



**UNIVERSITY OF FLORIDA BOARD OF TRUSTEES**

**BOARD MINUTES**

**December 12, 2014**

**Telephone Conference Call/Meeting**

**Campus Location: 123 Tigert Hall, University of Florida, Gainesville, Florida**

**Time Convened: 2:17 P.M. EDT**

**Time Adjourned: 2:22 P.M. EDT**

**1.0 Verification of Quorum**

After a roll call, a quorum was confirmed, with all members present except Trustee Heavener.

**2.0 Call to Order and Welcome**

Chair Steve Scott called the meeting to order at 2:18 p.m. EDT and welcomed everyone in attendance.

**Members present were:**

Steven M. Scott (Board Chair), David L. Brandon, C. David Brown, II, Susan M. Cameron, Christopher T. Corr, Charles B. Edwards, Pradeep Kumar, Carolyn K. Roberts, Jason J. Rosenberg, Juliet M. Roulhac, David M. Thomas, Cory M. Yeffet

**Others present:**

Vice President, General Counsel and University Secretary Jamie Lewis Keith, Vice President for University Relations Jane Adams, Vice President for Human Resource Services Paula Fussell; Christopher Kise of Foley & Lardner who acted as Outside Counsel to the Board on the action item before the Governance Committee and Board; Assistant Vice President for Public Relations Janine Sikes, Executive Assistant Becky Holt, other members of the University community and members of the media.

**3.0 Committee Report**

Chair Scott noted that all Trustees were present and able to participate in the Governance Committee meeting that just concluded, therefore there was no need to read a Committee Report.

#### **4.0 Action Items (Consent Agenda)**

Chair Scott asked for a motion to approve the Consent Agenda which included the Board's December 5, 2014 meeting minutes and GV1-Resolution R14-143, with their attachments. The motion was made by Trustee Edwards and Seconded by Trustee Cameron. The Chair asked for further discussion, after which he asked for all in favor of the motion and any opposed and the motion was approved unanimously.

Trustee Edwards stated he was proud and honored to be able to support the Resolution. Dr. Machen will go down as one of the most accomplished University Presidents, not only in Florida but elsewhere. Chair Scott expressed agreement.

#### **5.0 Discussion/Informational Items**

There were no discussion items for the Board.

#### **6.0 New Business**

Chair Scott wished all Trustees and the entire UF community a wonderful holiday season and a healthy and successful 2015. He noted that the coming year will be a milestone year for University of Florida. Chair Scott thanked the Board, President Machen, and the Cabinet for their excellent work in 2014. Chair Scott congratulated Dr. Machen for being granted President Emeritus status and thanked him for 11 years of highly distinguished service to UF.

#### **7.0 Adjourn**

After asking for any further discussion and hearing none, Chair Scott asked for a motion to adjourn, which was made by Trustee Edwards and Seconded by Trustee Roulhac. Chair Scott asked for all in favor and any opposed, and the motion passed unanimously. The University of Florida Board of Trustees meeting adjourned at 2:22 p.m. EDT.



**UNIVERSITY OF FLORIDA BOARD OF TRUSTEES  
MEETING MINUTES**

**December 5, 2014**

**Emerson Alumni Hall, University of Florida, Gainesville, Florida**

**Time Convened: 10:44 A.M. EDT**

**Time Adjourned: 11:31 A.M. EDT**

**1.0 Verification of Quorum**

Board Chair, Steven M. Scott, asked TJ Villamil to verify a quorum. Mr. Villamil confirmed a quorum with all Trustees present.

**2.0 Call to Order and Welcome**

Chair Scott called the meeting to order at 10:44 a.m. and welcomed all Trustees and everyone attending the meeting.

**Members present were:**

Trustees Steven M. Scott (Chair), David L. Brandon, C. David Brown, II, Susan M. Cameron, Christopher T. Corr, Charles B. Edwards, James W. Heavener, Pradeep Kumar, Carolyn K. Roberts, Jason J. Rosenberg, Juliet M. Roulhac, David M. Thomas, and Cory M. Yeffet.

**Others present were:**

President J. Bernard Machen, members of the President’s Cabinet, other members of the University of Florida community, and other members of the public and the media.

Chair Scott noted that President Machen wanted to give his report (Agenda 3.0 President’s Report) at the end of the meeting, since this was his last board meeting as President. Dr. Scott then turned the Board’s attention to the Committee Reports.

**4.0 Committee Reports**

**Committee on Audit and Operations Review**

Trustee Christopher Corr, Acting Chair for the December 4, 2014 meeting of the Committee on Audit and Operations Review, provided his report, noting all Committee members were present at the Committee meeting, except Trustees Edwards who was unable to attend. After reviewing and approving the minutes of the June 5, 2014 meeting, and having no Action Items on the Agenda, the Committee then moved to the Discussion/Informational Items on its Agenda.

Discussion/Informational Items addressed were an Update on External Audits, Internal Audits and Other Reviews, Quarterly Follow-up, Annual Audit Plan Revisions, Audits of Affiliated Organizations, and the Internal Audit Annual Report, with discussion to be reflected in the Committee's December 4, 2014 meeting minutes.

Acting Chair Corr also reported that he had reviewed the status of investigations conducted by the University of Florida, Office of Internal Audit. These activities included items that have been received on the University of Florida Compliance Hotline. Acting Chair Corr reported that he is satisfied that the investigations were being appropriately conducted and reviewed.

#### **Committee on Educational Policy and Strategy**

Vice Chair David Thomas, Chair of the Committee on Educational Policy and Strategy, provided his report, noting all Committee members were present at the Committee meeting, except Trustees Cameron and Edwards who were unable to attend.

After reviewing and approving the minutes of the May 23, 2014 and November 3, 2014 meetings, the Committee discussed and then unanimously approved the following Action Items and recommended these actions for the Board's approval on the Consent Agenda (with the details of his report to be reflected in the Committee's December 4, 2014 meeting minutes):

- EP1. Tenure Upon Hire
- EP2. Annual Fee Increases: Activity and Service, Athletic, Student Health and Transportation Access Fees for Academic Year 2015-2016
- EP3. Degree Program Terminations
- EP4. University of Florida Annual Accountability Report 2013-2014
- EP5. University of Florida Regulation Amendments
- EP6 and R14-141. Naming: "Center for excellence in early Childhood Studies" to "Anita Zucker Center for Excellence in Early Childhood Studies"

Discussion/Informational Items addressed were updates on admissions/financial aid, faculty senate, student government, two new majors in the College of Liberal Arts and Sciences, five new centers, and the College of Nursing reorganizations, with the discussion to be reflected in the Committee's December 4, 2014 meeting minutes. Provost and Senior Vice President for Academic Affairs also informed the Committee about the initiation of, and search committee chairs for, the dean searches for the College of Liberal Arts and Sciences and the College of Law. He noted that President Bernie Machen and incoming President Kent Fuchs are supportive of the searches beginning at this time.

### **Committee on External Relations**

Trustee Carolyn Roberts, Chair of the Committee on External Relations, provided her report, noting all Committee members were present at the Committee meeting. After reviewing and approving the minutes of the June 5, 2014 meeting, and having no Action Items on the Agenda, the Committee then moved to the Discussion/Informational Items on its Agenda.

Discussion/Informational Items addressed were a Legislative Preview and a Social Media Presentation, with the discussion to be reflected in the Committee's December 4, 2014 meeting minutes. The Committee on External Relations met jointly with the Committee on Strategic Initiatives to hear an excellent presentation by The Honorable Bill Galvano of The Florida Senate, which will be further described in the two Committees' meeting minutes.

### **Committee on Finance and Facilities**

Trustee Jason Rosenberg, Chair of the Committee on Finance and Facilities, provided his report, noting all Committee members were present, except Trustees Brown and Cameron who were unable to attend. After reviewing and approving the minutes of the Committee's September 5, 2014 meeting, the Committee discussed and then unanimously approved the following Action Items and recommended these actions for the Board's approval on the Consent Agenda or as a non-consent action, as noted (with the details of his report reflected in the Committee's December 4, 2014 minutes):

- FF1. Approval of Amendments to the 2014-2015 Budget of Operating Revenues and Expenses
- FF2. Approval of Amendments to the 2015-2016 Fixed Capital Outlay Legislative Budget Request
- FF3. Resolution R14-137-Amendment to R04-21, as amended by R10-69, as amended by R11-91, as amended by R12-103, as amended by R13-125-University of Florida Depositories
- FF4. Campus Master Plan Update 2015-2025
- FF5. Final Approval of Educational Plant Survey 2014-2019
- FF6. and R14-129 Naming: Thomas J. Walker Conservation Area (non-consent as required by Board of Governors regulations)

Discussion/Informational Items addressed were an Update on the State of Florida Financial Outlook, Construction/Maintenance Report/Information Item and UFICO Update, with the discussion to be reflected in the Committee's December 4, 2014 meeting minutes.

### **Committee on Governance**

Trustee James W. (Bill) Heavener, Chair of the Committee on Governance, provided his report, noting all Committee members were present, except Trustees David Brown and Susan Cameron who were unable to attend. After reviewing and approving the minutes of the Committee's September 4, 2014 and September 5, 2014 meetings, and having no Action Items on the Agenda, the Committee then moved to the Discussion/Informational Items on its Agenda.

