

UNIVERSAL DISPLAY CORP \PA\
Form DEF 14A
April 26, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

UNIVERSAL DISPLAY CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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UNIVERSAL DISPLAY CORPORATION
375 Phillips Boulevard
Ewing, New Jersey 08618

NOTICE OF 2004 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD JUNE 16, 2004

Dear Shareholders:

You are cordially invited to attend our 2004 Annual Meeting of Shareholders on Wednesday, June 16, 2004, at 4:00 p.m., Eastern Time, at the Holiday Inn □ City Line Avenue, 4100 Presidential Boulevard, Philadelphia, Pennsylvania 19131. We are holding the meeting to:

- (1) Elect seven members of our Board of Directors to hold one-year terms;
- (2) Consider and vote on a proposal to amend our Equity Compensation Plan to:
 - increase from 4,600,000 to 5,400,000 the number of shares of our common stock authorized for issuance under the plan; and
 - extend the term of the plan, which is currently scheduled to expire on September 1, 2005, for an additional 10 years through September 1, 2015.

(3) Transact any other business that may properly come before the shareholders at the meeting. If you owned shares of our common stock at the close of business on April 12, 2004, you may attend and vote at the meeting. If you cannot attend the meeting, you may vote by mailing the enclosed proxy card in its accompanying postage-paid envelope. Any shareholder attending the meeting may vote in person, even if you have already returned a proxy card. A list of shareholders eligible to vote at the meeting will be available for review at the meeting and during our regular business hours at our headquarters in Ewing, New Jersey for the 10 days prior to the meeting for any purpose related to the meeting.

We look forward to seeing you at the meeting.

Sincerely,

Sidney D. Rosenblatt
Executive Vice President, Chief Financial
Officer,
Treasurer and Secretary

Ewing, New Jersey
April 26, 2004

As promptly as possible, please complete, sign, date and return the enclosed proxy card in the postage-paid return envelope provided. Please fill out and return the card whether or not you expect to attend the annual meeting in person. If you attend the meeting, you may revoke your proxy and vote your shares in person.

UNIVERSAL DISPLAY CORPORATION
375 Phillips Boulevard
Ewing, New Jersey 08618

PROXY STATEMENT FOR 2004 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD JUNE 16, 2004

INFORMATION CONCERNING THIS SOLICITATION

The Board of Directors of Universal Display Corporation (we, us or the "Company") is soliciting proxies for the 2004 Annual Meeting of Shareholders to be held on Wednesday, June 16, 2004, at 4:00 p.m., Eastern Time, at the Holiday Inn " City Line Avenue, 4100 Presidential Boulevard, Philadelphia, Pennsylvania 19131 (the "Annual Meeting"). This proxy statement contains important information for shareholders to consider when deciding how to vote on the matters brought before the Annual Meeting. Please read it carefully.

At the Annual Meeting, our shareholders will be asked to vote upon:

- (1) the election of seven members of our Board of Directors;
- (2) a proposal to amend our Equity Compensation Plan to:
 - increase from 4,600,000 to 5,400,000 the number of shares of common stock authorized for issuance under the plan; and
 - extend the term of the plan, which is currently scheduled to expire on September 1, 2005, for an additional 10 years through September 1, 2015.

(3) such other business as may properly come before the shareholders at the Annual Meeting.

Voting materials, which include the proxy statement, a proxy card and our Annual Report for 2003, will be mailed to shareholders on or about April 26, 2004. The Company will pay the expenses of this solicitation. In addition to solicitation by mail, proxies may be solicited by telephone or in person by some of our officers, directors and regular employees or independent contractors who will not be specially engaged or compensated for such services. We also will request banks, brokers and other nominees, custodians and fiduciaries to send proxy materials to beneficial owners and will reimburse such persons for reasonable expenses incurred in that regard.

Our principal executive offices are located at 375 Phillips Boulevard, Ewing, New Jersey 08618. Our general telephone number is (609) 671-0980.

VOTING AT THE ANNUAL MEETING

Our Board of Directors has set April 12, 2004 as the record date for the Annual Meeting (the "Record Date"). As of the Record Date, we had outstanding the following: 27,408,270 shares of common stock; 200,000 shares of Series A Nonconvertible Preferred Stock; and 225,000 shares of Series B Convertible Preferred Stock. Each holder of our common stock or Series A Nonconvertible Preferred Stock is entitled to one vote per share on all matters to be voted on at the Annual Meeting. Holders of the Series B Convertible Preferred Stock are entitled to a total of 343,916 votes on each matter to be voted on at the Annual Meeting, this being one vote for each share of our common stock into which the Series B Convertible Preferred Stock is convertible on the Record Date. Holders of our common stock, Series A Nonconvertible Preferred Stock and Series B Convertible Preferred Stock vote together as a single class on all matters.

Only shareholders of record as of the close of business on the Record Date may attend and vote at the Annual Meeting. The presence, in person or by proxy, of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast on a particular matter to be acted upon at the Annual Meeting will constitute a quorum for purposes of that matter. Shareholders of record who are present at the Annual Meeting, in person or by proxy, will be considered present for quorum purposes, whether or not they abstain from voting or fail to vote on any particular matter. Thus, shares held by brokers that have not received instructions from their customers on one or more matters, as to which shares the brokers have notified us on a proxy form in accordance with industry practice or have otherwise advised us that they lack voting authority with respect to such matters (referred to in this proxy statement as "uninstructed shares"), will be considered present for quorum purposes

with respect to such matters. Votes that could have been cast on the matter in question by brokers with respect to uninstructed shares if they had received their customers' instructions are referred to in this proxy statement as "broker non-votes."

The persons named in the enclosed proxy will vote the shares represented by each properly executed proxy as directed therein. In the absence of such direction on a properly executed proxy card, the persons named in the enclosed proxy will vote "FOR" the persons nominated by the Board of Directors for election as directors and "FOR" the proposal to amend our Equity Compensation Plan. As to other items of business that may properly be presented at the Annual Meeting for action, the persons named in the enclosed proxy will vote the shares represented by the proxy in accordance with their best judgment.

A shareholder may revoke his or her proxy at any time before its exercise by giving written notice of such revocation to our Corporate Secretary. In addition, a shareholder who gives such notice of revocation and attends the Annual Meeting in person may vote by ballot at the Annual Meeting.

The preliminary voting results will be announced at the Annual Meeting. The final results will be published in our quarterly report on Form 10-Q for the quarter ending on June 30, 2004.

Your vote is important. Please complete, sign and return the accompanying proxy whether or not you plan to attend the Annual Meeting. If you plan to attend the Annual Meeting to vote in person and your shares are registered with our transfer agent in the name of a broker, bank or other custodian, nominee or fiduciary, you must secure a proxy from that person or entity assigning you the right to vote your shares of common stock.

**PROPOSAL 1
ELECTION OF DIRECTORS**

Our Board of Directors has fixed the number of directors at seven, all of whom are to be elected at the Annual Meeting. Each director elected will serve until our next annual meeting of shareholders and such time as a successor has been selected and qualified, or until the director's earlier death, resignation or removal. Each nominee has consented to being nominated and to serve if elected. If any nominee should subsequently decline or be unable to serve, the persons named in the proxy will vote for the election of such substitute nominee as shall be determined by them in accordance with their best judgment.

Pursuant to our Amended and Restated Articles of Incorporation, the holders of our Series A Nonconvertible Preferred Stock are entitled to nominate and elect two of the members of our Board of Directors. The holders of the Series A Nonconvertible Preferred Stock have waived this right with respect to the election of directors at the 2004 Annual Meeting.

