgment of the Board, may reflect adversely upon MnSCU.

The Chancellor shall be provided a reasonable notice and opportunity to cure said behavior, except in cases where cure is not possible. The Chancellor shall be accorded the opportunity for a hearing to contest termination for cause in accordance with state law.

10. Indemnification and Representation.

The Chancellor shall be eligible for indemnification and representation in accordance with Minn. Stat. § 3.736 and other applicable law.

11. Notices.

All notices and other communications hereunder shall be in writing and shall be deemed given if personally delivered or mailed by registered or certified mail, return receipt requested, to the parties at the following addresses or such other address for a party as shall be specified by like notice:

- A. If to MnSCU, to the Board Chair at 30 Seventh Street East, Suite 350, St. Paul, Minnesota 55101.

- B. If to the Chancellor, to the Chancellor at 30 Seventh Street East, Suite 350, St. Paul, Minnesota 55101 and Chancellor's last known home address.

12. Entire Agreement.

Except as provided herein and required by law, this Agreement constitutes the entire understanding of the parties hereto for the period August 1, 2011 through July 31, 2014, and supersedes any and all prior or contemporaneous representations or agreements, whether written or oral, between the parties for that term, and cannot be changed or modified unless in a written agreement signed by the parties.

13. Governing Law.

This Agreement shall be interpreted and construed in accordance with the laws of the State of Minnesota, which shall be the forum for any claim arising from or incident to this Agreement.

14. Independent Review.

The parties agree that grievances arising out of the interpretation of or adherence to terms or conditions of employment under this Agreement, including the provisions of section 9, are subject to review provided for in Minn. Stat. § 179A.25. This provision is not intended to create rights or entitlements, or otherwise alter the terms or provisions of this Agreement.

15. Severability.

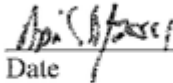
The terms of this Agreement are severable such that if any term or provision is declared by a court of competent jurisdiction to be illegal, void, or unenforceable, the remainder of the provisions shall continue to be valid and enforceable.

IN WITNESS WHEREOF, the parties duly execute this Agreement as of the day and year first written above.

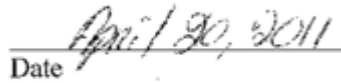
CHANCELLOR



Steven J. Rosenstone


Date

THE BOARD OF TRUSTEES OF
MINNESOTA STATE COLLEGES
AND UNIVERSITIES


C. Scott Thiss, Chair
Date