I. EMPLOYMENT AGREEMENT

A. This agreement is entered into on this 20th day of October, 2006 between the Regents of the University of Michigan ("the Regents" or "the University") and Mary Sue Coleman ("President"). It replaces and supersedes any and all prior agreements between the parties regarding the renewal of President's appointment, including the June 16, 2006 Presidential Appointment Term Sheet, and may be modified only in a writing signed by the Regents and the President of the University.

B. President is appointed to the position of President of the University of Michigan, and will perform all duties attendant to that position as determined by the Regents, including all responsibilities and duties of the President of the University of Michigan as set forth in the Regents' bylaws, Michigan law, and any other applicable rules and regulations.

II. TERM OF AGREEMENT AND COMPENSATION

A. The term of the appointment is for five years, from August 1, 2007 to July 31, 2012, subject to satisfactory performance, as reasonably determined by the Regents.

B. If President should decide to retire from the University of Michigan at any time after five years from her commencement of employment as President, the University will waive its service requirement in order to permit President to retire as a regular University retiree with the attendant benefits.

C. As compensation for the services performed under this Agreement, Dr. Coleman will receive:

1. An annual salary initially in the amount of her base salary as of August 1, 2007. There will be an annual review of the President's performance. Salary increases will be made by the Regents, from time to time, based on performance and other considerations.

2. All the benefit plans and programs extended to executive officers of the University under the terms of those plans and programs (e.g., full family health insurance coverage), as amended from time to time, subject to meeting the eligibility criteria for the plans and programs. President's fringe benefits will be calculated on her base salary only. Perquisites are to include, by way of illustration and not limitation: automobile for business and personal use, use of the President's residence with appropriate housekeeping staff, appropriate staff for event coordination and personal assistance selected by President for correspondence and speeches, etc., and travel accommodations commensurate with the position.

A retirement package that includes participation in the University's retirement plan, which currently provides that the University will match the President's 5 per cent contribution with a 10 per cent University contribution on salary of up to $220,000. (This number is set by federal law and will be indexed periodically.) In addition, the University will provide the President with an annual 403(b) contribution to her University of Michigan Basic Retirement Plan according to this schedule:

Year	Amount
2007	$20,437.75
2008	$28,145.75
2009	$28,145.75
2010	$28,145.75

2011	$28,145.75
2012	$7,251.69

The annual contribution will be adjusted yearly to reflect changes in the President's compensation and is subject to applicable federal limits.

4. A retention bonus of $500,000, paid in annual installments of $100,000 for the five year period of President's appointment. President will become vested in and entitled to the annual installments upon completion of each full year of service. The payments will be made within thirty days of completion of each full year of service according to the following schedule:

Contract Year	Begin Date	End Date	Payment
One	August 1, 2007	July 31, 2008	$100,000
Two	August 1, 2008	July 31, 2009	$100,000
Three	August 1, 2009	July 31, 2010	$100,000
Four	August 1, 2010	July 31, 2011	$100,000
Five	August 1, 2011	July 31, 2012	$100,000

If President dies during the term of employment, is terminated without cause, or becomes incapacitated and the Board of Regents reasonably determines that she is unable to perform her duties as President during the remaining term of her employment, she or her beneficiary shall be entitled to a prorated portion of the current contract year's payment with the proration based on a fraction with the numerator equal to the number of full months of completed service in the appointment year as of the date of her termination, death or established disability, and the denominator equal to 12.

5. A deferred compensation program is provided, the terms and conditions of which are as described in attachment A. **President will receive an annual payment in an amount equal to President's federal and state tax obligation on the deferred compensation contributions and earnings for each year that these amounts become vested.**

III. ADDITIONAL BENEFITS

A. It is anticipated that President and her family will live in the Presidential residence on South University Avenue. The University will undertake all repairs and renovations and retain such housekeeping staff as is necessary and reasonable to maintain the house and carry out official University functions.

B. President will have two funds available for her use in order to carry out the objectives of the President -- the Presidential Initiatives Fund, which is subject to certain guidelines, and the Presidential Discretionary Fund. These funds are part of the Presidential Office budget and are subject to normal annual review and audit reports which are provided to the Regents.