All nominees are presently members of our Board of Directors whose terms expire at the Annual Meeting. The nominees for election are as follows:

NOMINEES FOR ELECTION AS DIRECTORS

Name of Director	Age	Year First Became Director, Principal Occupations and Certain Directorships
Sherwin I. Seligsohn	68	Mr. Seligsohn has been our Chief Executive Officer and Chairman of the Board since June 1995. He also served as our President from June 1995 through May 1996. Mr. Seligsohn founded and since has served as the sole Director, President and Secretary of American Biomimetics Corporation, International Multi-Media Corporation, and Wireless Unified Network Systems Corporation. He is also Chairman of the Board and Chief Executive Officer of Global Photonic Energy Corporation. From June 1990 to October 1991, Mr. Seligsohn was Chairman Emeritus of InterDigital Communications, Inc. (InterDigital), formerly International Mobile Machines Corporation. He founded InterDigital and from August 1972 to June 1990 served as its Chairman of the Board. Mr. Seligsohn is a member of the Advisory Board of the Advanced Technology Center for Photonics and Optoelectronic Materials (POEM) at Princeton University.
Steven V. Abramson	52	Mr. Abramson has been our President and Chief Operating Officer and a member of our Board of Directors since May 1996. From March 1992 to May 1996, he was Vice President, General Counsel, Secretary and Treasurer of Roy F. Weston, Inc., a worldwide environmental consulting and engineering firm. From December 1982 to December 1991, he held various positions at InterDigital, including General Counsel, Executive Vice President and General Manager of the Technology Licensing Division. Mr. Abramson is a member of the Advisory Board of the Advanced Technology Center for Photonics and Optoelectronic Materials (POEM) at Princeton University and is also a member of the Board of Governors of the United States Display Consortium.

Name of Director	Age	Year First Became Director, Principal Occupations and Certain Directorships
Sidney D. Rosenblatt	56	Mr. Rosenblatt has been our Executive Vice President, Chief Financial Officer, Treasurer and Secretary since June 1995, and has been a member of our Board of Directors since May 1996. Mr. Rosenblatt is the owner of and served as the President of S. Zitner Company from August 1990 through December 1998. From May 1982 to August 1990, Mr. Rosenblatt served as the Senior Vice President, Chief Financial Officer and Treasurer of InterDigital.
Leonard Becker	80	Mr. Becker has been a member of our Board of Directors since February 2001. For the last 40 years, Mr. Becker has been a general partner of Becker Associates, which is engaged in real estate investments and management. He currently serves on the Board of Directors of American Business Financial Services, Inc. (Nasdaq: [ABFI]). He previously served as a director of Eagle National Bank and Cabot Medical Corporation.
Elizabeth H. Gemmill	58	Ms. Gemmill has been a member of our Board of Directors since April 1997. Since March 1999, she has been Managing Trustee and, more recently, President of the Warwick Foundation. From February 1988 to March 1999, Ms. Gemmill was Vice President and Secretary of Tasty Baking Company. Ms. Gemmill is Chairman of the Board of Philadelphia University and serves on the Boards of Directors of Philadelphia Consolidated Holdings Corporation (Nasdaq: [PHLY]), Philadelphia College of Osteopathic Medicine and Metropolitan YMCA of Philadelphia and vicinity. She previously served as a director of American Water Works Company, Inc. (NYSE: [AWK]) until it was sold in early 2003.
C. Keith Hartley	61	Mr. Hartley has been a member of our Board of Directors since September 2000. Since June 2000, he has been the President of Hartley Capital Advisors, a merchant banking firm. From August 1995 to May 2000, he was the managing partner of Forum Capital Markets LLC, an investment banking company. In the past, Mr. Hartley held the position of managing partner for Peers & Co. and Drexel Burnham Lambert, Inc. He also serves as a director of Hybridon, Inc. (AMEX: [HBY]) and Swisher International Group, Inc.
Lawrence Lacerte	51	Mr. Lacerte has been a member of our Board of Directors since October 1999. Since July 1998, he has been Chairman of the Board and Chief Executive Officer of Lacerte Technology Inc., a company specializing in technology and Internet-related ventures. Prior to that time, he was the founder, Chairman of the Board and Chief Executive Officer of Lacerte Software Corp., which was sold to Intuit Corporation in June 1998.

Vote Required and Board Recommendation

Directors are elected by a plurality and the seven nominees who receive the most votes will be elected. Shareholders may vote for or withhold their vote from each nominee, such that abstentions are not relevant to this proposal. Broker non-votes will not be considered votes [cast] with respect to this proposal and, therefore, will have no effect on the outcome of the election of directors. Shareholders do not have cumulative voting rights with regard to the election of members of the Board of Directors.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR
EACH OF THE NOMINEES FOR DIRECTOR.**

General Information Concerning the Board of Directors and its Committees

Our Board of Directors held seven meetings during 2003. In 2003, each incumbent director attended at least 75% of the aggregate of: (i) the total number of meetings of the Board of Directors during the period for which he or she was a director, and (ii) the total number of meetings held by all committees of the Board of Directors on which he or she served. Our Board of Directors has established an Audit Committee and a Compensation Committee.

Members of our Board of Directors do not receive cash compensation for service on the Board of Directors, or for committee service. However, as compensation for these activities they do receive shares of our common stock and options to purchase shares of our common stock, exercisable at a price equal to the fair market value of our common stock on the date of the grant. For 2003 service, non-employee members of our Board of Directors received 5,000 shares of our common stock, valued at \$84,700 on the date of grant, as well as options to purchase 25,000 shares of our common stock at an exercise price of \$16.94 per share. For service in 2003, employee members of our Board of Directors received options to purchase 10,000 shares of our common stock at an exercise price of \$16.94 per share.

Our Board of Directors has determined that a majority of its members are independent directors within the meaning of applicable Nasdaq listing standards. Our independent directors are Mr. Becker, Ms. Gemmill, Mr. Hartley and Mr. Lacerte. Our independent directors meet in executive session on a regular basis in connection with meeting in their capacity as members of our Audit Committee and Compensation Committee.

All incumbent members of our Board of Directors and nominees for election as director are encouraged, but not required, to attend our annual meetings of shareholders. All but one current member of the Board of Directors attended our annual meeting of shareholders in 2003.

Audit Committee

The Audit Committee of our Board of Directors operates pursuant to a written charter, which complies with the applicable provisions of the Sarbanes-Oxley Act of 2002 and related rules of the SEC and Nasdaq listing standards. A copy of the Audit Committee charter was included in our Proxy Statement filed with the SEC on April 28, 2003, and is available through the SEC's Edgar website at <http://www.sec.gov/edgar/searchedgar/companysearch.html>. According to its charter, the Audit Committee is responsible for, among other things:

- reviewing our financial statements and discussing with management and our independent auditor these statements and other relevant financial matters;
- selecting and evaluating our independent auditor and approving all audit engagement fees and terms;
- pre-approving all audit and non-audit services provided to us, including the scope of such services, the procedures to be utilized and the compensation to be paid;
- reviewing with appropriate management personnel our internal system of audit and financial controls, together with the results of any internal audits or reviews of these controls;
- reviewing our financial reporting and accounting standards and principles, significant changes in such standards and principles, or in their application, and key accounting decisions affecting our financial statements, including alternatives to, and the rationale for, these decisions;
- discussing with management and our independent auditor, as appropriate, our risk assessment and risk management policies, including our major exposures to financial risk and the steps taken by management to monitor and mitigate such exposures; and
- reviewing and investigating any matters pertaining to the integrity of management, including any actual or potential conflicts of interest or allegations of fraud, and the adherence of management to our standards of business conduct.