Discussion/Informational Items addressed were: (1) the last in a series of governance presentations by the University's Category 1 Affiliates (Dr. David Guzick, UF's Senior Vice President for Health Affairs, made a presentation on three Shands entities); (2) Vice President, General Counsel and University Secretary Jamie Lewis Keith's information item concerning the existence of the Board's presidential authorities resolution, which applies to the office of President, will cover any individual holding that office, and will be in place to assure a smooth transition in administration of the University by incoming President Kent Fuchs (2007 Board Resolution R07-37); and (3) Ms. Keith's and Senior University Counsel Michael Ford's update on the UF and affiliates' insurance coverages. The Committee's minutes are to provide additional detail.

### **Committee on Strategic Initiatives**

Trustee Christopher Corr, Chair of the Committee on Strategic Initiatives, provided his report, noting all Committee members were present, except for Trustee Susan Cameron who was unable to attend. After reviewing and approving the minutes of the Committee's June 5, 2014 meeting, and having no Action Items on the Agenda, the Committee then moved to the Discussion/Informational Items on its Agenda.

Discussion/Informational Items addressed were (1) Introduction of UF's Director of Real Estate, Lee Nelson by Senior Vice President and Chief Operating Officer Charles Lane; and (2) an update on the Preeminence Dashboard by Provost and Senior Vice President for Academic Affairs Joseph Glover. The Committee then met jointly with the Committee on External Relations to hear a presentation by The Honorable Bill Galvano of The Florida Senate. Additional detail is to be provided in the Committee's December 4, 2014 meeting minutes.

### **5.0 Action Items (Consent)**

At the completion of the Committee reports, Chair Scott asked for a motion to approve the Consent Agenda, which was made by Trustee Thomas and seconded made by Trustee Roulhac. The Chair asked for further discussion, after which he asked for all in favor of the motion and any opposed and the motion was approved unanimously.

### **6.0 Action Items (Non-Consent)**

Chair Scott asked for a motion to approve the Non-Consent Agenda Item on Naming of the Thomas J. Walker Conservation Area, which was made by Trustee Rosenberg and seconded made by Trustee Thomas. The Chair asked for further discussion, after which he asked for all in favor of the motion and any opposed and the motion was approved unanimously.

### **7.0 New Business**

Chair Scott asked if there was any new business to be brought before the Board. President Machen stated that Association of American Universities President Hunter Rollins will be visiting the University on December 11, 2014 and will be speaking from 6:00 p.m. – 7:00 p.m. in

the University Auditorium. The talk will be taped and TJ Villamil will send viewing information to all Trustees. Athletic Director Jeremy Foley provided a brief introduction of the newly recruited Head Football Coach Jim McElwain, and encouraged the Trustees to view the press conference scheduled for Saturday.

## **8.0 Resolution**

Chair Scott noted that the Board is recognizing 11 years of truly exceptional contributions and achievement by President Machen, as the meeting was the last Board meeting for Dr. Machen as President Machen. Chair Scott and Vice Chair Thomas expressed their gratitude and briefly described the prior evening's celebration of President Machen and First Lady Chris Machen.

Chair Scott and Vice Chair Thomas then summarized Resolution R14-142 in honor of Bernie and Chris Machen, a copy of which was provided to each Trustee. They highlighted the following extraordinary achievements by President Machen:

- Celebrating and creating life changing opportunities and a welcoming UF community for highly talented, low-income students who are first in their families to attend UF, as well as for the LGBTQ community, immigrants, and underserved minority communities;
- Raising over \$2.8B in private support for UF--including the \$1.7B raised in the groundbreaking Florida Tomorrow capital campaign;
- Increasing research by about 50% to over \$700M;
- Securing \$588M from the Florida Legislature in PECO funds and general revenue for fixed capital outlay;
- Obtaining official recognition-- and \$95M in funding -- from the Legislature, Governor and Board of Governors as Florida's foremost preeminent research university;
- Raising over \$300M in private funds, with another \$500M underway, to support UF's preeminence initiatives--to bring UF's preeminence support to almost \$1B;
- Successfully launching important preeminence initiatives including (1) Florida's first entirely on-line undergraduate degree program, with 11 degrees in less than 1 year, (2) a signature, Common Core Curriculum experience for all freshman--beginning with the Good Life Course, and (3) hiring 61 of up to 120 distinguished and highly promising mid-career faculty in strategic fields;
- Wisely managing the University through 5 years of historic state budget cuts, preserving UF's mission-critical activities, quality and affordability, and its top 10

value ranking--so that UF could emerge from that period in sound financial condition--ready for growth for the future;

- Winning 15 national championships and setting a record by winning the 1st Division 1 NCAA football and basketball national title in a single year; and
- Creating a strong foundation that will support University of Florida's successful pursuit of a top 10 public AAU university ranking nationally; and

They then highlighted First Lady Chris Machen's contributions:

- Championing nationally-recognized, groundbreaking sustainability initiatives,
- Serving those most in need in our community, including the homeless, their pets, and children, with compassion and respect,
- Supporting the arts, student safety and women leaders,
- And being President Machen's close partner in many priority endeavors, including the Machen Florida Opportunity Scholars program.

Chair Scott asked the Board to adopt Resolution R14-142, which is a three page chronicle of President Bernie Machen's and First Lady Chris Machen's greatest achievements and also confers on Dr. Machen the honorary tile "President Emeritus of the University of Florida" in recognition of Dr. Machen's lasting and positive legacy as President.

Chair Scott asked for a motion to approve the Resolution, which Trustee Juliet Roulhac made, stating that she is honored to do so. The motion was seconded by Trustee Roberts, with strong enthusiasm. The Chair asked for further discussion, after which he asked for all in favor of the motion and any opposed and the motion was approved unanimously.

## **8.0 Comments of the Chair of the Board**

Chair Scott began his comments by noting that this year has been a milestone year for the University of Florida, capping over a decade of steady and significant advances. He expressed his personal thanks to President and Mrs. Machen for all they have done for this great University. He commented on the foundation that President Machen and Trustees past and present have built, as UF takes its first steps into a future of even higher accomplishment. He expressed his personal thanks to President Bernie and Chris Machen for all they have done for this great University.

Chair Scott acknowledged TJ Villamil for being a leader at UF, as a student and as a contributor in the President's Office and working with Board of Trustees. TJ will be leaving UF to begin his career in South Florida. The Chair wished him well and noted that the Board looks forward to honoring TJ's service at another Board meeting in the New Year.

Chair Scott recognized Trustee Brown for his extraordinary service on the Board and acknowledged that Trustee Brown has decided that he was ready for others to succeed him. David Brown will be leaving the Board when his successor is named, as soon as January, and the Board will honor his highly distinguished service as Board Chair and Search Chair in the New Year.

Chair Scott then recognized Trustee Kumar for his great citizenship to UF and collegueship to all of his fellow Trustees. Trustee Kumar will also be leaving the Board in March, as he retires from the University. Dr. Paul Davenport a distinguished Professor of Physiological Sciences in the College of Veterinary Medicine will be succeeding Trustee Kumar. The Board will honor Trustee Kumar in the New Year as well.

Chair Scott closed by again acknowledging President Machen's highly successful leadership of and highly valuable contributions to the University. Chair Scott said that he wants the University to realize Dr. Machen's highest and best knowledge, experience and relationships in the services UF receives from him after his presidency. Chair Scott stated that the Board should expect a Board call to be scheduled in the next week or 10 days to discuss and act on an amendment to the terms of President Machen's post-presidency, so that he can provide the most valuable services to UF, including fundraising for the Machen Florida Opportunity Scholarship program and endowed chairs for faculty.

### **3.0 President's Report**

Chair Scott asked President Machen to deliver his report. President Machen and First Lady Chris Machen went to the podium. President Machen thanked everyone on the Board, past and present, and everyone in the room for working together to make the accomplishments of the last 11 years possible. He personally thanked the Board for the resolution, for his Emeritus title, and for recognizes his wife's critical role in the last 11 years of service. He said he was blessed to have such great board members over the last 11 years and he will miss the individual interaction with the board members. President Machen noted that his mother taught him that one should "only love people – not things." However, he said he hopes his mother wouldn't mind that he does love this great University. President Machen said that the University is fortunate to have Kent and Linda Fuchs to succeed President Machen and First Lady Chris Machen. President Machen closed by saying that he loves the University and Gainesville and he and Chris Machen will not be leaving; he noted that he doesn't say goodbye--just that he will see everyone down the road.

### **10.0 Adjourn**

After asking for any further discussion and hearing none, Chair Scott asked for a motion to adjourn, which was made by Trustee Thomas and a second which was made by Trustee Brandon. With no further discussion desired, the motion was passed unanimously and the University of Florida Board of Trustees meeting was adjourned at 11:31 a.m. EST.

UNIVERSITY OF FLORIDA  
BOARD OF TRUSTEES  
RESOLUTION

At its duly called meeting on December 12, 2014, the University of Florida (“UF” or “University”) Board of Trustees (“Board”), hereby adopts the following Resolutions, which will become effective only upon execution of the “Contract Amendment” (attached and incorporated in these Resolutions as Exhibit B (“Amendment”)) by the Board Chair and Dr. J. Bernard Machen:

**(A) RESOLVED**, that the Board hereby approves and authorizes the Board Chair to execute the Amendment on behalf of the Board.

