SPECIAL MEETING
July 15, 2002

The University of Michigan
Ann Arbor
Monday, July 15, 2002

The Regents held a special meeting via telephone conference call at 9:50 a.m. All eight Regents were present. Vice Presidents Krislov and Tedesco also participated via a telephone in the Regents' Room.

Regent Deitch called the meeting to order and confirmed the presence of each Regent by roll call. He announced that the purpose of the meeting was to approve the employment contract for President Elect Mary Sue Coleman. Regent Deitch noted that the contract had been finalized shortly following the June 2002 meeting, and was being approved at this time due to the full schedule of the July 2002 meeting.

Regent Brandon moved approval of the employment contract for President Elect Mary Sue Coleman. Regent White seconded the motion, and it was approved unanimously. It is to be signed and executed in a timely fashion. The contract is included as an appendix to these minutes.

On a motion by Regent Taylor, seconded by Regent Brandon, the Regents voted unanimously to adjourn the meeting at 9:55 a.m.

Appendices follow

I. EMPLOYMENT AGREEMENT

A. This agreement is entered into on this ___ day of July, 2002 between the Regents of the University of Michigan ("the Regents" or "the University") and Mary Sue Coleman ("President"). It replaces and supersedes any prior agreements between the parties, including the May 23, 2002 Memorandum, 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, and including all responsibilities and duties of the President of the University of Michigan as set forth in the Regents' by-laws, 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, 2002 to July 31, 2007, 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 of service 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. A base salary of $475,000 for the first year (August 1, 2002 to July 31, 2003). 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. 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.

3. 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 $200,000. (This number is set by federal law and will be indexed periodically.)

4. The University will pay you additional compensation in the form of an annual contribution to a 403(b) account according to this schedule:

Year	Amount
2003	$27,500
2004	$27,500
2005	$27,500
2006	$27,500
2007	$7,708

The annual contribution will be adjusted yearly to reflect changes in compensation and subject to applicable federal tax limits.

5. A deferred compensation program is provided, the terms and conditions of which will be as described in attachment A.

6. A retention bonus of $500,000 if President remains in the position of President of the University of Michigan throughout the full five year term, ending on July 31, 2007. If President declines a good faith offer or declines to be considered for an extension of the term of her presidency beyond July 31, 2007, she shall not have the right to any portion of the amount.

If before August 1, 2007 the President 1) becomes incapacitated due to illness or injury and is unable to fully perform her duties as President during the remainder of her term of employment and is thereby terminated by the Regents or 2) dies, the President or her estate, as the case may be, shall be entitled to receive a prorated portion of the retention bonus, such portion to be based on a fraction the numerator of which shall be equal to the number of full months of employment completed by President and the denominator of which shall be equal to 60. For example, if President dies or becomes disabled on July 31, 2003, she or her estate shall be entitled to 12/60ths (one-fifth) of the retention bonus.

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.

C. The University will reimburse President for all ordinary, necessary and reasonable moving and other ancillary transition expenses.

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.

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David A. Brandon

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Laurence B. Deitch

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Daniel D. Horning

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Olivia P. Maynard

____
Rebecca McGowan

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Andrea Fischer Newman

S. Martin Taylor

Katherine E. White

Terms and conditions are acceptable as set forth:

Mary Sue Coleman Date

ATTACHMENT A
DEFERRED COMPENSATION
July 15, 2002

The President shall receive deferred compensation under the following conditions:

1. Funding

The University of Michigan will fund a deferred compensation account in the amount of $75,000 per year. The account is to be established, maintained, and invested by the University. It is intended that the deferred compensation account will be taxable to President under the provisions of section 457(f) of the Internal Revenue Code.

2. Vesting/Entitlement to Deferred Compensation

a. Serves Entire Term

If President remains as President of the University until July 31, 2007, she shall be entitled to the full amount contained in the account as of that date, less applicable federal and state income taxes. The entire value of the account shall be paid to her in a single lump sum within 21 days of September 30, 2007 unless President files an election with the University prior to July 31, 2007 specifying a different payment date or different method of payment (such as installment payments over a fixed number of years). The time and method of payment may not be changed after July 31, 2007.

b. Termination Prior to Entire Term

If President terminates her employment prior to July 31, 2007 for any reason (except as described below), including voluntary termination at her initiation, or termination by the Regents for unsatisfactory performance, she shall not be entitled to or have any right to the deferred compensation payment or any amount in the account.

c. Death or Disability

If President dies during the term of her employment, or becomes incapacitated and the Board of Regents determines that she is unable to perform her duties as President during the term of her employment, she or her estate shall be entitled to a payment equal to a prorated vested portion of the amount that is in the account as of the date of her death or established disability, with the proration based on a fraction with the numerator equal to the number of her full months of completed service and the denominator equal to 60. For example, if President dies or becomes disabled on July 31, 2003, she or her estate shall be entitled to one-fifth (1/5) of the amount that is in the account.