Ms. Gemmill is Chair of our Audit Committee and Mr. Becker, Mr. Hartley and Mr. Lacerte are members of the Audit Committee. Each member of our Audit Committee meets the financial knowledge and independence requirements of the Nasdaq listing standards and the independence criteria prescribed by applicable law and the rules of the SEC. Our Board of Directors has determined that Ms. Gemmill is an "audit committee financial expert" as such term is defined under SEC regulations and that Ms. Gemmill meets the professional experience requirements mandated by the Nasdaq listing standards.

Our Audit Committee held four scheduled meetings during 2003. In addition, our Audit Committee met on several occasions during 2003 in connection with meetings of our full Board of Directors. The Audit Committee submitted the following report to our Board of Directors on April 20, 2004.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with management the audited financial statements of the Company for the fiscal year ended December 31, 2003. In addition, the Audit Committee has discussed with the Company's independent auditors, KPMG LLP, the matters required to be discussed by Statement on Auditing Standards No. 61 (Codification of Statements on Auditing Standards, AU § 380). The Audit Committee also has received the written disclosures and the letter from KPMG LLP required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed the independence of KPMG LLP with that firm. Based on the Audit Committee's review of the matters noted above and its discussions with management and the Company's independent auditors, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the period ended December 31, 2003.

Respectfully submitted by the Audit
Committee

Elizabeth H. Gemmill (Chair)
Leonard Becker
C. Keith Hartley
Lawrence Lacerte

Compensation Committee

Our Compensation Committee is responsible for recommending to the full Board of Directors the compensation of our executive officers, including our Chief Executive Officer. The Compensation Committee also reviews and approves or ratifies stock, stock option and other equity-based compensation grants to our employees, directors and consultants, and is generally responsible for administering our Equity Compensation Plan.

Ms. Gemmill is Chair of our Compensation Committee and Mr. Becker, Mr. Hartley and Mr. Lacerte are members of the Compensation Committee. The members of our Compensation Committee are all independent directors within the meaning of applicable Nasdaq listing standards. The Compensation Committee held two scheduled meetings during 2003. In addition, the Compensation Committee met on several occasions during 2003 in connection with meetings of our full Board of Directors. The Compensation Committee submitted the following report to the Board of Directors on April 20, 2004.

**REPORT OF THE COMPENSATION COMMITTEE
ON EXECUTIVE COMPENSATION**

Compensation Policies for Executive Officers

The Compensation Committee's goal in determining executive compensation is to provide a total compensation package composed of base salary, bonuses and benefits. Base salaries are intended to be generally competitive with those offered by other comparable companies, taking into account such factors as the level of responsibility involved, the need for special expertise and the specific individual's experience and prior performance at the Company. Bonuses in the form of stock, stock options and other forms of equity compensation are awarded based on individual and Company performance as measured both qualitatively and quantitatively. Equity interests in the Company are believed to align the interests of the Company's executive officers with those of the Company and its shareholders.

In 2003, the Compensation Committee retained the Company's independent auditors, KPMG LLP, to conduct an executive compensation review. This review was intended to provide the Compensation Committee with information on the executive compensation practices of a number of comparable high-technology companies. To supplement this review, the Compensation Committee evaluated the extent to which the Company had achieved its long-term strategic and short-term business goals, including its goals for revenues, expense management, research and development, the creation of new strategic relationships and increased shareholder value. The Compensation Committee also evaluated the individual performance of the Company's executive officers in relation to the Company's achievement of these goals.

Based on its overall assessment, the Compensation Committee recommended increases in the base salaries and equity compensation bonuses of the Company's executive officers in 2003. These increases are intended to bring the total compensation packages of the Company's executive officers in line with those of the executive officers of comparable high-technology companies having similar success in achieving their long-term strategic and short-term business goals, as well as to reward our executive officers for their individual performance in helping to achieve these goals. The Compensation Committee further determined that a portion of the equity compensation awards to the Company's Chief Operating Officer and Chief Financial Officer be in the form of restricted stock grants in order to better align these officers' interests with the long-term interests of the Company and its shareholders.

In determining the total compensation payable to the Company's executive officers, the Compensation Committee considered the potential impact of Section 162(m) of the Internal Revenue Code adopted under the Federal Reconciliation Act of 1993. This law disallows any publicly-held corporation from taking a tax deduction for compensation in excess of \$1 million paid to its executive officers in any taxable year, unless that compensation is performance-based. The Compensation Committee's policy is that executive compensation qualify for deductibility under applicable tax laws to the extent consistent with the Company's overall compensation objectives. For 2003, the Compensation Committee does not believe that Section 162(m) of the Internal Revenue Code will limit the deductibility of any compensation paid by the Company to its executive officers.

The Compensation Committee recently instituted an Executive Performance Compensation Program for the Company's executive officers beginning in 2004. Under this program, bonus compensation will be awarded based on the achievement of performance goals to be set annually by the Compensation Committee for each individual executive officer. These goals and the awards for achieving them will be established in a manner designed to reward enhanced Company and individual performance of both a qualitative and quantitative nature. Specific metrics for quantitative assessment may include, for example, items such as revenues, earnings, expense management, stock price and number of new contracts executed. All equity-based awards under the program will be issued by the Compensation Committee in accordance with, and are subject to, the Company's Equity Compensation Plan. It is the Compensation Committee's expectation that management of the Company will use this program as a model for determining bonus compensation for the Company's other employees.

Compensation of the Chief Executive Officer

The Company's Chief Executive Officer, Mr. Seligsohn, received a base salary of \$239,377 for 2003. This reflects an increase of approximately 8.8% over Mr. Seligsohn's base salary for 2002. As 2003 compensation, Mr. Seligsohn also was granted shares of the Company's common stock having a value of \$185,527 on the date of grant, options to purchase 40,250 shares of the Company's common stock at exercise prices equal to the fair market value of the common stock on the dates of grant, and miscellaneous additional compensation totaling \$17,621.

The Compensation Committee determined Mr. Seligsohn's base salary and other compensation for 2003 in accordance with the general criteria outlined above. In addition, the Compensation Committee took into account that Mr. Seligsohn also serves as Chairman of the Board of Directors and Chief Executive Officer of, and performs services for, other companies that he has founded. Most notable in this regard is Global Photonic Energy Corporation, a privately-held corporation of which Mr. Seligsohn and his family are the largest shareholders.

Respectfully submitted by the Compensation
Committee

Elizabeth H. Gemmill (Chair)
Leonard Becker
C. Keith Hartley
Lawrence Lacerte

Director Nominations

Our Board of Directors has not established a standing committee to nominate candidates for election as directors. Instead, our independent directors recommend, and our full Board of Directors selects, the candidates that the Board will nominate to stand for election as directors at our annual meetings of shareholders. Our Board of Directors believes that this process is appropriate given the relatively small size of our Board of Directors and the fact that each independent director already serves on both the Audit and Compensation Committees. Since we do not have a nominating committee, our Board of Directors has not adopted a nominating committee charter.

In nominating candidates for election as directors, both our independent directors and the full Board of Directors consider the skills, experience, character, commitment and diversity of background of each potential nominee, all in the context of the requirements of the Board at that point in time. Each candidate should be an individual who has demonstrated integrity and ethics, has an understanding of the elements relevant to the success of a publicly-traded company, and has established a record of professional accomplishment in such candidate's chosen field. Each candidate also should be prepared to participate in all Board and committee meetings that he or she attends, and should not have other personal or professional commitments that might reasonably be expected to interfere with or limit such candidate's ability to do so. Additionally, in determining whether to recommend a director for re-election, the director's past attendance at Board and committee meetings should be considered.

