The Smith Chair of Economics at the
Mercatus Center at George Mason University

Agreement between the Mercatus Center and George Mason University

This Agreement is made July 14, 2003 between the Mercatus Center, Inc., 3301 North Fairfax
Drive, Arlington, Virginia 22201 (“Mercatus”) and George Mason University, Fairfax, Virginia
(“the University”).

Whereas Mercatus has received a pledge of support from the Menlo F. Smith Trust to
honor the memory of J. Fish and Lillian F. Smith, to recognize their dedication to the
principles for which this Chair is being established, to support the mission of the
Mercatus Center, and to create the J. Fish and Lillian F. Smith Chair at the Mercatus
Center at George Mason University (“the Chair”; see Appendix A), and

Whereas Mercatus deems it in its interest to support the academic excellence and
advancement of the University, and

Whereas the University deems it in its interest to attract a qualified faculty member to
their Department of Economics to fulfill the objectives of the J. Fish and Lillian F. Smith
Chair (as herein described),

Mercatus and the University enter into this Agreement to create a tenured faculty position within
the Economics Department at George Mason University (“GMU Faculty Position”) to be
occupied by the initial holder of the Chair. In consideration of the University’s creation of the
GMU Faculty Position, the Mercatus Center agrees to pay the University $900,000 as scheduled
in Section 5, infra.

1. Objectives and Requirements of the Chair. The objective of the Smith Chair is to
increase understanding of economics based on the principles of free markets, private
property, limited constitutional government, rule of law, and individual freedom with
responsibility and to expand public support of these principles. The occupant of the chair
shall hold a doctorate degree in economics and shall be schooled, qualified in, and
committed to the foregoing principles. The objectives of the Chair shall be accomplished
through teaching, research, publishing, print and electronic media and such other means
as may reasonably be deemed to be effective to advance the purposes of the Chair. The
occupant shall devote full time to the activities of the Chair. At the conclusion of each
academic year, the occupant shall provide the Selection Committee and the Advisory
Board with a brief summary of the principal activities, accomplishments and expenditures
of the Chair for the previous year. Any additional objectives or requirements for the
Chair shall be decided by unanimous vote of the Selection Committee (Section 2, infra).

The Chair shall be operated exclusively for charitable and educational purposes within
the purview of Section 501(c)3 of the Internal Revenue Code of 1954 or such section or
comparable section as hereinafter amended. No part of the funds shall inure to the benefit
of any private individual and/or business corporation and no part of the activities of the


Chair shall consist of carrying on or otherwise attempting to influence legislation or participating or intervening in any political campaign on behalf of any candidate for public office.

2. **Selection Committee.** The Selection Committee shall have five (5) members. The decision-making rule for the Selection Committee shall be majority vote, except in the case of providing additional objectives or requirements, in which case the decision-making rule shall be by unanimous vote. The members of the Initial Selection Committee (i.e., the Selection Committee that chooses an Initial Chairholder as defined in Section 3, infra) will be: the President of Mercatus, the Chair of the Economics Department at George Mason University, one (1) member designated by Menlo F. Smith or his descendants, one (1) member designated by the Chair of the GMU Economics Department, and one (1) member designated by the Provost of George Mason University.

3. **Structure of Chair.** Mercatus will employ or contract with the holder of the Smith Chair. An invitation to occupy the Chair will require a majority vote of the Selection Committee. Additionally, to be an Initial Chairholder will require a majority vote of the Selection Committee and ratification by the Department of Economics. Through this Agreement, the University agrees to provide the Initial Chairholder with a tenured faculty position within the Economics Department at George Mason at an annual salary of $155,000. The University agrees to pay the Initial Chairholder’s university salary and provide full university benefits for the GMU Faculty Position as long as an Initial Chairholder qualifies for a tenured faculty position at George Mason University. For purposes of this agreement and the separate agreement in Appendix A, Initial Chairholder shall refer to any individuals chosen by the Initial Selection Committee and ratified by the Department of Economics to occupy both the Chair and the GMU Faculty Position prior to August 15, 2009.

Unless this agreement and/or the agreement in Appendix A are amended by the parties through separate consideration, any connection between the Chair and the GMU Faculty Position will expire when that Initial Chairholder occupying the Chair as of August 30, 2009, voluntarily leaves the GMU Faculty Position. Notwithstanding, both parties reserve the right to amend this Agreement through separate consideration to create a permanently endowed fund for the perpetual maintenance of the Chair and the GMU Faculty Position and to have the funds pledged herein contributed to such an endowment.

4. **Advisory Board.** Through the Agreement between Mercatus and the Menlo F. Smith Trust (Appendix A) an advisory board shall be created to receive an annual summary of the activities, accomplishments, and expenditures of the Chair and to review the administration of the grant. In so doing it shall have the right to consult with the Selection Committee regarding the qualifications of candidates for the Chair; discuss with the Grantees and their representatives/affiliates, their administrative officers or trustees, the appointment of an occupant of the Chair and any other matters relating to carrying out the purposes for which the Chair is established; ensure compliance with the terms of this agreement through appropriate administrative or legal channels. The Advisory Board shall have no authority or control, either directly or indirectly, over the funds received by Mercatus or GMU, over the administration of the Chair or the selection of the occupant of the Chair, and shall only act as a body that has a continuing interest in seeing that the terms and conditions of this agreement and the obligations of the grantees
and representatives/affiliates are carried out.

5. Payment Schedule. Mercatus will make the first payment of $150,000 to the University on or before August 31, 2003, conditional upon Russell Roberts of St. Louis, MO, having been approved to become the first occupant of the Chair with an agreement in place to effect his employment as such. Each of the additional five (5) annual payments of $150,000 shall be paid on or before the last day in August each year beginning in 2004 and ending in 2008. In the event that the Chair may be vacant during any portion of this period, payments may be suspended during such periods of vacancy. When the vacancy is filled, payments will then be resumed and the payment schedule extended correspondingly so that the total amount to be paid will remain the same. To summarize, the payment schedule will be as follows:

<table>
<thead>
<tr>
<th>On or before</th>
<th>Amount</th>
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<tbody>
<tr>
<td>August 31, 2003</td>
<td>$150,000</td>
</tr>
<tr>
<td>August 31, 2004</td>
<td>$150,000</td>
</tr>
<tr>
<td>August 31, 2005</td>
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<tr>
<td>August 31, 2008</td>
<td>$150,000</td>
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6. State Law Provisions. This Agreement shall be governed by the laws of the state of Virginia. In addition, to the extent an amendment does not conflict with federal law, the agreement may be amended by mutual agreement of the parties.

IN WITNESS WHEREOF, the Mercatus Center and the University have executed this Agreement on the date first stated above.

George Mason University

By: ___________________________ Date: 7/1/03
Peter N. Stearns – Provost

By: ___________________________ Date: 7/14/03
Daniele C. Struppa – Dean, College of Arts & Sciences

Mercatus Center, Inc. Incorporation Date – 1987

By: ___________________________ Date: 7/14/03
Paul S. Edwards – President

By: ___________________________ Date: 7/14/03
Tyler Cowen – General Director