

EMPLOYMENT CONTRACT

THIS EMPLOYMENT CONTRACT is made and entered into this 26th day of August 2011, by and between THE MICHIGAN EDUCATION ACHIEVEMENT AUTHORITY (the "EAA"), and DR. JOHN COVINGTON (the "Chancellor").

WITNESSETH:

WHEREAS, the Executive Committee (the "Executive Committee") of the EAA has offered to employ Dr. John Covington as Chancellor with responsibility as the chief executive and administrative officer of the EAA, upon the terms and conditions set forth herein; and

WHEREAS, the Chancellor has accepted the Executive Committee's offer of employment on the terms and conditions set forth herein; and

WHEREAS, it is the parties' belief that a written employment contract fully specifying the terms and conditions of the Chancellor's employment by the EAA will promote effective communication and true understanding between the parties; and

WHEREAS, the parties have mutually agreed upon the following terms and conditions relative to the Chancellor's employment by the EAA.

NOW, THEREFORE, in consideration of the agreements hereinafter set forth, and other good and valuable consideration, the parties agree as follows:

1. OFFER OF EMPLOYMENT

The Executive Committee, pursuant to the ILA, the laws of the State of Michigan and in accordance with a resolution duly adopted by the Executive Committee at a meeting held on August __, 2011, hereby offers to employ Dr. John Covington as the Chancellor of the EAA upon the terms and conditions set forth in this Employment Contract.

For purposes of this Employment Agreement, "ILA" means the interlocal agreement between

The Detroit Public Schools and Eastern Michigan University establishing the EAA.

2. ACCEPTANCE BY CHANCELLOR

The Chancellor hereby accepts the offer of employment and agrees to devote his full time and best efforts to the performance of the duties of Chancellor of the EAA.

3. TERM OF EMPLOYMENT

The Chancellor's term of employment under this Employment Contract shall commence on September 26, 2011, and terminate on June 30, 2015 (July 1 to June 30 being a "Contract Year"), unless further extended or sooner terminated as hereinafter provided.

4. CHANCELLOR'S DUTIES AND RESPONSIBILITIES

The Chancellor shall be the chief executive officer of the EAA and shall perform all the duties now or hereafter required of, and possess all of the authority now or hereafter granted to, a Chancellor of under the provisions of the ILA, laws, rules, and regulations of the State of Michigan, and the policies and procedures of the EAA.

a. Without limiting the foregoing, the Chancellor shall have the specific authority, right, and responsibility to: administer all programs, funds, personnel, facilities, contracts, and all other administrative and academic functions of the Authority, subject to oversight by the Executive Committee. In providing such oversight the Executive Committee, collectively and individually, will strictly adhere to a system of policy governance and shall not interfere with the Chancellor's performance of his duties and responsibilities as outlined herein.

b. In carrying out his duties, the Chancellor shall work with the Emergency Manager of the Detroit Public Schools, the State Superintendent of Public Instruction and other public education officials within the State of Michigan.

c. The Chancellor shall act according to the policies adopted by the Executive Committee and shall enforce and execute all decisions, rules, and regulations officially adopted from time to time by the Executive Committee. The Chancellor shall be responsible for carrying out all duties incident to the office of the Chancellor, including, without limitation, all duties and responsibilities delegated to him by the Executive Committee relating to the operation of the EAA.

d. The Chancellor shall act and provide leadership and direction as necessary to enable him to meet and satisfy the Chancellor's performance objectives.

5. RENEWAL OF EMPLOYMENT CONTRACT

This Employment Contract will automatically be renewed for an additional one (1) year beyond the initial expiration of June 30, 2015, unless the Executive Committee notifies the Chancellor in writing of its intent not to extend the Contract by December 31, 2014. Each year thereafter, this Employment Contract will automatically be extended for an additional one (1) year, unless the Executive Committee notifies the Chancellor in writing of its intent not to extend the Contract by December 31 of that year. However, the Executive Committee and the Chancellor reserve the right to negotiate a new Employment Contract, if mutually agreeable to both parties, with different terms and conditions at any time.