Our Board of Directors has no stated specific, minimum qualifications that must be met by candidates for election as directors. However, in accordance with SEC rules and applicable Nasdaq listing standards, at least one member of the Board of Directors is expected to meet the criteria for an "audit committee financial expert" as defined by SEC rules, and a majority of the members of the Board are expected to meet the definition of "independent director" within the meaning of SEC rules and applicable Nasdaq listing standards.

Any shareholder of record entitled to vote in the election of directors at an annual or special meeting of our shareholders may nominate one or more persons to stand for election to the Board at such meeting in accordance with the requirements of our Amended and Restated Bylaws. In order to be considered by our Board of Directors in connection with the nominations process for our 2005 annual meeting of shareholders, all such director nominations must be received by our Corporate Secretary at our principal executive offices by December 27, 2004. Each such submission must be in writing and must comply with the notice, information and consent provisions contained in our Amended and Restated Bylaws. In addition, each such submission must include any other information required by Regulation 14A under the Securities Exchange Act of 1934, as amended.

Submissions should be addressed to our Corporate Secretary at the following address: Universal Display Corporation, 375 Phillips Boulevard, Ewing, New Jersey 08618.

Our independent directors and the full Board of Directors will consider all candidates identified by shareholders through the processes described above, and will evaluate each of them, including incumbent directors, based on the same criteria. Although we have no formal policy regarding shareholder nominees, our Board of Directors believes that shareholder nominees should be viewed in substantially the same manner as other nominees. The consideration of any candidate for director will be based on an assessment of the individual's background, skills and abilities, together with an assessment of whether such characteristics qualify the individual to fulfill the needs of the Board at that time.

Shareholder Communications with the Board of Directors

Shareholders may send communications to our Board of Directors, or to individual Board members, care of our Corporate Secretary at the following address: Universal Display Corporation, 375 Phillips Boulevard, Ewing, New Jersey 08618. In general, all shareholder communications sent to our Corporate Secretary for forwarding to the Board of Directors, or to specified Board members, will be forwarded in accordance with the sender's instructions. However, our Corporate Secretary reserves the right to not forward to Board members any abusive, threatening or otherwise inappropriate materials. Information on how to submit complaints to our Audit Committee regarding accounting, internal accounting controls or auditing matters can be found on the "For Investors" section of our website at <http://www.universaldisplay.com>.

PROPOSAL 2
AMENDMENT AND RESTATEMENT OF THE COMPANY'S STOCK OPTION PLAN

The Board of Directors approved amendments to our Equity Compensation Plan (the "Plan") on April 20, 2004, subject to approval by our shareholders. These amendments would:

- increase from 4,600,000 to 5,400,000 the number of shares of common stock authorized for issuance under the Plan; and
- extend the term of the Plan, which is currently scheduled to expire on September 1, 2005, for an additional 10 years through September 1, 2015.

In addition, certain non-material amendments to the Plan are being made to correct typographical errors.

Our Board of Directors has determined that these amendments are in the best interest of the Company. The Board of Directors believes that we must offer a competitive equity compensation program if we are to continue to successfully attract and retain the most qualified candidates as employees, directors and consultants. The Board of Directors expects that the Plan, as amended, will be an important factor in attracting and retaining the high caliber personnel essential to our success and in motivating these individuals to strive to enhance our growth and profitability. The opportunity to acquire an equity interest in the Company will align the economic interests of these individuals with those of other shareholders, thereby benefiting all of our shareholders.

Vote Required and Board Recommendation

This proposal will be approved if a majority of the votes cast by all shareholders, voting as a single class, are FOR approval. Abstentions on this proposal will have the effect of a negative vote because they will be considered votes "cast" other than FOR approval. However, broker non-votes will not be considered votes "cast" with respect to this proposal and, therefore, will have no effect on the outcome of the vote.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR"
ADOPTION OF THIS PROPOSAL.

Description of the Plan as Amended

The material features of the Plan, as amended, are summarized below. This summary is qualified in its entirety by the actual text of the Plan. A copy of the amended Plan was filed with the SEC as an appendix to this proxy statement and can be obtained from us upon request.

General

The Plan became effective on September 1, 1995. At that time, the Plan provided only for grants of stock options and was called the Universal Display Corporation Stock Option Plan. The Plan was amended in April 2003 to allow in addition for grants of stock awards, stock appreciation rights and performance units. To reflect this change, the Plan was renamed the Universal Display Corporation Equity Compensation Plan.

Administration

The Plan is administered and interpreted by our Compensation Committee (the "Committee"). The Committee has the sole authority to:

- determine the individuals to whom grants will be made,
- determine the type, size and terms of the grants,
- determine when the grants will be made and the duration of any applicable exercise or restriction period, including the criteria for vesting and the acceleration of vesting,
- amend the terms of any previously issued grants, and
- deal with any other matters arising under the Plan.

However, our Board of Directors retains the ability to ratify or approve any grants as it deems appropriate, and our Board of Directors approves and administers all grants made to non-employee directors.

Eligibility for Participation

All employees, all non-employee directors, and all consultants whose services, in the judgment of the Committee, can have a significant effect on the long-term success of the Company, are eligible to participate in the Plan.

Shares Authorized Under the Plan

The Plan currently authorizes the issuance of up to 4,600,000 shares of our common stock. Under the amended Plan, this amount would be increased by an additional 800,000 shares, to a total of 5,400,000 shares. If any options or stock appreciation rights granted under the Plan terminate, expire or are canceled, forfeited, exchanged or surrendered without having been exercised, or if any grants of restricted stock or performance units are forfeited, the shares subject to such grants will again be available for issuance under the Plan.

Types of Awards

Stock Options

The Committee may grant options intended to qualify as incentive stock options (["ISOs"]) within the meaning of section 422 of the Internal Revenue Code of 1986, as amended (the ["Code"]), or nonqualified stock options (["NQSOs"]) that are not intended to qualify as such. NQSOs may be granted to anyone eligible to participate in the Plan, but ISOs may be granted only to employees of the Company. Furthermore, to the extent that the aggregate fair market value of the common stock on the date of the grant with respect to which ISOs are exercisable for the first time by an individual grantee during any calendar year exceeds \$100,000, then such option as to the excess shall be treated as a NQSO.

The terms of any option grant under the Plan are determined by the Committee and are set forth in a grant letter to the individual. In particular, the Committee will determine and specify in the grant letter the period during which the options are exercisable, subject to the limitation that all options must be exercised within 10 years of the date of grant, and the exercise price per share of common stock subject to the option, though generally the price will be equal to the fair market value of the common stock on the date of grant. If, however, the grantee of an ISO is a person who holds more than 10% of the total combined voting power of all classes of stock of the Company or its subsidiary, the exercise period cannot exceed five years and the exercise price cannot be less than 110% of the fair market value of the common stock on the date of grant. In addition, the maximum aggregate number of shares of common stock that may be granted as options or stock appreciation rights under the Plan to any individual during each calendar year is 400,000 shares, which amount is subject to adjustment under limited circumstances specified in the Plan.

The exercise price for any option granted under the Plan is payable by one or a combination of the following methods:

- in cash;
- with the approval of the Committee, by delivering shares of the Company's common stock owned by the grantee (including shares acquired in connection with the exercise of the option) having a fair market value on the date of exercise equal to the option exercise price;
- if, as directed by the Committee, the shares acquired may not be sold immediately following exercise of the option, with the proceeds of a promissory note payable by the grantee to the Company, but only in accordance with a Company loan program and only to the extent not precluded by the Sarbanes-Oxley Act of 2002 or other applicable law;
- by payment through a broker in accordance with procedures permitted by applicable Federal Reserve Board regulations; or
- by such other method as the Committee may approve.