**(B) RESOLVED:** that the “Findings” set forth in Exhibit A (incorporated in these Resolutions) are made and adopted by the Board, that the Findings are the basis for these Resolutions and the Amendment, and that the “Contract” as used in these Resolutions, Findings and Amendment is that certain Amended and Restated Employment Agreement between Dr. J. Bernard Machen of Gainesville, Alachua County, Florida (“Dr. Machen”) and the Board, dated as of December 20, 2009, as amended and extended on December 2, 2011 by Board Resolution R11-94 and the accompanying amendment confirmation, and as further amended and extended by Board Resolution R13-121 on June 7, 2013 and the accompanying amendment confirmation.

**(C) RESOLVED**, that (i) upon the end of Dr. Machen’s service as President of UF on December 31, 2014, and in addition to the duties he is to perform pursuant to the Contract or the Amendment, Dr. Machen shall have the honorary title, “President Emeritus of the University of Florida,” which is conferred by the Board in grateful recognition of Dr. Machen’s exceptional service and contributions to UF during his 11 years as President (but, while he will be otherwise employed by UF as provided in the Contract or the Amendment, the Emeritus title does not carry with it any employment status at the University); and (ii) Dr. Machen shall enjoy such title as “President Emeritus of the University of Florida” for the remainder of his life, including all benefits and privileges appertaining thereto as have been customary for those few individuals receiving this honor in the past, except that he will not have an office or regular administrative staff.

**(D) RESOLVED**, that as already required by Board of Trustees Resolution R13-121 (of 2013), Dr. Machen’s base salary shall be increased in 2014 as he is to participate in an applicable merit pool made broadly available to UF employees, and the Board determines that this increase in base salary shall be seven and one-half percent (7.5%), effective July 1, 2014 (the generally applicable date for the 2014 merit pay increases at UF), in recognition of Dr. Machen’s exceptional performance and leadership in--not only achieving the University’s long-term goal of receiving official preeminence status and funding from the Florida Legislature and

Board of Governors--but then successfully launching, raising private preeminence funding for, and establishing a strong foundation for the University to pursue, related initiatives and private funding for the future.

**(E) RESOLVED**, that, in recognition of the alignment of Dr. Machen’s changed interests for his post-presidency period, as that period approaches, and the Board’s determination of the best value that Dr. Machen can provide for UF, rather than serving as a tenured Dentistry professor upon the end of his service as President as is provided under the Contract, Dr. Machen shall pursuant to the Amendment serve as Senior Advisor to the UF President and Board Chair, and Dr. Machen shall perform such duties and provide such services as shall be reasonably requested from time to time by the UF President in collaboration with the Board Chair (on stakeholder and government relations, fundraising, strategic and other matters not involving the leadership and management of the University), with the non-competition covenants, tenure relinquishment, and leave provisions benefiting UF, and with compensation and other provisions governing service as Senior Advisor, to be as provided in the Amendment.

**(F) RESOLVED**, that UF will reimburse Dr. Machen’s legal and consulting costs associated with the Amendment, in the amount of \$20,000.00.

**(G) RESOLVED**, that in the unexpected and unlikely event that the Board has “Cause” (as used in these Resolutions and the Amendment, as defined in Section 10.1 of the Contract), determined in good faith by the Board, Dr. Machen’s Senior Advisor service and President Emeritus title will not become effective (without the need for further Board action) or may be terminated by the Board upon at least 15 days written notice to Dr. Machen.

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**Steven M. Scott, Chair  
University of Florida  
Board of Trustees**

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**Jamie Lewis Keith  
Vice President, General Counsel  
And University Secretary**

**EXHIBIT A: FINDINGS MADE AND INCORPORATED IN UNIVERSITY OF FLORIDA BOARD OF TRUSTEES RESOLUTION R14-143**

1. That Dr. Machen has served and continues to serve as President of the University of Florida ("UF") with exceptional distinction and accomplishment for almost 11 years and, on several occasions, has agreed to extend his service at the request of the Board to meet the needs of UF, most recently agreeing to serve through December 31, 2014, and Dr. Machen has knowledge, experience, relationships and wisdom that are highly valuable to UF;

2. That the Board has committed to Dr. Machen, and he has confirmed to the Board his desire and commitment, that his service as President of UF will end on December 31, 2014; that, after a highly successful world-wide search, Dr. Machen's successor as President has been selected by the UF Board of Trustees and confirmed by the Board of Governors; and that Dr. Machen is supportive of the transition to the next President;

3. That Dr. Machen has achieved and surpassed certain long-term metrics and goals at UF, including but not limited to completion of an historic \$1.7 billion dollar capital campaign (the 6<sup>th</sup> largest for public institutions at the time), increasing the endowment by almost one billion dollars, and leading UF in raising over \$2.8 billion in private support; wise management of five years of historic state budget cuts in a manner that has positioned UF to emerge from that period strong and ready to grow for the future; exceptional 50 percent growth in research to over \$700 million; expansion of research and educational facilities to support UF's programs and securing of \$588 million from the Florida Legislature in PECO funds and general revenue for fixed capital outlay; enhancement of access to a UF education for low-income students who are first in their families to attend college through the highly successful Machen Florida Opportunity Scholars program; and culminating recently in the official recognition of UF as the foremost preeminent research university in Florida, the securing of \$95 million of public funding and \$300 million of private funding (with a commitment to raise another \$500 million of private funding underway) to support preeminence into the future, and the successful launch of preeminence initiatives, all of which provide a strong foundation for UF's future, and the Board has previously recognized Dr. Machen's achievements and expressed its desire to recognize Dr. Machen's meritorious service and retain continued access to his advice and counsel (and the Board references its resolution R14-142 of December 5, 2014 in this regard);

4. That Dr. Machen's knowledge, experience, relationships and wisdom are also highly valuable to other national research universities as a strategic advisor, interim president, or president for a five-year term, particularly at this time when the pool of qualified leaders to serve as presidents of such institutions is shallow, with many research university presidents retiring; and that, even in the absence of a direct conflict on a particular project, Dr. Machen's advice to Association of American Universities institutions ranked the same or better than UF in U.S. News and World Report, which UF will need to surpass to achieve its goal to become a top 10 AAU public research university in national ranking, would be a disadvantage to UF, making a broad non-competition covenant from Dr. Machen of high value to UF;

5. That the existing Contract should be restructured to provide Dr. Machen's greatest value to UF, while also being responsive to his changed interest for his post-presidency period, and these objectives of the Board and Dr. Machen are aligned and captured in the Amendment;

6. That the aggregate compensation, benefits and support provided to Dr. Machen during his post-presidency period pursuant to the existing Contract (prior to this Amendment) represent valuable consideration anticipated as part of the hiring of Dr. Machen and his agreement to be employed as President initially and to extend his service as President at the Board's request through December 31, 2014, so any restructuring must provide at least equal consideration and address any additional value provided to UF;

7. That Dr. Machen is a tenured Professor in the UF College of Dentistry and, absent cause to lose this right or an agreement to relinquish it, he has the right to work indefinitely as a faculty member after his service as President ends and, to the best knowledge of Dr. Machen and the UF Board of Trustees, Dr. Machen has the health, energy, and ability to perform his duties as a tenured professor for many years into the future and such expectation is reasonable, both now and, given the low physical demands of the tenured faculty member role, well into the future;

8. That after his service as President ends and for so long as he serves UF as a full-time tenured faculty member, the existing Contract, prior to the present Amendment, provided for Dr. Machen to receive a base salary (full for full-time service or pro rata for part-time service) equal to his then-most-recent annual base salary as President plus benefits in each of 2015 and 2016, and thereafter to be paid a base salary (full for full-time service or pro rata for part-time service) equal to that of the highest paid Professor of Dentistry plus benefits, and to receive an office and secretary, the estimated cost of which office and administrative support is ~\$50,000 per year; and that a projected \$2.634 million of UF's financial obligations under the existing Contract (i.e., all financial obligations except presidential level salary and benefits over \$200,000 per year for the first two years) was to be entirely publicly funded;

9. That Compensation expert, Mercer, opines in its report dated December 2, 2014, incorporated in these findings as Attachment 1 ("Mercer Report"), that, the difference in the payments to be made and value to be provided by the University to Dr. Machen under the existing Contract as compared to the Amendment is ~\$390,000; and the Mercer Report demonstrates that UF--by securing Dr. Machen's Senior Advisor services and relinquishment of tenure (instead of his tenured faculty services) and securing Dr. Machen's new agreement to non-competition covenants--is gaining substantially greater benefits under the Amendment than it would gain under the existing Contract, with only a modest increase in UF's financial obligations;

10. That the Mercer Report concludes, based on Dr. Machen's knowledge, experience, relationships and record and the shallow pool of qualified leaders to serve as research university presidents or interim presidents for the next five years, that the market value of Dr. Machen's service as Senior Advisor is \$90,000 per year at 10% FTE, which is reflected in the

Amendment, and that, under the Amendment, UF is paying a negotiated, discounted amount for Dr. Machen's relinquishment of tenure and non-competition covenant that is less than 40 percent of their market value, as determined by Mercer;

11. That under the existing Contract (prior to Amendment) and UF policies, as President, Dr. Machen earned a three month transition leave upon the end of his presidency and he has accrued, but will not have used, another three months of vacation leave; and that the Amendment should provide for these leaves to which Dr. Machen is entitled, plus another six months of leave for the convenience of the University to provide a customary 12 months of leave in support the transition in the presidency, with Dr. Machen being available to provide information and assistance to his successor if requested; and

12. That the University's financial obligations under the Amendment will be entirely privately funded, saving \$2.634 million of public funding that would otherwise have been spent under the Current Contract.