6. TERMINATION OF EMPLOYMENT CONTRACT

This Employment Agreement may be terminated:

- a. by mutual agreement of the parties;
- b. upon resignation or retirement of the Chancellor;

EMPLOYMENT CONTRACT

Page 4 of 13

- c. upon disability of the Chancellor, where such disability renders the Chancellor unable to perform the essential functions of his position (with or without reasonable accommodation) for period of at least (i) four consecutive months or (ii) six months in any twelve month period, which termination shall only occur after certification by an independent physician selected by the Executive Committee and the Chancellor that the Chancellor is disabled within the meaning of this paragraph but in no event sooner than the earlier of (i) six (6) months after the date either party receives written notice from the other that such party intends to terminate the Employment Contract pursuant to this paragraph 6(c) or (ii) the elimination period under the Chancellor's long term disability plan;
- d. by unilateral action of the EAA to terminate the Chancellor for cause, which shall consist of conduct on the part of the Chancellor that is prejudicial to the EAA, which shall be limited to: (1) neglect of duty; (2) intentional, or material breach of this Employment Contract; (3) immoral conduct as defined by case law; (4) failure to cure incompetency, inefficiency or insubordination in the line of duty within fifteen (15) days after receipt of written notice from the Executive Committee of any such deficiency; or (6) willful or persistent violation of or failure to comply with Executive Committee policy; and provided that the Executive Committee shall not arbitrarily or capriciously call for the Chancellor's dismissal, and that the Chancellor shall have the right to written charges, a fair hearing before the Executive Committee, and fifteen (15) days' written notice of said charges and hearing. At any such hearing before the Executive Committee, the Chancellor shall have the right to be present and to be heard, to be represented by counsel and to present through witnesses any testimony

EMPLOYMENT CONTRACT

Page 5 of 13

relevant to the issue. A transcript of the record of the proceedings before the Executive Committee shall be made available without charge to the Chancellor. If the Chancellor chooses to be accompanied by legal counsel at the hearing before the Executive Committee, he will assume the cost of his legal expenses;

e. by unilateral termination by the EAA without cause by a vote of at least two-thirds of the members of the whole membership of the Executive Committee and by means of written notice, provided that in the event of termination without cause, the EAA shall pay to the Chancellor all salary and benefits payable to him under this Employment Contract through the date on which this Employment Contract or any extensions thereof would otherwise terminate in the absence of such unilateral termination.

7. COMPENSATION

a. Within 30 days of the execution of this Agreement the EAA shall pay to the Chancellor an initial payment of One Hundred Seventy Five Thousand Dollars (\$175,000.00).

b. For the first year of this Employment Contract, the EAA shall pay to the Chancellor a base annual salary of Two Hundred and Twenty Five Thousand Dollars (\$225,000.00).

c. For the second year of this Employment Contract, the EAA shall pay to the Chancellor a base annual salary of Three Hundred and Twenty Five Thousand Dollars (\$325,000.00).

d. At the beginning of each Contract Year thereafter, the EAA shall increase the base annual salary by an amount as agreed between the Chancellor and the EAA

Executive Committee.

e. At the end of the second Contract Year and each year thereafter, the Chancellor shall be eligible for an Incentive Compensation Payment tied to performance indicators mutually agreed by the Chancellor and the Executive Committee and as further described in paragraph 21. The range for the Incentive Compensation Payment shall be between \$50,000 and \$100,000 in any given year.

8. RETIREMENT PLAN

The Chancellor shall be eligible to participate in a Section 457(b) or other eligible retirement plan with immediate vesting that will be established, sponsored or participated in by the EAA for voluntary elective contributions made on a salary reduction basis, subject to the terms and conditions of such plan and the Internal Revenue Code.

9. HEALTH INSURANCE OPTION

As an inducement to forego health, dental, vision and other health insurance benefits, the Chancellor will receive 80% of the value of those benefits, but not less than \$12,000, instead as additional compensation in lieu of benefits, in amount equivalent to the benefits under the State health insurance plan. In the event the State health insurance plan does not provide benefits in any of the listed categories, the Chancellor shall receive 80% the value of that benefit based upon a commercial plan commonly provided for a chief executive officer.

Any such additional compensation shall not be considered a part of the Chancellor's base annual salary with regard to any other provision of this Contract.

10. SUPPLEMENTAL INSURANCE ALLOWANCE

For each Contract Year, the EAA shall make available to the Chancellor a supplemental insurance allowance in an amount not to exceed Fifteen Thousand Dollars (\$15,000.00) for the purpose of

allowing the Chancellor to acquire life, disability and other applicable insurance benefits.

11. SICK LEAVE

The Chancellor will receive fifteen (15) sick days upon initial employment with the EAA and fifteen (15) additional sick days for each year during the term of this Employment Contract. Unused sick days may accumulate from year to year through the term of this Employment Contract.