In lieu of exercising an option, the Committee, in its sole discretion, may permit the grantee to transfer the option to the Company in exchange for a cash payment equal to the excess over the exercise price of the then-fair market value of the shares of common stock subject to the option.

Stock Awards

The Committee may grant shares of common stock to individuals eligible to participate in the Plan under such restrictions and other conditions as the Committee determines are appropriate. These restrictions and other conditions may lapse or be triggered over a period of time or according to such other criteria as are specified by the Committee. In addition, the Committee may require that grantees pay consideration for the shares awarded to them. Unless the Committee determines otherwise, during any restriction period, the grantee will have the right to vote the restricted shares and to receive any dividends or other distributions paid on such shares, subject to any restrictions deemed appropriate by the Committee.

Stock Appreciation Rights

The Committee may grant stock appreciation rights (SARs) to individuals eligible to participate in the Plan under such vesting conditions and other restrictions as the Committee determines are appropriate. SARs may be granted in tandem with, or separately from, any options granted under the Plan, except that SARs granted in tandem with ISOs may be granted only at the time of grant of the ISO. The Committee establishes the base amount of each SAR, which generally will equal the per share exercise price of any related options or, if there are no related options, the fair market value of the common stock on the date of grant. Upon exercise of a SAR, the grantee will receive an amount equal to the excess of the fair market value of the common stock on the date of exercise over the base amount. Such amount will be paid in cash, in shares of common stock or a combination of the two, as determined by the Committee.

Performance Units

The Committee may grant performance units to individuals eligible to participate in the Plan. Each performance unit provides the grantee with the right to receive an amount based on the value of the performance unit, which is determined by the Committee, if performance goals established by the Committee are met. Performance units are based on the fair market value of the Company's common stock or such other measurement base as the Committee deems appropriate. The Committee determines the number of performance units that will be granted, the requirements applicable to these units, the performance period during which performance will be measured, the performance goals applicable to the performance units, and such other conditions as the Committee deems appropriate. The applicable performance goals may relate to the financial performance of the Company or its operating units, the performance of the common stock, the grantee's performance, or such other criteria as the Committee deems appropriate. At the end of the performance period, the Committee determines the extent to which the performance goals and other conditions of the performance units have been met, the value of the performance units and the amount, if any, to be paid with respect to such performance units. Payments with respect to performance units are made in cash, in shares of common stock, or a combination of the two, as determined by the Committee.

Qualified-Performance Compensation

The Plan permits the Committee to determine that stock awards or performance units granted to an employee are qualified performance-based compensation under Section 162(m) of the Internal Revenue Code. To do this, the Committee will establish in writing the objective performance goals that must be met, the performance period during which these goals must be met, the threshold, target and maximum amounts that may be paid if the performance goals are met, and any other conditions that the Committee deems appropriate and consistent with the Plan and Section 162(m) of the Code. The performance goals will be established before the beginning of the performance period, or shortly thereafter, and will be based on one or more of the following criteria: stock price, earnings per share, net earnings, operating earnings, return on assets, shareholder return, return on equity, growth in assets, unit volume, sales, market share, or strategic business criteria consisting of one or more objectives based on meeting specified revenue goals, market penetration goals, geographic business expansion goals, cost targets or goals relating to acquisitions or divestitures.

If stock awards or performance units measured with respect to the Company's common stock are granted, not more than 400,000 shares may be granted to any employee for each performance period. If performance units measured with respect to cash are granted, the maximum amount that may be paid to any employee with respect to each performance period is \$1 million. The Committee will certify and announce the results for each performance period to all grantees immediately following announcement of the Company's financial results for the period. If and to the extent the Committee does not certify that the performance goals have been met, the grant of stock awards or performance units for the performance period will be forfeited or not made, as applicable.

Change in Control

In the event of any change in control of the Company where the Company (i) sells or exchanges all or substantially all of its assets, (ii) is dissolved or liquidated, or (iii) is a party to a merger or consolidation with another corporation in which the Company will not be the surviving entity, the Company will give each grantee of any outstanding options or SARs at least 10 days' prior written notice of such event. Each of these grantees will have the right, within 10 days after such notice is sent by the Company, to exercise, in full, the outstanding options, or require that the Company make a cash payment to the grantee equal to the amount by which the fair market value of the Company's common stock exceeds the applicable exercise price. In addition, in the event of a change in control as described above all restrictions on stock awards will lapse, all options and SARs will become fully vested and exercisable, and all Performance Units will be deemed fully earned.

In the event of any other change in control of the Company, the Committee may, in its sole discretion, elect to give each grantee of any outstanding options or SARs written notice of such event. If such notice is given, each of these grantees will have the right, within 10 days after such notice is sent by the Company, to exercise some or all of the outstanding options, or require that the Company make a cash payment to the grantee equal to the amount by which the fair market value of the Company's common stock exceeds the applicable exercise price. In addition, in the event of such a change in control the Board of Directors may determine that all restrictions on stock awards will lapse, all SARs will become fully vested and exercisable, and all Performance Units will be deemed fully earned.

As used in the Plan, a "change in control" of the Company would include:

- any transaction whereby any person (other than a shareholder of the Company at the time the Plan became effective) becomes the beneficial owner, directly or indirectly, of securities of the Company representing more than 50% of the common stock of the Company or the combined voting power of the Company's then-outstanding securities;
- any liquidation or dissolution of the Company, or any sale of all or substantially all of the Company's assets;
- any tender offer, stock purchase, other stock acquisition, merger, consolidation, recapitalization, reverse split, or sale or transfer of assets (other than through a public offering) whereby any person or group (other than an existing shareholder) becomes the beneficial owner, directly or indirectly, of securities of the Company representing more than 30% of the combined voting power of the Company's then-outstanding securities; and
- any situation in which the individuals who constitute the Board of Directors of the Company at the beginning of any two-year period cease for any reason to constitute at least a majority of the Board of Directors, unless each of the new directors was approved by a vote of at least two-thirds of the directors then-still in office who were directors at the beginning of the period.

Amendment and Termination of the Plan

The Board of Directors may amend or terminate the Plan at any time; provided, however, that with limited exceptions, any material amendment of the Plan is subject to shareholder approval. Unless terminated earlier by the Board of Directors, or extended by the Board of Directors with shareholder approval, the Plan, as amended, would terminate on September 1, 2015. A termination or amendment of the Plan that occurs after an award is granted may not materially impair the rights of the grantee unless the grantee consents or the change is required by applicable law.

Effect of Termination

If an employee of the Company who has been granted options or SARs ceases to be employed by the Company for any reason other than death, disability, retirement approved by the Company or termination for cause, any options or SARs that are otherwise exercisable by such person shall terminate unless exercised within three months of the date on which the person ceases to be an employee, except as may be specified otherwise in the applicable grant letter or as the Committee may otherwise provide. If the person ceases to be an employee of the Company on account of his or her disability, this exercise period is extended to one year. If the person ceases to be an employee of the Company on account of his or her death, either while an employee of the Company or within 30 days thereafter, this exercise period is extended to six months. Should a person cease being an employee of the Company on account of a termination for cause, any options or SARs held by such person shall terminate on the date he or she ceases to be an employee, unless the Committee provides otherwise.