## EXHIBIT B TO UNIVERSITY OF FLORIDA BOARD OF TRUSTEES RESOLUTION R14-143

### President Machen's Contract Amendment

On this 12<sup>th</sup> day of December, 2014 ("Effective Date"), for good and valuable consideration received, Dr. J. Bernard Machen, an individual residing in Gainesville, Alachua County, Florida ("Dr. Machen"), and the University of Florida Board of Trustees ("Board") agree to the following as an amendment ("Amendment") to the Contract (as defined in Board Resolution R14-143 (B)):

1. The terms and conditions of Board Resolution R14-143 (which includes Resolutions (A) through (G) and the Findings in Exhibit A) are agreed to by Dr. Machen and the Board, are incorporated in this Amendment as their agreements, and together with the following agreements constitute an Amendment to the Contract. The aggregate compensation, benefits and support provided to Dr. Machen pursuant to the "existing Contract" (as used in this Amendment, meaning the Contract prior to this Amendment) represent valuable consideration anticipated as part of the Board's employment of Dr. Machen and his agreement to be employed as President and to extend his service as President through 2014 at the Board's request, and such consideration includes the tenure rights and payments for faculty services Dr. Machen could perform post-presidency for the University of Florida ("UF" or the "University"). The aggregate of payments provided now by this Amendment represents a restructure (and limited increase) of Dr. Machen's existing entitlement under the existing Contract, with a corresponding modification of the services to be provided by Dr. Machen, and the addition of a non-competition covenant and extension of a more customary transition-supporting leave to benefit the University. The purpose of this Amendment is to restructure the prior Contract consistent with both Dr. Machen's changed interests for his post-presidency period, and the Board's determination of those services by Dr. Machen that would be the highest and most valuable services to the University, based on Dr. Machen's extensive knowledge, experience, and relationships. This Amendment also eliminates the commitment of \$2,633,626 in public funding for the existing Contract; this Amendment is entirely privately funded.
2. Prior to this Amendment, the Contract provided that Dr. Machen was entitled to a lifetime, tenured professorship at the UF College of Dentistry, and Dr. Machen could retain such appointment for so long as he desired.
3. Dr. Machen currently has the health, energy, and ability to perform his duties as a tenured professor for many years into the future. However, the Board has determined the highest and most valuable services that Dr. Machen can provide to UF, based on his knowledge, experience and relationships, are services delivered in a Senior Advisor capacity, rather than as a tenured professor.
4. Consequently, the Board and Dr. Machen agree that upon the end of Dr. Machen's service as UF President on December 31, 2014 without Cause, and for the period commencing

January 1, 2015 and ending December 31, 2019, Dr. Machen shall serve as a Senior Advisor to the UF President, who shall request and receive such services after consulting and collaborating with the UF Board Chair, and Dr. Machen shall perform such duties and provide such services as shall be reasonably requested from time to time by the UF President, subject to the following terms and conditions:

**(a)** From January 1, 2015 through December 31, 2015, Dr. Machen shall be employed as Senior Advisor, but on paid leave. The first nine (9) months is a transition leave, as provided in paragraph 9 below (three months of which leave were earned by Dr. Machen as President and are provided under the existing Contract and all nine months of which leave are customary when transitioning universities' presidents). Dr. Machen is authorized to be and will be on annual leave that he earned and accrued, but will not have used, as President, for the remaining three (3) months.

**(b)** From January 1, 2016 through December 31, 2019, Dr. Machen shall serve as Senior Advisor and perform such duties and provide such services as shall be reasonably requested from time to time by the UF President in consultation and collaboration with the UF Board Chair.

**(c)** Dr. Machen's service as Senior Advisor shall be in lieu of exercising his tenure rights. Dr. Machen hereby voluntarily and irrevocably waives and relinquishes his tenure at UF and agrees that Section 8.0(A)(Tenure) is deleted from the Contract as of January 1, 2015, and any and all compensation, benefits or other consideration associated with such tenure are forever abandoned as of and from that date, provided however that Section 8.0(B)(Continued Computer Service) shall remain in effect.

**(d)** Obtaining Dr. Machen's agreement not to compete with the University is of high value to UF, based on Dr. Machen's 11 years of highly successful service and accomplishments as President of UF (one of the largest and most complex public research universities in the nation), and UF's goal for the future of becoming a top ten public Association of American Universities ("AAU") institution in university rankings by US News and World Report (that publication or, if no longer available, another major, broad-scope national ranking to be reasonably agreed upon by Dr. Machen and the UF President, "U.S. News"). Accomplishing this goal requires UF to surpass universities ranked at the same or higher level. Consequently, during the period January 1, 2015 through December 31, 2019 Dr. Machen shall be subject to the following non-competition covenants:

(i) Dr. Machen shall not during such time period, in any manner, be (or continue to be) employed by, a contractor with, or a consultant to any university in the AAU that is ranked equal to or better than UF by US News, which ranking shall be determined at the time Dr. Machen's services are retained, extended, renewed, or amended by, or are being performed for, the other institution, and

(ii) It is recognized that UF willingly assists other public universities in the Florida state university system and values participation in the state system; however, state universities do not always have the same view of all matters and can be in a position of appropriate competition in some circumstances. Also, it is recognized that, beginning on January 1, 2015, Dr. Machen's successor will be in the position of representing UF among the state universities' presidents. The University of Miami is also a significant university in the state. In order to avoid any conflict of interest, or the appearance of a conflict of interest, with the University's interests, Dr. Machen will not accept any payment, salary, or fees from any other public university within the State of Florida or the University of Miami, nor shall he perform any services or render any advice to any such institution or its leadership, whether or not compensated, that is at odds with UF's interests or could give even the appearance of a conflict of interest, without the express, prior, written authorization of the Board Chair in consultation with the UF President. Such authorization shall not be unreasonably withheld or conditioned, taking UF's best interests into account and will not be required for Dr. Machen's continuation of social relationships with other state or Florida university presidents or situations clearly not at odds with UF's interests. Also, the mere fact that Dr. Machen may be contacted and asked for advice shall not in itself be a violation of this provision. In the event the Board Chair and Dr. Machen are unable to agree as to the permissibility of any proposed activities pursuant to this paragraph, either or both may request a determination by another, deciding, Trustee mutually selected by the Board Chair, President, and Dr. Machen (and if they cannot agree the Governance Committee Chair shall serve as the deciding Trustee). The determination of the deciding Trustee will be binding. Notwithstanding the foregoing, Dr. Machen may, without violating the provisions of this Amendment, perform public speaking engagements for standard honoraria at any university or other institution so long as he complies with UF's outside activities approval process and Florida law; and such outside activities and honoraria will be approved if they comply with law and there exists no present, active or reasonably likely conflict with UF's interests; and

(iii) The above stated non-competition covenant, shall not prevent Dr. Machen from being employed by, contracting with, or providing consulting services to any college or university that is not a member of AAU, is not a member of the Florida state university system, is not the University of Miami, or is ranked below UF by U.S. News, or from being employed by any membership organization representing the national or a regional higher education or academic research endeavor, or intercollegiate athletics, without regard to which universities or colleges might be members of such organization. It is recognized that Dr. Machen's assignment as Senior Advisor shall include fundraising on behalf of the Machen Florida Opportunity Scholarship Program.

**(e)** To determine the total payments to be provided to Dr. Machen under this Amendment, in light of the market value of his services as Senior Advisor, of his relinquishment of tenure and

associated benefits, and of his agreement to and obligations under the added non-competition covenant benefiting UF, the Board has retained international compensation expert, Mercer, to value the existing Contract, as well as the changed terms provided under this Amendment. Mercer has done so in a December 2, 2014 “Mercer Report” which is the Attachment to the Exhibit A Findings incorporated in this Amendment. As shown in the Mercer Report, there is an aggregate of about \$390,000 total difference in the value to Dr. Machen (and payments to be made to him by the University) (i) had he exercised his tenure rights and received the salary, benefits, leaves, an office and regular secretary post-presidency under the existing Contract and UF policies, as compared to (ii) for his service as Senior Advisor, relinquishment of tenure, leaves, and non-competition covenant under this Amendment.

5. Section 3.1 of the Contract is amended to read as follows:

“As compensation for services to be performed by Dr. Machen as President pursuant to this Agreement, the University shall pay to Dr. Machen an annual base salary of no less than \$375,000.00 (or, if greater, his most recently adjusted annual base salary as President from time to time). Annual base salary shall be payable in installments according to the pay plan for executive service employees at the University with appropriate withholding and deductions. As provided by the Board of Trustees Resolution R13-121, Dr. Machen’s annual base salary as President beginning in 2013, including the 2013 merit pool increase, has been \$525,166.00 and as provided in Board Resolutions R13-121 and R14-143, that annual rate shall be increased, effective July 1, 2014 (the generally applicable effective date for the 2014 merit pool at UF) because there is an applicable merit pay pool, and the Board has determined that the increase shall be seven and one-half percent, bringing Dr. Machen’s annualized base salary rate as President to \$564,533.45.

