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September 22, 2011

Ms. Meredith Cross
Director, Division of Corporate Finance
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Legal deficiencies of disclosures by Universal Display Corp. ("PANL") in its Form 8-K for the period ending August 22, 2011, filed on August 26, 2011 (the "8-K")

Dear Ms. Cross:

Our client, Alliance for Economic Stability, Inc.,¹ has been following with growing concern PANL's disclosures regarding its relationship with the Samsung Group ("Samsung"),² which PANL and analysts have portrayed as PANL's most economically significant relationship and the key to valuing the company. As we understand that the 8-K is under SEC review for compliance with Rule 24B-2, we write to supply information that is necessary for that review and

¹ The Alliance for Economic Stability, Inc. ("AES") is a non-profit, non-political organization focused on helping create greater efficiencies in the administration of U.S. securities laws. Manuel P. Asensio is the founder of Asensio & Company, Inc. ("ACO") and the co-founder of AES. ACO is registered with the Commission as a broker-dealer and is one of the nation's most experienced analysts of situations similar to PANL. Both of these organizations are well-known to the Commission staff and the individual Commissioners. Neither ACO nor AES have a direct or indirect interest in PANL's securities, nor do they have any short position, or interest in a short position in PANL.

² PANL's April 19, 2005 agreement with Samsung was scheduled to expire on June 30, 2010 and was extended several times on a short term basis. On August 22, 2011, over a year after the scheduled expiration, the parties entered into a new agreement that substantially changed the terms of the parties' relationship. While this agreement was filed in such heavily redacted form that its financial terms could only be guessed at, the promotion surrounding the filing caused PANL's stock to rise from \$27.90 at the close on August 19, 2011 to \$58.36 on September 19, 2011. There is no factor other than this unfair promotion that can be attributed to have caused PANL's stock price action.

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to support the assertion that PANL's filing does not comply with the standards set forth in Staff Legal Bulletin Number 1 and other provisions of the Exchange Act.³

We respectfully suggest that the legal deficiencies in PANL's disclosures, PANL's seeming deceptiveness, and the evident confusion in the marketplace, mandate that PANL be required to disclose the complete and unredacted OLED patent license agreements between it and Samsung. Alternatively, at the very least, we suggest that the Division of Corporate Finance (the "Division") address the investor protection issues identified below by causing PANL to file an amended 8-K with proper disclosure. In the absence of such disclosure, investors and analysts have been forced to accept vague, private comments from PANL about the terms and value of its contracts with Samsung, which is by far PANL's most economically significant customer, and its *only* commercial relationship. We believe that requiring such disclosure would be consistent with the Division's role of ensuring that investors are provided with material information to assist them in making informed decisions and setting a fair and reasonable price for PANL's stock.⁴

The August 22, 2011 OLED patent license agreement (the "2011 Agreement") between PANL and Samsung Mobile Display Co., Ltd. ("SMD"), is annexed to the 8-K with all pertinent financial terms and other significant provisions redacted. This redaction makes impossible an evaluation of the 2011 Agreement or a determination of PANL's position vis-a-vis its competitors. It appears, however, that, rather than reflecting an extraordinary and unexpected positive development as PANL has led the investment community to believe by way of the redacted filing, the 2011 Agreement represents a substantial deterioration in PANL's relationship with Samsung and its OLED business generally. We believe that the unredacted 2011 Agreement will show that—contrary to what PANL claims—PANL's patents are not central to Samsung's OLED product line or the emerging OLED industry. Thus, given PANL's decision to make such a filing, its August 22, 2011 press release (the "Press Release," Exhibit B to the 2011 Agreement), which touts the 2011 Agreement without providing sufficient information for analysts or investors to make their own evaluation of PANL's claims, is materially misleading.

