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Office of Academic Affairs
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Personal and Confidential

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The University of Texas
of the Permian Basin
The University of Texas at San Antonio
The University of Texas at Tyler

August 24, 2007

Dr. W. David Watts
President
The University of Texas of the Permian Basin
4901 East University
Odessa, Texas 79762

Dear David:

This letter outlines the terms of your appointment effective September 1, 2007.

Your annual salary rate effective September 1, 2007, will be \$285,000. In addition to the annual salary you will receive a one-time merit award of \$10,000. You are entitled to other State-paid fringe benefits required to be provided to higher education employees by State law and for which you are eligible are included. Among these benefits are State-paid OASI, longevity pay, workers' compensation, liability insurance coverage, retirement plan, insurance premium sharing, and leave entitlement.

The Board of Regents has authorized \$15,000 in deferred compensation for the budget year subject to the terms and conditions of a separate agreement related to deferred compensation.

Additional elements of your compensation package are:

- (a) The cost of club membership(s) approved by the Executive Vice Chancellor for Academic Affairs will be paid, including initial fees for joining the club and all properly documented business related expenses. All personal expenses, including the portion of dues related to personal use, should be reimbursed to the institution. The portion of dues related to personal use is calculated based on the personal expenses for that month as a percent of the total expenses. That percentage is applied to the dues owed to determine the personal amount.
- (b) When your term as President ends, you will be entitled to return to a faculty position as Professor of Sociology, with tenure, and to be compensated at your academic salary rate. Consistent with the provisions of *Texas Education Code*, Section 51.948(c), your annual academic rate, effective September 1, 2007, will be \$86,164. While serving as President, your appointment as Professor will be without compensation.
- (c) State law allows the grant of development leave at the individual's academic salary rate for one year to a faculty member who has held an administrative position at the institution for more than four years. An administrator who receives development leave must return to work (as a faculty member) at a U. T. System institution for an amount of time equal to the amount of time the administrator received development leave or repay the institution for all the costs of the development leave. Barring any subsequent legal prohibitions, these provisions will apply in your situation. The specific length of the development leave will be negotiated dependent on your term of service as President and other pertinent considerations should you leave the Presidency and return to faculty.

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Please note that the benefits described above in (c) may, at the discretion of the Board be denied should you be terminated from the position of President for good cause, as determined by the Board.

Business-related travel and entertainment expenses, as well as official travel for Mrs. Watts, shall be in accordance with the *Rules and Regulations* of the Board of Regents, Series 20205, U. T. System Policy, UTS120 – Spousal Travel Policy, and with current travel and entertainment budgets and policies of the institution. Expenses will be paid directly or reimbursed as appropriate.

Appropriate and timely submission of documentation required for reimbursement of travel and entertainment expenditures is required by the *Rules and Regulations* of the Board of Regents, Series 20205. Quarterly reports on travel, including spousal travel, and entertainment shall be filed with the Executive Vice Chancellor for Academic Affairs.

Your base salary is all inclusive and there are no additional allowances provided for housing or automobile consistent with Regents' *Rules and Regulations* on compensation for chief administrative officers. Reimbursement will be made for mileage associated with business use of a vehicle in accordance with the latest published Internal Revenue Service guidelines, the State Travel Regulations Act (*Texas Government Code*, Chapter 660) and applicable institutional policies.

There is no separate provision for the use of a cellular telephone or other wireless device. Such use shall follow the policy for wireless devices at your institution.

Elements in this compensation package may be subject to federal income tax and as such will be subject to withholding and reported on the W-2 form along with base salary paid. You should, of course, consult your tax adviser as to the handling of business or other offsetting deductions.

I look forward to the continued opportunity to work with you as President of The University of Texas of the Permian Basin and express my appreciation for your service. If you have any questions, please let me know.

Sincerely,



David B. Prior, Ph.D.
Executive Vice Chancellor for Academic Affairs

DP/sn

c: Chancellor Mark G. Yudof
Randy Wallace, Associate Vice Chancellor – Controller and Chief Budget Officer
Christopher Forrest, Vice President for Business Affairs