If any non-employee director or consultant of the Company who has been granted options or SARs ceases to be a non-employee director or consultant for any reason other than becoming an employee of the Company, or termination for cause, any options or SARs that are otherwise exercisable by such person shall not terminate until the date of expiration of the option exercise period specified in the applicable grant letter, except as the Committee may otherwise provide. Should a person cease being a non-employee director or consultant of the Company on account of a termination for cause, any options or SARs held by such person shall terminate on the date he or she ceases to be a non-employee director or consultant, unless the Committee provides otherwise.

Plan Grants and Benefits

As of April 12, 2004, options to purchase 3,253,293 shares of our common stock were outstanding and 663,601 shares remained available for issuance under the Plan. Assuming approval of this proposal, 1,463,601 shares will be available for future grant under the Plan. At present, no SARs or performance units have been granted or remain outstanding under the Plan. Future awards under the Plan are not determinable because specific awards will be made at the discretion of the Committee, depending upon a variety of factors.

The following table sets forth certain information with respect to grants made to our executive officers, directors and other employees under the Plan for 2003:

Name and Position of Grantee(s)	Dollar Value of Shares Granted under the Plan for 2003	Number of Options Granted under the Plan for 2003
Sherwin I. Seligsohn □ Chairman of the Board and Chief Executive Officer	\$ 185,527 ⁽¹⁾	40,250 ⁽²⁾
Steven V. Abramson □ President and Chief Operating Officer	\$ 425,143 ⁽³⁾	40,000 ⁽⁴⁾
Sidney D. Rosenblatt □ Executive Vice President, Chief Financial Officer, Treasurer and Secretary	\$ 425,143 ⁽³⁾	40,000 ⁽⁴⁾
Julia J. Brown, Ph.D. □ Vice President and Chief Technical Officer	\$ 178,531 ⁽⁵⁾	30,250 ⁽⁶⁾
All executive officers as a group (4 persons)	\$ 1,214,344	150,500
All directors who are not employees as a group (4 persons)	\$ 338,800	100,000
All employees who are not executive officers as a group (41 persons)	\$ 388,081	161,625

(1) Based on (a) 7,423 shares of common stock granted on January 20, 2004 as a 2003 performance bonus, the value of this stock being determined using the closing price of our common stock on the date of grant; and (b) \$59,786 representing associated payroll taxes paid by the Company.

- (2) Includes options to purchase 40,000 shares of common stock granted on January 20, 2004 as a 2003 performance bonus and for 2003 Board service.
 - (3) Based on 25,097 shares of common stock granted on January 20, 2004 as a 2003 performance bonus, the value of this stock being determined using the closing price of our common stock on the date of grant. This stock is subject to a one-year vesting restriction.
 - (4) Represents options to purchase 40,000 shares of common stock granted on January 20, 2004 as a 2003 performance bonus and for 2003 Board service.
 - (5) Based on (a) 7,133 shares of common stock granted on January 20, 2004 as a 2003 performance bonus, the value of this stock being determined using the closing price of our common stock on the date of grant; and (b) \$57,692 representing associated payroll taxes paid by the Company.
 - (6) Includes options to purchase 30,000 shares of common stock granted on January 20, 2004 as a 2003 performance bonus.
- As listed on the Nasdaq National Market, the last sale price of our common stock on April 12, 2004 was \$14.62 per share.

Summary of Federal Income Tax Consequences of the Plan

The following is a brief description of the U.S. federal income tax consequences generally arising with respect to grants that may be awarded under the Plan. This discussion is intended for the information of our shareholders considering how to vote at the Annual Meeting and not as tax guidance to individuals who participate in the Plan.

The grant of an ISO or NQSO will create no tax consequences for the participant or the Company. A participant will not recognize taxable income upon exercising an ISO (except that the alternative minimum tax may apply), and the Company will receive no deduction at that time. Upon exercising an NQSO, the participant generally must recognize ordinary income equal to the difference between the exercise price and the fair market value of the freely transferable and non-forfeitable shares received. The Company will be entitled to a deduction equal to the amount recognized as ordinary income by the participant.

A participant's disposition of shares acquired upon the exercise of an option generally will result in capital gain or loss measured by the difference between the sale price and the participant's tax basis in such shares. The participant's basis in an NQSO is equal to the aggregate of the exercise price paid and the amount the participant recognized as ordinary income upon the exercise of the option. The participant's basis in shares acquired by exercise of an ISO and held for the applicable holding period (a period of at least one year from the date the ISO was exercised and two years from the ISO date of grant) is the exercise price of the ISO. Generally, there will be no tax consequences to the Company in connection with a disposition of shares acquired under a stock option, except that the Company will be entitled to a deduction (and the participant will recognize ordinary income) if shares acquired upon exercise of an ISO are disposed of before the applicable ISO holding periods have been satisfied.

With respect to the grant of stock awards that are restricted as to transferability and subject to a substantial risk of forfeiture, the participant generally must recognize ordinary income equal to the fair market value of the shares received at the time that the shares become transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier. The Company generally will be entitled to a deduction in an amount equal to the ordinary income recognized by the participant. A participant may elect to be taxed at the time of receipt of such restricted shares rather than upon the lapse of the restriction on transferability or substantial risk of forfeiture, but if the participant subsequently forfeits the shares, the forfeiture will be treated as a sale or exchange upon which is realized a loss equal to the excess (if any) of the amount paid (if any) for such property over the amount realized (if any) upon such forfeiture, and if such property is a capital asset in the hands of the participant, such loss will be a capital loss. Any such election must be made and filed with the Internal Revenue Service within 30 days after receipt of the shares. A participant's disposition of shares after the restrictions lapse will result in capital gain or loss measured by the difference between the sale price and the participant's tax basis in such shares.

The grant of a SAR or performance unit will not result in income for the participant or in a tax deduction to the Company. Upon the exercise of a SAR or the receipt of payment for a performance unit, the participant will recognize ordinary income in an amount that equals the fair market value of any shares and/or cash received, and the Company will be entitled to a tax deduction in the same amount. A participant's disposition of shares received upon exercise of a SAR or meeting the performance goals for a performance unit will result in capital gain or loss measured by the difference between the sale price and the participant's tax basis in such shares.

Section 162(m) of the Internal Revenue Code generally disallows a public corporation's tax deduction for compensation paid to its chief executive officer or any of its four other most highly compensated officers in excess of \$1 million in any year. Compensation that qualifies as "performance-based compensation" is excluded from the \$1 million deductibility cap, and therefore remains fully deductible by the corporation that pays it. The Company intends that options and SARs having an exercise price or base amount equal to the fair market value the Company's common stock will be qualified performance-based compensation. Although the Company intends that its grants of stock awards and performance units, the receipt of which are conditioned upon achievement of performance goals based upon the criteria set forth above, will be qualified performance-based compensation, such grants may not always meet these requirements.

Equity Compensation Plans

The following table includes information on our equity compensation plans, both those approved and not approved by shareholders, as of December 31, 2003:

EQUITY COMPENSATION PLAN INFORMATION

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance</u>
Equity compensation plans approved by security holders	3,109,444	\$ 8.07	1,052,101
Equity compensation plans not approved by security holders	3,526,012*	\$ 9.44	□
Total	6,635,456	\$ 8.80	1,052,101

* Equity compensation plan arrangements not approved by shareholders consist of various warrants and options to purchase shares of the Company's common stock. These warrants and options were granted under written agreements containing substantially similar terms. The material distinguishing features of each such arrangement are identified in the table below. Where there were multiple grantees, the number of individual grantees is noted next to the grantee name. All grants are fully vested.