Upon the end of Dr. Machen’s service as President on December 31, 2014, provided there is not Cause for the Board to terminate Dr. Machen for Cause, Dr. Machen will serve as Senior Advisor to the UF President and Board Chair in 2015 (on leave) and 2016 through 2019 and will be compensated for that service, for his relinquishment of tenure, and for his non-competition agreement (in Section 4 to the December 12, 2014 Amendment to this Agreement, “Amendment”) in the following total amounts, at the following times and subject to the following terms and conditions:

- \$1,250,000 (subject to applicable withholding and deductions) will be paid by UF to Dr. Machen for his relinquishment of tenure on a date in 2015 that shall be identified by Dr. Machen in a notice to UF. While the Mercer Report of December 2, 2014 (“Mercer Report”) sets out Mercer’s determination of the respective market values of Senior Advisor services, of tenure relinquishment and of the non-competition covenant (addressed in the next bullet), UF is paying a discounted, negotiated amount for tenure relinquishment and non-competition that represents 38-39 percent of the market value of each.
- \$540,000 per year will be paid to Dr. Machen in each of 2015, 2016, 2017, 2018 and 2019. Of this total annual amount, it is confirmed that Dr. Machen’s base salary as

Senior Advisor is \$ 90,000 per year and Dr. Machen's annual non-competition payment is \$450,000 per year in each of 2015, 2016, 2017, 2018 and 2019. This allocation has been negotiated by the parties and is based on Mercer's valuation of the non-competition covenant in Amendment Section 4(d) (but reflects negotiated, discounted payments that are less than 40 percent of Mercer's market valuation of the non-competition covenant ) and also is based on Mercer's market valuation of Dr. Machen's Senior Advisor Services (but takes into account Dr. Machen's FTE status in that role). Notwithstanding the foregoing, each non-competition payment shall be earned by Dr. Machen and be owed and paid to him only if, at the time when a particular payment could be owed, Dr. Machen is in compliance with his non-competition covenants under Section 4(d) of the Amendment. In the event of (and upon) any breach by Dr. Machen of the non-competition covenants, then in addition to any other available rights and remedies, any otherwise owed non-competition payment will not be earned, owed or made, no further non-competition payment will be earned, owed or made, and Dr. Machen's service as Senior Advisor shall end for Cause. The amount paid annually in compensation for Senior Advisor services is subject to appropriate withholding and deductions and is to be paid in installments according to the pay plan for employees at the University. The amount paid annually for non-competition shall be paid in equal installments at the same time as compensation for Senior Advisor services is paid, subject to applicable withholding and deductions.

- Dr. Machen will be available to provide Senior Advisor services to the UF President and Board Chair as requested, will make himself available for communication with the UF President every month in 2016 through 2019, and will be employed but on leave in 2015. As Senior Advisor, he will be deemed to be employed at least 10 percent of full-time, recognizing that the actual effort will be at least this level on average but will be variable. “

Section 5.1 of the Contract is amended to reflect that In 2015 (on leave) and in 2016, Dr. Machen will also be eligible to receive benefits under the terms and conditions of Section 5.1 of the Contract, which remains in effect for those years, as follows:

- The language in Section 5.1 of the Contract, “while he serves as a tenured faculty member” and “Dr. Machen as a tenured faculty member” is hereby deleted and is replaced by “while he serves as Senior Advisor to the UF President and Board Chair in 2015 and 2016” and “Dr. Machen as Senior Advisor in 2015 and 2016” (and it is clarified that the referenced Health Science Center benefits are the most favorable benefits available to a tenured faculty member in the Health Science Center).
- In 2017 through 2019, Dr. Machen will serve as Senior Advisor on the same terms as apply in 2016, but Dr. Machen hereby waives and relinquishes any right to receive benefits under Section 5.1 of the Contract or UF employee benefits programs (except for the computer support provided under Amendment Section 4(c), which he will continue to receive). Notwithstanding the foregoing, Dr. Machen may participate in UF

benefit programs in 2017, 2018 and/or 2019 if he pays all associated costs to the participant and the University.

6. As Senior Advisor, Dr. Machen shall receive reimbursement of his UF business expenses, if any (as governed by standard UF policies, not by the Contract or Amendment), as well as the compensation referenced in Amendment Section 5 (Section 3.1 of the Contract, as amended), but he shall not be paid any other compensation by UF unless approved by the Board. (Dr. Machen shall also be reimbursed for his business expenses as President Emeritus on the same terms, if he is requested by the Board Chair, UF President, or designee to represent UF in a matter in which he appropriately incurs business expenses.)
7. While serving as Senior Advisor and/or President Emeritus of UF, if Dr. Machen becomes employed by, consults to or volunteers for another entity or any individual, he will not present himself as representing UF in association with those activities.
8. Although such support had previously been provided under Section 8.0(A) of the existing Contract for so long as Dr. Machen elected to work as a tenured faculty member, during Dr. Machen's service as Senior Advisor, UF will not provide an office or regular secretary for Dr. Machen (it being understood that there will be flexibility in the location where Dr. Machen performs his services provided that he attends meetings and communicates as needed or requested by the UF President). For those time periods and/or projects during which Dr. Machen's responsibilities as Senior Advisor require administrative or secretarial support, UF shall provide same through available existing University staff. UF agrees that during the 2015 transition year it will make provisions to enable Dr. Machen to retrieve messages he receives at his former UF address or phone number (where his presidential office and phone were located).
9. The Contract is amended by deleting Resolution D(4) of Board Resolution 13-121 and Resolution B(ii) of Board Resolution 11-94 and replacing them with the provision below concerning transition leaves (it being recognized that a 90-day leave was already provided in the existing Contract and was earned by Dr. Machen by his service as UF President, and three months of vacation leave also were already earned and accrued by Dr. Machen as President, but were not used and are hereby authorized to be and will be used as follows):

"So long as the Board does not have Cause to terminate the Contract at the time:

- (a) Dr. Machen shall take a one-time, paid, three-month transition leave, beginning on January 1, 2015, and continuing through March 31, 2015, plus (b) for the primary benefit of UF, in support of the transition of the UF presidency, and as is customary, Dr. Machen shall take a one-time, paid, transition leave of six months, beginning on April 1, 2015 and continuing through September 30, 2015; and (c) Dr. Machen will take three months of paid vacation leave, beginning on October 1, 2015 and continuing through December 31, 2015; and (d) during these leaves, in order to support the transition, Dr. Machen shall not be involved in University business, except that he will make himself

available at mutually agreeable times and by mutually agreeable means if requested by the UF President for information or assistance; and (e) during these leaves, Dr. Machen shall receive compensation as provided in Amendment Section 5 (Section 3.1 and Section 5.1 of the Contract, as amended).”

10. In strong support of the appointment of his successor as President of UF, as is customary in higher education, and as is material to this Amendment, Dr. Machen acknowledges and affirms that he is supportive of UF, the UF Board and its members, and the successor President, that he will at all times conduct himself in a manner that protects the good will of UF and is consistent with such support, and he will not have any involvement in the presidential transition plans and activities of his successor (unless and to the extent specifically requested by the UF President in consultation with the Board Chair) (collectively, the “Supportive Actions”). These Supportive Actions form an integral part of this Amendment and are material to a smooth and successful transition in leadership. Any failure by Dr. Machen to comply with this Section 10, the Supportive Actions, shall constitute a material breach of this Amendment.
11. Except as expressly provided by this Amendment (including Board Resolution R14-143), the Contract remains in full force and effect at law and in equity. However, any draft, negotiation, or communication about the subjects of this Amendment and any appointment, assignment or agreement relating to Dr. Machen’s post-presidency employment or benefits at UF (other than the Contract and this Amendment), existing on or before the Effective Date, are superseded by this Amendment and have no force or effect at law or in equity.
12. The parties agree that this Amendment has been jointly drafted and that both parties had representation by their own independent legal counsel in all aspects of this Amendment. This Amendment will not be construed for or against any party as the drafter. The Board agrees to pay Dr. Machen the amount of \$20,000 for legal fees and consulting costs incurred by Dr. Machen for the negotiation and preparation of this Amendment.
13. Except as specifically provided in this Amendment, the Contract remains in effect as last in effect (June 2013). Without limitation, specifically, Sections 11.0 through 17.0, 19.0 through 21.0, and 23.0 of the Contract are expressly incorporated into this Amendment and shall apply and control as if originally written herein. Sections 1.0, 2.0, 3.2, 4.0, 5.2 through 5.4, 5.6, 6.0, 7.0, 10.2 through 10.4, and 18.0 of the Contract are deleted upon the end of Dr. Machen’s presidency and shall thereafter have no force or effect at law or in equity. Sections 3.3, 5.5, 9.0, and 22.0 have been fully satisfied and no longer apply. Wherever in this Amendment or the Contract the Chair of the Board or the deciding Trustee is referenced, that person is acting as an authorized executive administrator of the University for the referenced purpose.