12. VACATION LEAVE

The Chancellor will receive twenty (20) vacation days for each Contract Year during the term of this Employment Contract. Unused vacation days may accumulate from Contract Year to Contract Year through the term of this Employment Contract; provided that the Chancellor may be allowed to exchange unused vacation days for cash additional salary, up to a maximum of ten (10) days per Contract Year, determined on a per diem basis. At the termination of the Chancellor's employment for any reason, the cash value of unused vacation days will be paid to the Chancellor.

13. TECHNOLOGY SUPPORT

The EAA shall provide the Chancellor with a Blackberry or equivalent device, home fax machine, laptop computer and home printer for effective communication. All maintenance and other monthly or recurring charges for this equipment shall be at the expense of the EAA and all such equipment shall remain the property of the EAA.

14. REIMBURSABLE EXPENSES

The EAA shall pay all reasonable expenses of the Chancellor incurred in furtherance of the business, goals, and objectives of the EAA and the Executive Committee, consistent with Executive Committee policy.

15. TRANSPORTATION

The EAA shall provide the Chancellor a monthly travel allowance in the amount of

EMPLOYMENT CONTRACT

Page 8 of 13

Eight Hundred Dollars (\$800.00) per month for automobile travel related to his position. The EAA shall also pay the Chancellor's expenses for air fare for official travel related to EAA business.

16. PROFESSIONAL DEVELOPMENT

The Chancellor may attend appropriate meetings at the local, state, and national levels, subject to prior approval of the Executive Committee President, for out-of-state meetings. The Executive Committee policy applicable to travel by the EAA's employees shall apply to the Chancellor; provided, however, that the Chancellor's expense report shall be submitted to the Treasurer of the Executive Committee for verification and reconciliation. The Chancellor's membership fees in up to four (4) professional and/or three (3) civic organizations, and up to an annual maximum amount of Ten Thousand Dollars (\$10,000), shall be paid by the EAA.

17. MEDICAL EXAMINATION

The Chancellor will submit to an annual medical examination at the expense of the EAA. The Chancellor will furnish the President of the Executive Committee with an annual statement from a licensed physician certifying his ability to perform the duties of his office.

18. PROFESSIONAL LIABILITY

To the extent consistent with Executive Committee policy, the EAA shall defend and hold harmless the Chancellor from any and all demands, claims, suits, actions, and legal proceedings brought against the Chancellor in his individual capacity, or in his official capacity as agent and employee of the EAA, provided that the incident arose while the Chancellor was acting within the scope of his employment, excluding criminal charges and criminal litigation, and provided that such liability coverage is within the authority of the EAA to provide under state law.

EMPLOYMENT CONTRACT

Page 9 of 13

The EAA shall provide indemnity for liability as set forth herein for all claims made and occurrences throughout the term of this contract and thereafter, as set forth below. However, in no case will individual Executive Committee members be considered personally liable for indemnifying the Chancellor against any demands, claims, suits, actions, and legal proceedings. If a conflict exists between the legal position of the Chancellor and the legal position of the Executive Committee and/or the EAA, the EAA will pay the reasonable costs of separate counsel to represent the legal interests of the Chancellor as authorized by the Executive Committee and as permitted by state law. This provision shall survive termination of the Contract and its protection shall be provided to the Chancellor for any applicable demands, claims, suits, actions, and legal proceedings brought against Chancellor after his employment with the EAA ends.

19. COMMUNICATIONS

The Executive Committee and the Chancellor acknowledge the need to strengthen and regularly discuss their relationship, and each shall strive to do so in a way that will work to their mutual benefit and positively impact the EAA and its students and patrons. Toward that end, Executive Committee members shall promptly refer to the Chancellor in writing any criticisms, complaints, suggestions, communications, or comments of which they become aware regarding the administration of the EAA or the Chancellor's performance of his duties; provided, however, that the failure of any Executive Committee member to promptly refer such matters to the Chancellor shall not be deemed a breach of this Employment Contract.

20. GOALS AND OBJECTIVES

For the second year of this Employment Contract, the objectives by which the Chancellor's performance will be evaluated will be set forth in an Addendum as agreed between the Chancellor and the Executive, and will attached hereto and incorporated herein by reference. For each

subsequent year of this contract, the Chancellor shall provide to the Executive Committee in writing, on or before June 30 his proposed goals and objectives and performance indicators for the EAA for the next Contract Year. The Executive Committee shall review the proposed goals and objectives and performance indicators with the Chancellor and shall determine, in consultation with him, final goals and objectives and performance indicators. The accomplishment of the goals and objectives and performance indicators shall be included among the criteria by which the Chancellor is evaluated by the Executive Committee under paragraph 22 of this Employment Contract and shall be the basis for determining the Incentive Compensation Payment provided in paragraph 7.