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<u>Grantee(s)</u>	<u>Number of Unexercised Shares</u>	<u>Exercise Price</u>	<u>Grant Date</u>	<u>Expiration Date</u>
Service Provider	25,000	\$ 0.29	6/23/1995	6/23/2005
Sherwin I. Seligsohn	175,000 ⁽¹⁾	\$ 4.125	4/25/1996	4/25/2006
Steven V. Abramson	200,000	\$ 4.125	4/25/1996	4/25/2006
Sidney D. Rosenblatt	122,500 ⁽¹⁾	\$ 4.125	4/25/1996	4/25/2006
Former Employees and Others - 9	577,000	\$ 4.125	4/25/1996	4/25/2006
Princeton University and the University of Southern California	202,710 ⁽¹⁾	\$ 7.25	10/9/1997	10/9/2007
Steven V. Abramson	100,000	\$ 6.38	4/2/1998	4/2/2008
Sidney D. Rosenblatt	100,000	\$ 6.38	4/2/1998	4/2/2008
Scientific Advisory Board Members - 2	200,000	\$ 6.38	4/2/1998	4/2/2008
Consultant/Agent	25,000	\$ 7.00	4/2/1998	4/2/2008
Consultant/Agent	25,000	\$ 7.25	6/30/1998	6/30/2008
Consultants/Agents - 2	10,860	\$ 4.31	4/29/1999	4/29/2004
Consultants/Agents - 2	10,700	\$ 4.53	5/15/1999	5/15/2004
Scientific Advisory Board Members - 2	227,988 ⁽²⁾	\$ 12.39 ⁽²⁾	2/17/2000	2/17/2010
Julia J. Brown, Ph.D	90,000	\$ 16.75	4/18/2000	4/18/2010
Consultants/Agents - 4	171,687 ^{(1) (2)}	\$ 9.50 ⁽²⁾	5/23/2000	5/23/2005
Motorola, Inc.	150,000	\$ 21.60	9/29/2000	9/29/2007
Consultant/Agent	181,605 ⁽²⁾	\$ 17.13 ⁽²⁾	9/29/2000	9/29/2007
Consultants/Agents - 8	149,000 ⁽¹⁾	\$ 10.00	12/15/2000	12/15/2005
C. Keith Hartley	4,000	\$ 10.00	1/8/2001	1/8/2006
Consultant/Agent	8,000 ⁽¹⁾	\$ 10.00	1/18/2001	1/18/2006
Consultants/Agents - 2	22,500	\$ 10.00	1/31/2001	1/31/2006
PPG Industries, Inc.	28,168	\$ 24.28	2/15/2001	2/15/2008
Gerard Klauer Mattison & Co., Inc.	186,114 ⁽¹⁾	\$ 13.54 ⁽²⁾	8/22/2001	8/22/2008
PPG Industries, Inc.	121,843	\$ 24.28	2/15/2002	2/15/2009
PPG Industries, Inc.	361,024	\$ 10.14	2/15/2003	2/15/2010
SG Cowen Securities Corporation	50,313	\$ 8.00	8/28/2003	8/28/2008
Total warrants and options not approved by security holders	3,526,012			

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- (1) All or a portion of these warrant shares have been transferred by the original grantee(s) to one or more third parties.
 - (2) As adjusted, per anti-dilution provisions of the applicable warrant agreements.

PRINCIPAL SHAREHOLDERS**Beneficial Ownership of Our Common Stock**

The table below sets forth information regarding the beneficial ownership of our common stock as of April 12, 2004 by:

- each person known by us to beneficially own more than 5% of our common stock;
- each of our named executive officers;
- each of our directors; and
- all of our executive officers and directors as a group.

Name and Address of Beneficial Owner⁽¹⁾	Number of Shares Beneficially Owned⁽²⁾	Percentage Ownership⁽²⁾
Executive Officers and Directors:		
Sherwin I. Seligsohn ⁽³⁾	707,423	2.5%
Steven V. Abramson	660,061	2.4%
Sidney D. Rosenblatt	614,133	2.2%
Julia J. Brown, Ph.D.	310,633	1.1%
Leonard Becker	135,000	*
Elizabeth H. Gemmill	100,500	*
C. Keith Hartley ⁽⁴⁾	112,528	*
Lawrence Lacerte	750,000	2.7%
All directors and current executive officers as a group (8 persons)	3,390,278	11.5%
Five Percent Shareholders:		
Scott Seligsohn ⁽⁵⁾⁽⁶⁾	3,546,348	12.8%
Lori S. Rubenstein ⁽⁵⁾⁽⁷⁾	3,301,000	12.0%
Clifford D. Schlesinger ⁽⁵⁾⁽⁸⁾	3,176,250	11.6%

* Represents less than 1% of our outstanding common stock.

(1) Unless otherwise indicated, the address of each beneficial owner is 375 Phillips Boulevard, Ewing, New Jersey 08618.

(2) Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them. The percentage ownership for each beneficial owner listed above is based on 27,408,270 shares of common stock outstanding as of April 12, 2004. In accordance with SEC rules, options to purchase shares of common stock that are exercisable as of April 12, 2004, or will become exercisable within 60 days thereafter, are deemed to be outstanding and beneficially owned by the person holding such options for the purpose of computing such person's percentage ownership, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. The numbers of shares indicated in the table includes the

following number of shares issuable upon the exercise of warrants or options: Sherwin I. Seligsohn □ 405,000; Steven V. Abramson □ 530,000; Sidney D. Rosenblatt □ 427,500; Julia J. Brown □ 301,500; Leonard Becker □ 80,000; Elizabeth H. Gemmill □ 95,000; C. Keith Hartley □ 95,764; Lawrence Lacerte □ 25,000; and Scott Seligsohn □ 263,000.

- (3) Includes 176,000 shares of common stock owned by American Biomimetics Corporation, of which Mr. Seligsohn is the sole Director, Chairman, President and Secretary. Does not include (i) 1,500,000 shares of common stock owned by the Sherwin I. Seligsohn Irrevocable Indenture of Trust dated 7/29/93 FBO Lori S.

Rubenstein (the [Rubenstein Trust]), (ii) 1,500,000 shares of common stock owned by the Sherwin I. Seligsohn Irrevocable Indenture of Trust dated 7/29/93 FBO Scott Seligsohn (the [Seligsohn Trust]); (ii) 125,000 shares of common stock owned by Lori S. Rubenstein; Mr. Seligsohn's adult daughter; and (iv) 263,000 options to purchase common stock and 107,348 shares of common stock owned by Scott Seligsohn, Mr. Seligsohn's adult son, as to which in each case Mr. Seligsohn disclaims beneficial ownership.

(4) Includes 11,764 shares of common stock and 11,764 warrants to purchase common stock owned by Mr. Hartley's Defined Benefit Pension Plan.

(5) Includes (i) 1,500,000 shares of common stock owned by the Rubenstein Trust, of which Lori S. Rubenstein, Scott Seligsohn and Clifford D. Schlesinger are co-trustees; (ii) 1,500,000 shares of common stock owned by the Seligsohn Trust, of which Lori S. Rubenstein, Scott Seligsohn and Clifford D. Schlesinger are co-trustees; and (iii) 176,000 shares of common stock owned by American Biomimetics Corporation, of which the Rubenstein Trust and Seligsohn Trust are the principal shareholders. Mr. Schlesinger's address is 1650 Arch Street, Philadelphia, Pennsylvania 19102.

(6) Includes 263,000 warrants and options to purchase common stock and 107,348 shares of common stock owned directly by Mr. Seligsohn.

(7) Includes 125,000 shares of common stock owned directly by Ms. Rubenstein.