14. Upon Dr. Machen's death (or upon Dr. Machen's disability that prevents him from performing the essential functions of his role as Senior Advisor): (a) the Contract and Amendment and UF's obligations under them shall terminate automatically, except that (b) Dr. Machen's spouse (or designated beneficiary, if any, on any insurance policy) or, if none, Dr. Machen's estate (or in the case of disability, Dr. Machen) shall receive (i) any UF employee benefits for which he has qualified and in which he is participating that are payable upon death (or disability, as applicable) of an employee, plus (ii) the payment for Dr. Machen's relinquishment of tenure if this payment has not yet been made under Amendment Section 5 (Section 3.1 of the Contract as amended) and the death or disability occurs on or after January 1, 2015. Applicable law and University policy govern whether any disability prevents Dr. Machen's performance of the essential functions of his Senior Advisor role.

Executed under Florida law as of the Effective Date in multiple counterparts, each of which when executed and delivered shall be a single binding agreement.

University of Florida Board of Trustees

Dr. Machen

By: \_\_\_\_\_  
Steven M. Scott, Chair

\_\_\_\_\_  
J. Bernard Machen, individually



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**Strictly Confidential**

December 2, 2014

**Subject:** Reasonableness Opinion for Dr. Machen's Total Compensation under his Restructured Post-Presidency Agreement

Dear Mr. Scott:

Mercer (US) Inc. ("Mercer") was engaged by the University of Florida ("UF") on behalf of the Board of Trustees (the "Board") to provide an opinion as to the reasonableness of the compensation to be provided to UF's current president, Dr. J. Bernard Machen, post-presidency following the end of this year (2014). This letter documents Mercer's evaluation of the proposed compensation including our finding of reasonableness.

## **Background**

### *Organizational Context*

UF is a flagship, public, land-grant, research university and is a member of the Association of American Universities (AAU), the association of North America's premier 62 research universities. In 2013, UF was officially designated and is now being funded as the foremost preeminent research university in Florida. UF's Board of Trustees, with the support of the Board of Governors, Legislature and Governor, has a goal to advance UF to the top 10 of public AAU research universities. With more than 50,000 students its 16 colleges, the UF Health system including two academic health science centers with affiliated hospitals and other healthcare operations, more than 150 research centers and institutes and ~\$700M of research annually, the University of Florida is one of the largest, broadest-scope, academic research institutions in the nation and is one of only six public land-grant universities in the U.S. with colleges of Medicine, Law, Engineering, Agricultural and Life Sciences and Veterinary Medicine on one campus. In addition to its predominant academic focus, the University has a premier NCAA Division I athletic program. The annual budget of the University, with its close affiliates, is in excess of \$4.4 billion.

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University of Florida  
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### *Incumbent Qualifications*

Dr. Machen began his tenure as President of UF in January of 2004. During his 11-year tenure at the university, many significant milestones have been accomplished under his leadership. Prior to his tenure at UF, Dr. Machen was President at the University of Utah and Provost and Executive Vice President of Academic Affairs at University of Michigan. He received his doctoral degree in dental surgery from St. Louis University. He also has a master's of science degree in pediatric dentistry and a doctorate in educational psychology from the University of Iowa. Dr. Machen received his undergraduate degree from Vanderbilt University.

Dr. Machen currently holds or has held many leadership positions in higher education including a long-serving member of the National Security Higher Education Advisory Board; President of the Executive Committee of the SEC; Chair of the SEC Academic Consortium; Chair of the Board of the National Campus Compact; member of the National Academy of Science's Institute of Medicine's Committee on Educating Dentists for the Future; and President of the American Association of Dental Schools. In his distinguished career, Dr. Machen has maximized the benefits and productivity resulting from the interplay of excellent academics, academic research and entrepreneurial and economic development endeavors.

### *Current Contract Terms*

On June 7, 2013, UF and Dr. Machen entered into a one-year contract extension to December 2014. Most compensation and benefit provisions remained the same; however, some specific enhancements within this contract extension include:

- For two years following his presidency (calendar years 2015 and 2016), Dr. Machen was to serve as a tenured faculty in the School of Dentistry at his current presidential base salary at the end of 2014 of \$564,553 (assumes a 7.5% merit increase for this year).
- Following that two years, Dr. Machen was to continue as a tenured faculty member with a base salary equal to the highest compensated faculty in the department (\$280,000 at this time). As tenured faculty, there would be no time limit on the additional years Dr. Machen could work for UF.
- During this time, Dr. Machen was to continue to receive benefits and have administrative support and an office.
- Beginning in 2009 through the end of his presidential term, Dr. Machen voluntarily declined his annual bonus of \$285,000 that was part of his original contract.

## Market Data

### *Methodology*

In July 2014, Mercer conducted a market evaluation of presidential compensation. Twelve (12) peer institutions from the AAU were selected based on comparable size, scope and complexity of organization to UF, taking into consideration a national, complex research university, including some that are major land-grant institutions; flagship campus of the respective University system, as appropriate, with multiple professional schools including a medical school and affiliated hospital; broad academic offerings; and major athletics program.

The selected peer institutions include the following (public/private designation based on AAU membership):

- Seven (7) public peer institutions: The Ohio State University, Pennsylvania State University, University of Michigan, University of Minnesota, University of Texas at Austin, University of Virginia, and University of Washington.
- Five (5) private peer institutions: Cornell University, Harvard University, Northwestern University, Stanford University, and Vanderbilt University.

Mercer collected compensation data for the President or the functionally equivalent position for each of these peer institutions using a combination of data sources to provide the most current available data as possible. Data were solicited via e-mail from each of the 12 peer institutions and received from Harvard University, The Ohio State University, Pennsylvania State University, University of Michigan, University of Washington, University of Texas at Austin, and University of Minnesota. Data were used from the Chronicle of Higher Education from the 2013 study on public colleges and the 2011 study on private universities for institutions that did not respond to e-mail inquiry and to supplement data gaps from inquiry responses.

Compensation data were aged forward to July 1, 2014 by the median annual market movement for executives in the education industry: 2.6% in 2012, 2.5% in 2013 and 2.5% in 2014 (Mercer's *2012/2013 and 2013/2014 Compensation Planning Survey*).

### *Findings*

For all 12 institutions, the results indicate the 75<sup>th</sup> percentile total compensation equals approximately \$1.2 million. Total compensation includes base salary, bonus, other compensation, deferred compensation, retirement pay, and nontaxable benefits.

**Table 1**

Total Compensation Summary						
Comparison Group	n	25th %ile	50th %ile	Avg	75th %ile	100th %ile
All	12	\$799,478	\$950,658	\$1,007,322	\$1,215,625	\$1,409,887
Public	7	\$744,135	\$816,000	\$907,036	\$1,049,667	\$1,252,500
Private	5	\$991,223	\$1,128,782	\$1,147,722	\$1,298,625	\$1,409,887

In addition, three public institutions (Ohio State, Penn State and University of Michigan) have hired a new president in 2014. The results indicate average total compensation for these incumbents is equal to just above \$1.1 million and highest of 1.25 million.

**Table 2**

Summary of Peers with Presidents Commencing in 2014				
Comparison Group	n	50th %ile	Avg	Highest
Base Salary	3	\$800,000	\$784,444	\$803,333
Total Cash Compensation	3	\$803,333	\$851,111	\$1,000,000
Total Compensation	3	\$1,203,333	\$1,117,278	\$1,252,500

Dr. Machen's total compensation of \$584,000 has historically lagged the market against the peer organizations which is not unusual for incumbents who have been employed for 10 years or more at the same institution. See Appendix A for more details.

### **Restructured Post-Presidency Arrangement**

The Board has proposed the following post-presidential arrangement beginning in January 2015 through December 2019:

- Dr. Machen will serve as Senior Advisor to the Board beginning in 2015 for five years. He is expected to work, on average, four hours per week (0.1 FTE), or more if needed, at \$90,000 per year plus benefits (estimated at 20.69% of base salary) for the first two years, based on a full-time equivalent base salary of \$900,000. Total compensation over this five-year period is estimated at \$487,000.

- Based on the findings of market evaluation, high-performing presidents (75<sup>th</sup> percentile) as well as newly hired presidents at peer organizations receive total compensation of approximately \$1.2 million in total compensation.
  - The Senior Advisor role is deemed to require a similarly experienced professional; however, with a 25% discount for a different level of responsibility (lack of management or leadership role) resulting in a full-time equivalent total compensation of \$900,000.
- Dr. Machen will waive his faculty tenure effective January 2015 including the first two years at his full presidential compensation and will not return to the School of Dentistry following his time as Sr. Advisor to the Board (2017 and beyond).
  - It is estimated that the total base salary and benefits value of Dr. Machen's future compensation assuming the first two years at full-time compensation at his current base salary plus an additional seven years as a tenured faculty (three years at full-time, two years at three-quarter time and the last two years at half time) is just over \$3.2 million.
  - In addition, Dr. Machen will be foregoing future administrative support and office space valued at \$375,000 over the same period.
- Dr. Machen will also agree to a very strict five-year non-compete provision. In the agreement, he is unable to provide any services, as an employee or consultant, to any other AAU university that is currently, or will be in the future, ranked at or above UF, as determined by the U.S. News & World Report on an annual basis, while he serves as Sr. Advisor to the Board. In addition, Dr. Machen may not provide services to any State of Florida University or Miami University that conflict with UF's interests as determined by the Chairman of the Board of Trustees.
  - Dr. Machen could serve in a presidential capacity (interim or full-time) to these organizations; therefore, it has been determined that an annualized value of his services, based on market data provided above, would be \$1.2 million dollars, or \$6.0 million over a five year period, which he will forego.
- Total compensation provided to Dr. Machen based on a negotiation of each of the elements described above, over the next five years include:
  - Over the five-year period, Dr. Machen is expected to earn \$487,000 in total compensation (\$90,000 per year plus benefits for the first two years) from serving as Senior Advisor at 10% of a full-time equivalent.
  - In 2015, UF will buyout Dr. Machen's current contract (two years at full salary plus future faculty tenure) at \$1.25 million which is 39% (a discount of more than 60%) of the estimated sum of the contract of \$3.2 million. The value of the administrative support has not been included.