21. PERFORMANCE REVIEW

The Executive Committee shall review and evaluate in writing the performance of the Chancellor at least once every twelve (12) months during the term of this Contract, with the first review and evaluation to occur by December 31, 2012. The criteria of any such evaluation shall be related to the duties and responsibilities of the Chancellor as described in Paragraph 4 of this Contract and to the goals and objectives and performance measures of the EAA for the relevant period; provided, however, that the failure of the Executive Committee to evaluate the Chancellor as provided in this Employment Contract shall not be deemed a breach of this Employment Contract; and further provided, that the timing and format for evaluating the Chancellor's performance shall be determined by the Executive Committee in consultation with the Chancellor.

Unless the Chancellor expressly requests otherwise in writing, the evaluation of the Chancellor shall at all times be conducted in executive session and shall be considered confidential to the extent permitted by law and with the input of the Chancellor. Nothing herein shall prohibit the Executive Committee or the Chancellor from sharing the content of the Chancellor's evaluation with their

respective legal counsel.

22. RESIDENCY

The Chancellor shall maintain his personal residence within the State of Michigan during the term of this Employment Contract.

23. RELOCATION, TRANSITION AND TEMPORARY HOUSING EXPENSES

The EAA shall reimburse the Chancellor for all reasonable relocation and moving expenses in connection with his move to Michigan, including packing, moving and any necessary temporary storage of household goods. The Chancellor will obtain three (3) estimates from professional, bonded movers and the EAA shall reimburse the Chancellor for actual costs paid to the mover providing the lowest estimate. In addition the Executive Committee shall reimburse the Chancellor for temporary housing expenses of up to Two Thousand Dollars (\$2,000.00) per month for up to six months or until the Chancellor secures permanent housing within the state, whichever occurs first, and shall provide the Chancellor an additional Five Thousand Dollars (\$5,000.00) for general transition expenses.

24. RETIREMENT SUPPLEMENT

During the term of this Employment Contract, the EAA shall make contributions to an eligible plan under Section 401(a) or other comparable provision of the Internal Revenue Code in an amount not less than 80% of the employer contributed component of the Chancellor's prior retirement plan for 2010 (but in no event more than the maximum amount allowable under the Code and the applicable regulations). Payments to such plan shall be in addition to the base annual salary stated above in paragraph 7. Such contributions shall be made no less frequently than monthly during each Contract Year.

25. CHANGES TO CONTRACT

The EAA and the Chancellor agree that any adjustment in salary or change in the term or other aspects of this Employment Contract shall be in the form of a written amendment, which shall thereafter become a part of this Employment Contract.

26. DISPUTE RESOLUTION

In the event of a dispute between the parties relating to any provision of this Employment Contract, including a dispute as to any party's rights and obligations under any such provision, the parties agree that such dispute or disputes will first be submitted to Mediation, with the Mediator(s) to be mutually agreeable to the EAA and the Chancellor, and the costs of such Mediation shall be shared equally by both parties.

27. ENFORCEABILITY

The invalidity or unenforceability of any provision of this Employment Contract shall in no way affect the validity or enforceability of any other provision.

28. CONTROLLING LAW

It is understood and agreed that the terms and conditions set forth in this Employment Contract are in every respect subject to the appropriate provisions of the laws of the State of Michigan, and that this Employment Contract shall be so construed and interpreted.

29. TAXES

All payments and other benefits received by the Chancellor under this Employment Contract shall be subject to all requirements of the law with regard to tax withholding, reporting and filing requirements, and the EAA shall use its reasonable best efforts to satisfy promptly all such requirements. The Chancellor shall be responsible for any personal tax liability related to such payments and benefits.

IN WITNESS WHEREOF, the EAA has caused this Employment Contract to be approved in

EMPLOYMENT CONTRACT

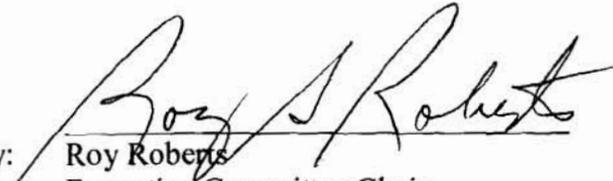
Page 13 of 13

its behalf by a duly authorized officer, and the Chancellor has approved this Employment Contract effective on the 1st day of September, 2011.

CHANCELLOR


Dr. John Covington

THE MICHIGAN EDUCATION
ACHIEVEMENT AUTHORITY


By: Roy Roberts
Executive Committee Chair

Attested: 
Secretary