

ACTION REQUEST

Subject: Subcontract agreement between the University of Michigan and Universal Display Corporation

Action Requested: Authorization to enter into Agreement

Preamble:

A statutory conflict of interest situation was identified by DRDA while reviewing the Proposal Approval Form which then triggered a conflict of interest review.

This proposed agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor Stephen R. Forrest is both an employee of the University of Michigan ("University") and a partial owner of Universal Display Corporation (UDC). The law permits such an Agreement provided it is disclosed to the executive officers and approved in advance by a 2/3 vote of the Regents of the University of Michigan.

Background:

Dr. Stephen R. Forrest, Vice President for Research, formerly at Princeton University, is the partial owner of a for-profit company called UDC. UDC was formed to commercialize organic light emitting device (OLED) technology developed at Princeton University and the University of Southern California. UDC wishes to fund research at the University and have the University participate as a subcontractor under a Small Business Innovation Research Program Phase II award from the U.S. Department of Energy.

Nature of the Project:

UDC has applied for and received funding from the U.S. Department of Energy. This proposed project will constitute a subcontract to the University to provide services under UDC's grant. Stephen R. Forrest, Vice President for Research, Professor of Electrical Engineering and Computer Science, Professor of Materials Science and Engineering, and Professor of Physics will serve as Principal Investigator. Dr. Forrest's participation in this project will only be in his capacity as an employee of the University.

Agreement Terms:

The project at the University is to be conducted over a fourteen month period at an estimated total cost of \$200,000 including indirect cost at the University's negotiated federal indirect cost rate. Inventions created under the Agreement are to be deemed exclusively licensed to UDC in accordance with an Amended License Agreement between the University and UDC previously approved by the Regents. Since research agreements are often amended, the Agreement includes provisions for changes in time, amount, and scope. University

procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.

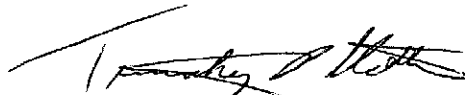
Impact of the Agreement:

The Agreement involves research to develop a novel solid state lighting source combining a proprietary transparent cathode organic light emitting device (TOLED) and highly efficient phosphorescent OLED (PHOLED) technologies. UDC and Michigan propose to build on the successful Phase I program (previously subcontracted to Dr. Forrest at Princeton University) and demonstrate increased TOLED efficiency over the corresponding OLED efficiency.

Recommendations:

Because the individual with the conflict is an Executive Officer, a detailed plan for management of the possible risks associated with the conflict of interest has been developed and approved by an ad hoc oversight committee advisory to me. In light of this disclosure, I recommend that the Board of Regents approve the Agreement between the University and UDC.

Respectfully Submitted,



Timothy P. Stottow
Executive Vice President
and Chief Financial Officer

September 2006