- Over the five-year period, UF will also compensate Dr. Machen for accepting his non-compete agreement in the total amount of \$2.25 million (\$450,000 per year) which is 38% (a discount of more than 60%) of the estimated \$6.0 million value of the provision.
- See Appendix B - Table 3 for a numeric summary of these provisions.

## **Basis for Opinion**

There are many factors that should be considered in an evaluation of the reasonableness of pay packages. Differences in pay levels between incumbents and market data (i.e., variation from the median) do not mean that an organization is necessarily over- or under-competitive. The following are several key factors that the Board has taken into consideration in making compensation decisions:

### *Organizational Context*

It is not unusual when an organization has a long-tenured, successful chief executive that a quick and orderly transition to a new chief executive be facilitated. The current contract provisions would have required Dr. Machen to work full-time for the board for two years and allowed him to remain a prominent figure within the university for the foreseeable future as tenured faculty in the Health Science Center. The restructure of the post-presidency plan better supports the transition and UF's efforts in the Top 10 Initiative by leveraging Dr. Machen's knowledge, experience and relationships gained during his tenure as president.

### *Performance of the Incumbent*

Dr. Machen has been an exemplary chief executive for the university for many years. During this post-presidency period, Dr. Machen will continue to provide value to UF through his knowledge of the organization and the relationships he has cultivated with the community who are loyal to him and the university. During his tenure, the Board has documented the following achievements:

- UF's research volume has grown by 50% reaching \$700 million in annual research expenditures and fostering technology transfer from academia to industry, entrepreneurial endeavors, job creation, and economic development, spearheading Innovation Square, Innovation Hub and Innovation Academy, as well as the number one-ranked technology-business incubator, the UF Sid Martin Biotechnology Incubator — National Science Foundation ranks UF 14<sup>th</sup> among all public research universities and 23<sup>rd</sup> among all U.S. research universities (public or private);
- UF has created Innovation Square to support industry-academic research collaborations and economic development, attracting MindTree, Mobiquity LTD and Sears Holding's

Center of Excellence—as well as Innovation Academy to foster education excellence for students with entrepreneurial interests and maximizing UF's capacity to serve students year-round;

- Established groundbreaking programs such as the Bernie and Chris Machen Florida Opportunity Scholars program for highly talented, low income students who are first in their families to attend college and has also enhanced the broad diversity of the student body;
- UF has raised over \$2.8 billion of private support for the University, completing the historic \$1.7 billion *Florida Tomorrow* campaign, the sixth most successful in public university capital campaigns at the time, increasing the endowment by almost a billion dollars and securing \$588 million from the Florida Legislature in PECO funds and general revenue for fixed capital outlay;
- Dr. Machen has overseen the management of the University's finances through five years of historic state budget cuts and world-wide economic recession, maintaining the University's affordability and mission-critical activities, enhancing efficiency, and positioning the University to emerge from this period in solid financial condition and ready to grow for the future;
- UF's Health Science Center and our affiliated Shands teaching hospitals have reached a new level of achievement and close collaboration in University of Florida Health, enhancing and focusing on the quality of patient treatment and excellence in research and education;
- In the 2013 Legislative session—having earned support of the Legislature, Governor and Board of Governor's—preeminence and on-line education legislation was enacted, with an approach that benefits UF -- UF has received official designation from the Florida Legislature and Board of Governors as the state's foremost preeminent research university and will receive \$95 million from the Legislature and has already raised an additional \$300 million (and is on the path to raise another \$500 million) to support preeminence by hiring up to 120 highly accomplished or promising faculty in strategic fields of strength for UF;
- UF is highly ranked by Kiplinger, Princeton Review and Money Magazine for its quality and value of education;
- In the latest U.S. News & World Report rankings of national universities, UF jumped from 17<sup>th</sup> to 14<sup>th</sup> highest ranked public university and from 54<sup>th</sup> to 48<sup>th</sup> ranked national university (public or private);
- UF has constructed, renovated or expanded more than 3.1 million gross square feet of state-of-the-art research and education facilities to support the University of Florida's programs, including the J. Wayne Reitz Union, Heavener Hall, Hough Hall, Pugh Hall, Ustler Hall, the Samuel P. Harn Museum's David A. Cofrin Asian Art Wing, the Southwest Recreation Center, the Harrell Medical Education Building, the Clinical and Translational

- Research Building, the Biomedical Sciences Building, the Nanotechnology Building, the Emerging Pathogens Building and Cypress Hall and launched the New Chemistry Building;
- UF has contributed to the advancement of public leadership in critical areas of societal concern through the establishment of the UF Water Institute (2006); the Claude D. Pepper Older Americans Independence Center (2007) and the Bob Graham Center for Public Service (2008); and
  - UF created UF Online, the first four-year, fully online baccalaureate degree program in the State University System and expanding the program's offerings to 11 majors in just over a year.

The above demonstrates the collected total knowledge, experience and relationships that remain valuable to UF in the future. The post-presidency arrangement strongly supports the university's Top 10 Initiative.

#### *Structure of Compensation*

Total compensation for an incumbent of Dr. Machen's caliber should be compensated at the 75<sup>th</sup> percentile of the market as well as could easily command the median of new hires at peer institutions which is \$1.2 million based on the market data collected. Assuming his reduced responsibilities (25% discount) and time commitment (10% of full time), the estimated total compensation \$487,000 (\$90,000 per year plus benefits for the first two years) for his Sr. Advisor services over a five-year period is reasonable. In addition, the buyout of his faculty tenure (including two years at his full presidential compensation) and the annual payment of \$450,000 to compensate Dr. Machen for a very restrictive non-compete agreement supports the attainment of UF's goals at a rate that is a 60% discount of the total compensation that could be earned by staying at UF or working for another institution.

#### *Value of the Restructured Post-Presidency Arrangement*

The total value of the proposed arrangement over a five-year period is consistent with that of a highly-qualified executive with long-standing contributions to their organization. In all cases, Dr. Machen would have been able to earn close to, if not significantly more than, the total value over the same period of time based on his current contract and opportunities in the market place at this time given the current need and scarcity for experienced executive talent at the top public universities.



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December 2, 2014  
Steven Scott  
University of Florida  
*Strictly Confidential*

## Disclaimers and Disclosures

Mercer has relied on the information and data provided to us without any independent review or verification and that we assume all data provided to us is accurate, factual and complete. Mercer's opinion does not constitute an opinion regarding the underlying business decision.

## Opinion of Reasonableness

Mercer (US) Inc. certifies that it (1) is a compensation consulting firm, (2) performs compensation valuation studies of this type on a regular basis, and (3) is qualified to perform the valuations of the type of property or services involved. In our opinion, the total compensation package we have reviewed falls within a reasonable range of competitive market practices applicable to like positions among like organizations under like circumstances.

As always, it is our pleasure to be of service. If you have any questions, please do not hesitate to call.

Sincerely,

A handwritten signature in black ink that reads 'Stephen S. Pollack'.

Stephen S. Pollack

Copy:  
Jamie Lewis Keith, UF

Appendix A – Peer Group

Public Institutions	Total Compensation*	Assumed Role In
The Ohio State University <sup>1</sup>	\$1,252,500	Jul-14
Penn State University <sup>2</sup>	\$1,203,333	May-14
University of Michigan <sup>3</sup>	\$896,000	Jul-14
University of Washington <sup>4</sup>	\$816,000	Jul-11
University of Virginia	\$749,911	Aug-10
University of Texas, at Austin <sup>5</sup>	\$738,360	Jan-06
University of Minnesota <sup>6</sup>	\$693,150	Jul-11

Private Institutions	Total Compensation*	Assumed Role In
Northwestern University	\$1,409,887	Sep-09
Vanderbilt University	\$1,298,625	Mar-08
Stanford University	\$1,128,782	Oct-00
Harvard University <sup>7</sup>	\$991,223	Jul-07
Cornell University	\$910,093	Jul-06

\*Represents publicly available information as reported (May 2014 for public institutions and December 2013 for private institutions) by The Chronicle of Higher Education unless otherwise noted below. All data have been time-adjusted to July 1, 2014. Total Compensation values for public institutions do not include any health benefits; however, they are included in data for private institutions.