IV. SUPPLEMENTAL TERMS

A. President may continue to serve on any boards of directors on which she currently serves during the term of this appointment in accordance with University regulations on faculty outside employment. Consistent with existing University policy, President must discuss with and seek approval of the Board of Regents to any additional appointment(s). Such approval will not be unreasonably withheld.

B. President will be appointed to a tenured position on the University faculty in President's discipline. Upon conclusion of President's service as President, she will have the right to return to the faculty at compensation appropriate for a senior faculty member in President's discipline at the time of the return.

V. GENERAL PROVISIONS

A. This Agreement will be governed by and construed in accordance with the laws (and not the law of conflicts) of the state of Michigan.

B. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be enforceable, valid, and legal under applicable law. If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable, invalid or illegal in any respect under applicable law, such unenforceability, invalidity or illegality will not affect any other provision of this Agreement, and this Agreement will be construed as if such unenforceable, invalid, or illegal provision had never been contained in this Agreement.

C. This Agreement shall not be assigned by either party.

REGENTS

David A. Brandon	Laurence B. Deitch
Andrew C. Richner	Olivia P. Maynard
Rebecca McGowan	Andrea Fischer Newman
S. Martin Taylor	Katherine E. White

Terms and conditions are acceptable as set forth:

PRESIDENT

Mary Sue Coleman

10/25/2006
Date

ATTACHMENT A: DEFERRED COMPENSATION

The President shall receive deferred compensation under the following conditions:

1. Funding

The University of Michigan will provide deferred compensation using class-year vesting according to the following schedule and amounts:

Contribution for Completion of Each Year of Service

Contract Year	Begin Date	End Date	Contribution
One	August 1, 2007	July 31, 2008	$75,000
Two	August 1, 2008	July 31, 2009	$75,000
Three	August 1, 2009	July 31, 2010	$75,000
Four	August 1, 2010	July 31, 2011	$75,000
Five	August 1, 2011	July 31, 2012	$75,000

The account is to be established, maintained, and invested by the University through its existing vendors. It is intended that the deferred compensation will be taxable to the President under the provisions of section 457(f) of the Internal Revenue Code.

2. Vesting/Entitlement to Deferred Compensation

a. Completion of Each Contract Year
For each contract year the President remains as the President of the University of Michigan as of the last day of that contract year, she shall become vested and entitled to the contributions and earnings attributable to that year, less applicable federal and state taxes. Vested contributions and earnings will be reported by the University of Michigan as taxable compensation for each respective year in which it vests even though the payment may be deferred (see 2.b.).

b. Election of Payment Date and Method
The entire balance of the account shall be paid to the President in a single lump sum within 21 days after August 1, 2012 unless she files an election with the University of Michigan prior to August 1, 2011, specifying (i) a different payment date that is not earlier than August 1, 2017 and (ii) either a lump sum payment or a different method of payment (such as installment payments over a fixed number of years); provided, however, that if she dies prior to payment of all vested amounts and earnings in the account, notwithstanding the election of a different date or method of payment, any remaining account balance shall be paid to her

beneficiary (or if no beneficiary is designated, her estate) in a lump sum as soon as administratively feasible after her death. Except on the account of death, the time and method of payment may not be changed after August 1, 2011.

c. Termination for Cause or Resignation
If the President is terminated with cause (defined as unsatisfactory performance or misconduct), or voluntarily resigns her employment for any reason (except as described below), she shall be entitled to the deferred compensation and earnings for each completed and vested contract year. The payment date and method shall be as specified in 2.b.

d. Death, Disability or Involuntary Termination not for Cause
If the President dies during the term of employment, is terminated without cause or becomes incapacitated and the Board of Regents reasonably determines that she is unable to perform her duties as the President during the remaining term of her employment, she or her beneficiary (or if no beneficiary is designated, her estate) shall be entitled to:

i. The vested contributions and earnings of the deferred compensation as of the date of her termination, death or established disability, plus

ii. A prorated portion of the current contract year's funding contributions as specified in "Section 1. Funding" with the proration based on a fraction with the numerator equal to the number of her full months of completed service in the appointment year as of the date of her termination, death or established disability, and the denominator equal to 12.

The payment date and method shall be as specified in 2.b., except in the event of death, in which case payment shall be made to her beneficiary in a lump sum as soon as administratively feasible after her death.