(8) Includes 250 shares of common stock owned jointly by Mr. Schlesinger and his wife.

EXECUTIVE MANAGEMENT COMPENSATION**Executive Officer Compensation**

The following table provides information on the compensation of our Chief Executive Officer and other executive officers for services in all capacities to us and our subsidiary, UDC, Inc., for the last three fiscal years (2003, 2002 and 2001). This group is referred to in this proxy statement as the "Named Executive Officers."

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation		Long Term Compensation		
		Salary (\$)	Bonus (\$)	Restricted Stock Awards (\$)	Securities Underlying Options (#)	All Other Compensation (\$)
Sherwin I. Seligsohn Chairman of the Board and Chief Executive Officer	2003	239,377	185,527 ⁽¹⁾	□	40,250 ⁽²⁾	6,365 ⁽³⁾
	2002	220,000	□	□	40,000	22,847 ⁽⁴⁾
	2001	200,000	□	□	60,250	21,520 ⁽⁵⁾
Steven V. Abramson President and Chief Operating Officer	2003	342,824	□	425,143 ⁽⁶⁾	40,000 ⁽⁷⁾	10,103 ⁽⁸⁾
	2002	266,200	□	□	40,000	9,999 ⁽⁹⁾
	2001	242,000	□	□	60,000	8,184 ⁽¹⁰⁾
Sidney D. Rosenblatt Executive Vice President, Chief Financial Officer, Treasurer and Secretary	2003	342,824	□	425,143 ⁽¹¹⁾	40,000 ⁽¹²⁾	11,128 ⁽¹³⁾
	2002	266,200	□	□	40,000	10,824 ⁽¹⁴⁾
	2001	242,000	□	□	60,000	8,884 ⁽¹⁵⁾
Julia J. Brown, Ph.D. Vice President and Chief Technical Officer	2003	230,331	178,531 ⁽¹⁶⁾	□	30,250 ⁽¹⁷⁾	7,498 ⁽¹⁸⁾
	2002	193,600	25,222 ⁽¹⁹⁾	□	30,500	6,554 ⁽²⁰⁾
	2001	176,000	□	□	50,750	5,274 ⁽²¹⁾

- (1) Based on (a) 7,423 shares of common stock granted on January 20, 2004 as a 2003 performance bonus, the value of this stock being determined using the closing price of our common stock on the date of grant; and (b) \$59,786 representing associated payroll taxes paid by the Company.
- (2) Includes options to purchase 40,000 shares of common stock granted on January 20, 2004 as a 2003 performance bonus and for 2003 Board service.
- (3) Represents contributions to the Company's 401(k) plan of \$6,000 and life and disability insurance premium payments of \$365.
- (4) Represents contributions to the Company's 401(k) plan of \$6,000 and life and disability insurance premium payments of \$16,847.
- (5) Represents contributions to the Company's 401(k) plan of \$5,100 and life and disability insurance premium payments of \$16,420.
- (6) Based on 25,097 shares of common stock granted on January 20, 2004 as a 2003 performance bonus, the value of this stock being determined using the closing price of our common stock on the date of grant. This stock is subject to a one-year vesting restriction. Mr. Abramson had no other restricted stock holdings as of the end of 2003.
- (7) Represents options to purchase 40,000 shares of common stock granted on January 20, 2004 as a 2003 performance bonus and for 2003 Board service.
- (8) Represents contributions to the Company's 401(k) plan of \$6,000 and life and disability insurance premium payments of \$4,103.

- (9) Represents contributions to the Company's 401(k) plan of \$6,000 and life and disability insurance premium payments of \$3,999.

- (10) Represents contributions to the Company's 401(k) plan of \$5,100 and life and disability insurance premium payments of \$3,084.
- (11) Based on 25,097 shares of common stock granted on January 20, 2004 as a 2003 performance bonus, the value of this stock being determined using the closing price of our common stock on the date of grant. This stock is subject to a one-year vesting restriction. Mr. Rosenblatt had no other restricted stock holdings as of the end of 2003.
- (12) Represents options to purchase 40,000 shares of common stock granted on January 20, 2004 as a 2003 performance bonus and for 2003 Board service.
- (13) Represents contributions to the Company's 401(k) plan of \$6,000 and life and disability insurance premium payments of \$5,128.
- (14) Represents contributions to the Company's 401(k) plan of \$6,000 and life and disability insurance premium payments of \$4,824.
- (15) Represents contributions to the Company's 401(k) plan of \$5,100 and life and disability insurance premium payments of \$3,784.
- (16) Based on (a) 7,133 shares of common stock granted on January 20, 2004 as a 2003 performance bonus, the value of this stock being determined using the closing price of our common stock on the date of grant; and (b) \$57,692 representing associated payroll taxes paid by the Company.
- (17) Includes options to purchase 30,000 shares of common stock granted on January 20, 2004 as a 2003 performance bonus.
- (18) Represents contributions to the Company's 401(k) plan of \$6,000 and life and disability insurance premium payments of \$1,498.
- (19) Based on (a) 2,000 shares of common stock granted on June 17, 2002 as a 2002 performance bonus, the value of this stock being determined as \$16,150; and (b) \$9,072 representing associated payroll taxes paid by the Company.
- (20) Represents contributions to the Company's 401(k) plan of \$5,534 and life and disability insurance premium payments of \$1,020.
- (21) Represents contributions to the Company's 401(k) plan of \$5,040 and life and disability insurance premium payments of \$234.

Stock Option Grants

The following table summarizes the stock options granted to the Named Executive Officers for 2003.

OPTION GRANTS IN LAST FISCAL YEAR

Name	Number of Securities Underlying Options Granted	Percentage of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price Per Share	Expiration Date	Grant Date Present Value⁽¹⁾
Sherwin I. Seligsohn	250	0.05%	\$ 6.65	1/24/2013	\$ 1,476
Sherwin I. Seligsohn	40,000 ⁽²⁾	8.58%	\$ 16.94	1/20/2014	\$ 602,251
Steven V. Abramson	40,000 ⁽²⁾	8.58%	\$ 16.94	1/20/2014	\$ 602,251
Sidney D. Rosenblatt	40,000 ⁽²⁾	8.58%	\$ 16.94	1/20/2014	\$ 602,251
Julia J. Brown, Ph.D.	250	0.05%	\$ 9.60	6/16/2013	\$ 2,120
Julia J. Brown, Ph.D.	30,000 ⁽³⁾	6.44%	\$ 16.94	1/20/2014	\$ 451,688

(1) These amounts represent the estimated present value of the options granted on the date of grant, calculated using the Black-Scholes option pricing model and based upon the following assumptions: an expected volatility of approximately 94%; an expected term to exercise of 10 years; risk free interest rates of 3.18%–4.08%; and no dividend yield. The actual value of the options, if any, realized by the grantee will depend on the extent to which the market value of the common stock exceeds the exercise price of the option on the date the option is exercised. Consequently, there is no assurance that the value realized by any grantee will be at or near the value estimated above.

(2) Represents options granted on January 20, 2004 as a 2003 performance bonus and for 2003 Board service.

(3) Represents options granted on January 20, 2004 as a 2003 performance bonus.

Stock Option Exercises and Holdings

The following table summarizes the stock options exercised by the Named Executive Officers during 2003, as well as those held by the Named Executive Officers as of December 31, 2003.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

Name	Shares Acquired on Exercise	Value Realized (\$Exercisable)	Number of Securities Underlying Unexercised Options at FY-End		Value of Unexercised In-the-Money Options at FY-End (\$) ⁽¹⁾	
			Unexercisable	Exercisable	Unexercisable	Exercisable