1. Ohio State University Total Compensation reflects compensation as of July 2014 and includes previous president's retirement pay as proxy.
2. Penn State University Total Compensation includes May 2014 base salary, a \$200,000 transition bonus and one-fifth of a \$1,000,000 five year completion bonus as listed in the President's compensation contract published online. Deferred compensation and retirement amounts are not available due to new President.
3. University of Michigan Total Compensation reflects compensation per President's contract including July 2014 base salary, retirement and \$100,000 deferred compensation
4. University of Washington Total Compensation includes July 2014 base salary amount as provided by University of Washington
5. University of Texas, at Austin Total Compensation reflects data provided by the university for all compensation elements except for retirement as amount was not provided by university. Base salary provided by the university is slightly lower than that provided in the Chronicle of Higher Education. Total Compensation includes 1/5 of a 5 year \$50,000 deferred compensation award.
6. University of Minnesota base pay remained the same for the past two years as the President has not taken any increases during that time. Data has not been time-adjusted.
7. Harvard Total Compensation includes 2011 base salary adjusted by 5% and 6% for 2012 and 2013 respectively as provided by Harvard

Appendix B – Table 3

**Current Contract**

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Full-time Equivalency	1.00	1.00	1.00	1.00	1.00	0.75	0.75	0.50	0.50
Base Salary <sup>1</sup>	\$564,553	\$564,553	\$280,000	\$280,000	\$280,000	\$210,000	\$210,000	\$140,000	\$140,000
Benefits	\$116,806	\$116,806	\$57,932	\$57,932	\$57,932	\$43,449	\$43,449	\$28,966	\$28,966
<b>Total Compensation</b>	<b>\$681,359</b>	<b>\$681,359</b>	<b>\$337,932</b>	<b>\$337,932</b>	<b>\$337,932</b>	<b>\$253,449</b>	<b>\$253,449</b>	<b>\$168,966</b>	<b>\$168,966</b>
In lieu of administrative support	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$37,500	\$37,500	\$25,000	\$25,000
<b>Sum of Tenure alone</b>	<b>\$3,221,344.00</b>	39%	<b>\$1,250,000.00</b>						
<b>Sum including Admin Support</b>	<b>\$3,596,344.00</b>								

**Restructured Contract**

	2015	2016	2017	2018	2019
<b>Sr. Advisor Services</b>					
Full-time Equivalency	0.10	0.10	0.10	0.10	0.10
Base Salary <sup>1</sup>	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000
Benefits	\$18,621	\$18,621			
<b>Total Compensation</b>	<b>\$108,621</b>	<b>\$108,621</b>	<b>\$90,000</b>	<b>\$90,000</b>	<b>\$90,000</b>
<b>Sum</b>	<b>\$487,242.00</b>		<b>\$487,242.00</b>		
<b>Non-compete \$1.2M per year<sup>2</sup></b>	<b>\$6,000,000.00</b>	38%	<b>\$2,250,000.00</b>		

**Total**

**\$3,987,242.00**

Notes: 1. Base salary assumes no annual increases over the period. Market has been increasing by 3% per year, on average. 2. The non-compete agreement is valued at \$1.2 million per year. Dr. Machen will receive \$450,000 per year for five years.



**THE UNIVERSITY OF FLORIDA  
BOARD OF TRUSTEES  
RESOLUTION  
HONORING J. BERNARD MACHEN AND CHRIS MACHEN**

WHEREAS, Dr. J. Bernard Machen has served eleven years, since January 2004, as the Eleventh President of University of Florida, with exceptional distinction, wisdom, dedication and accomplishment, having extended his service twice at the request of the Board of Trustees, and

WHEREAS, Dr. Machen has partnered with the Board to set high standards and goals for the University and, under Dr. Machen's leadership, the University has achieved historic goals that set a strong foundation and steady course to increasing national and international preeminence, and

WHEREAS, under Dr. Machen's leadership, and among his many accomplishments, are these highlights:

(1) fostering the inclusion and success of a broad diversity of individuals in our University community, including members of low socio-economic groups, minority groups, the LGBTQ community, immigrants, and others through groundbreaking programs such as the Bernie and Chris Machen Florida Opportunity Scholars program for highly talented students who are first in their families to attend college, domestic partner benefits, and state immigration reform for higher education, among other concrete actions;

(2) securing historic formal recognition, \$95 million of public funding and a commitment of \$800 million of private funding (\$446 million already raised) for University of Florida as the foremost preeminent research university in Florida, enabling recruitment of over 100 highly accomplished faculty members;

(3) raising over \$2.8 billion of private support for the University, completing the historic \$1.7 billion *Florida Tomorrow* campaign, the sixth most successful in public university capital campaigns at the time, and increasing the endowment by almost a billion dollars;

(4) wisely and steadfastly managing the University's finances through five years of historic state budget cuts and world-wide economic recession, maintaining the University's affordability and mission-critical activities, enhancing efficiency, and positioning the University to emerge from this period in solid financial condition and ready to grow for the future;

(5) increasing the University's research volume from \$470 million to \$702 million and fostering technology transfer from academia to industry,

entrepreneurial endeavors, job creation, and economic development--with the University of Florida consistently ranking among the top universities nationwide in number of patents for inventions; contributing to the creation of thousands of jobs and more than 100 start-up companies, and spearheading Innovation Square, Innovation Hub and Innovation Academy, as well as the number one-ranked technology-business incubator, the UF Sid Martin Biotechnology Incubator;

(6) achieving a number 14 ranking among national public universities while establishing UF among the top-10 universities on measures of value for quality and affordability;

(7) securing \$588 million from the Florida Legislature in PECO funds and general revenue for fixed capital outlay;

(8) constructing, renovating or expanding more than 3.1 million gross square feet of state-of-the-art research and education facilities to support the University of Florida's programs, with a student- and multi-disciplinary emphasis, including: the J. Wayne Reitz Union, Heavener Hall, William R. Hough Hall, Jim and Alexis Pugh Hall, Kathryn Chicone Ustler Hall, the Samuel P. Harn Museum's David A. Cofrin Asian Art Wing, the Southwest Recreation Center, the Harrell Medical Education Building, the Clinical and Translational Research Building, the Biomedical Sciences Building, the Nanoscale Research Facility, the Emerging Pathogens Institute, Cypress Hall and the impending New Chemistry Building;

(9) strengthening the leadership, close collaboration, and financial growth of the University's Health Science Centers and affiliated Shands teaching hospitals in Gainesville and Jacksonville as *University of Florida Health*, thereby fostering the quality of patient care and excellence in research and education, and positioning the University's health affairs endeavor well for the future, at a time of change and uncertainty in healthcare;

(10) extending the university's influence and impact in the Gainesville community and State of Florida through construction of the East Campus in Gainesville, the UF Research & Academic Center at Medical City at Lake Nona in Orlando, and the renovation or preservation of 38 of Florida's most treasured historic buildings by UF Historic St. Augustine;

(11) contributing to the university's advancement of public leadership in critical areas of societal concern through the establishment of the UF Water Institute (2006); the Claude D. Pepper Older Americans Independence Center (2007) and the Bob Graham Center for Public Service (2008);

(12) creating UF Online, the first four-year, fully online baccalaureate degree program in the State University System and expanding the program's offerings to 11 majors in just over a year;

(13) elevating and strengthening the University's undergraduate education through the development of a signature core curriculum and shared undergraduate experience, beginning with the "What is the Good Life?" course, and with four core classes being anticipated and developed;

(14) continuing the University's tradition of athletic achievement and excellence, with UF athletic teams winning no fewer than 15 national championships, and UF becoming the first university in Division 1 history to hold the NCAA national titles in both football and men's basketball in a single year (2007); and

(15) building a talented and collaborative leadership team; and

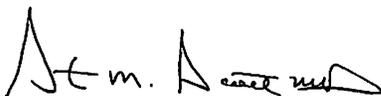
**WHEREAS**, Chris Machen has served University of Florida as First Lady with extraordinary grace, thoughtfulness, compassion and vision, and has unselfishly supported Dr. Machen's efforts on behalf of the University, including his agreement to extend his service as President, and her service as First Lady, when called upon by the Board of Trustees, and

**WHEREAS**, Mrs. Machen has championed nationally-recognized and groundbreaking sustainability initiatives at University of Florida; served the homeless, their pets and children-in-need in our Gainesville community with compassion and respect; supported the arts and student safety; championed and encouraged women leaders at UF in the Gainesville community and served as Dr. Machen's close partner in the creation and growth of the Bernie and Chris Machen Florida Opportunity Scholars program and many other priority endeavors,

**NOW, THEREFORE, BE IT RESOLVED** that the University of Florida Board of Trustees at its regular meeting this 5<sup>th</sup> day of December, 2014, in gratitude for eleven years of exemplary service and lasting impact, does hereby recognize and most highly commend Dr. J. Bernard Machen and Chris Machen for their contributions as President and First Lady of University of Florida, and

**BE IT FURTHER RESOLVED** that the Board of Trustees honors Dr. J. Bernard Machen for his lasting legacy by conferring upon him the title of President Emeritus of University of Florida, and

**BE IT FURTHER RESOLVED** that this resolution be included in the minutes of this meeting, and a copy be presented to Dr. J. Bernard Machen and Chris Machen in recognition of the Board's appreciation and gratitude.



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Steven M. Scott, Chair