The 2011 Agreement supersedes the OLED patent license agreement, effective as of April 19, 2005, between PANL and Samsung SDI Co., Ltd. (the "2005 Agreement").⁵ Section 1.3 of the 2005 Agreement covered "Net Sales Revenue." In the 2011 Agreement, which is in substantially the same form as the 2005 Agreement, Section 1.3 is "Reserved." Exhibit B to the 2005 Agreement sets forth "License Fees and Royalty Rates" and Exhibit C sets forth "Fully Loaded Production Costs." The 2011 Agreement, however, contains neither exhibit. Instead, its Exhibit A

³ In the informational vacuum created by this disclosure deficiency, PANL's management has been selling stock.

⁴ See Assessment of Corporation Finance's Confidential Treatment Processes and Procedures, September 28, 2010, Report No. 479 p ii.

⁵ The 2005 Agreement was annexed to PANL's Form 10-Q for the period ending June 30, 2005, which was filed on August 9, 2005.

sets forth license fees with no reference to product sales, and the amount of such fees is redacted. Sections 4.2, 4.3, 4.4, and 5.4 of the 2005 Agreement provided for royalties, royalty reports, and the right to audit. The 2011 Agreement does not contain any such provisions. Accordingly, PANL is no longer entitled to royalties and is only entitled to license fees, of an undisclosed amount, that are not based on product sales. This appears to be a clear material adverse change.

In an apparent attempt to defend its stock price, PANL has privately made statements to analysts that it is “happy with the deal” and that “it got a good deal.” Thus, analysts mention PANL’s “body language” as a basis for concluding that the 2011 Agreement’s fixed license fee is more economically advantageous to PANL than the 0.75% royalty that had been provided for in the 2005 Agreement. A comparison between the value of the royalties provided for in the 2005 agreement and the fixed license payment provided for in the 2011 Agreement is impossible without the actual financial terms.⁶

Section 1.7 of the 2011 Agreement has been redacted to the point of incomprehensibility. While section 1.9 of the 2005 Agreement defined “Rigid Glass Substrate,” in the 2011 Agreement, that section is “Reserved.” Does this mean that PANL is no longer involved with rigid glass substrate and PANL’s potential revenues will decline accordingly? Section 2.2 of the 2011 Agreement excludes some patents from its coverage, but in its redacted form, it provides no way to determine what patents are excluded, or for that matter, included. The revisions of sections 2.5 through 2.7 of the 2011 Agreement deal with the “SMD Improvements” and appear to have arisen as a result of a conflict between PANL and Samsung, as described below, and thus to be central to the value and utility of PANL’s patents. Once again, however, the redactions thwart such an analysis.

PANL claims that, by virtue of its patents, it provides value to OLED product manufacturers beyond simply being a specialty chemical supplier. To be able to evaluate the materiality of such claims, investors need to know what patents continue to be covered by the 2011 Agreement. The 2011 Agreement provides that Samsung now has its own valuable OLED patents and know-how, and has applied these to its OLED products. This implies a deterioration in the value, utility, and scope of PANL’s role in Samsung’s OLED business, and while the extent of that deterioration appears to be material, it cannot be evaluated due to the redactions.

Section 2.4 of the 2005 Agreement provided that neither Samsung nor its licensees had the right to manufacture OLED equipment. Section 2.4 of the 2011 Agreement is “Reserved.” Does that mean that those entities can now manufacture such equipment without PANL receiving any

⁶ PANL guided analysts to believe that royalty terms contained in the 2005 Agreement equaled approximately 0.75% of Samsung’s product sales per color. At the time, no color was in commercial production. Until recently the only color PANL supplied for commercial production was red. Now the expectation is that PANL and others will also supply green to Samsung. The widely-held view of the 2005 Agreement’s royalty terms and the subsequent renewals called for PANL to receive 0.75% per color. Thus, in order for the 2011 Agreement to be a positive for PANL, the “implied” royalty should be in excess of 1.50% of sales. Based upon our client’s calculations, PANL’s stock price now reflects an “implied” royalty well in excess of 3% where in reality no royalty actually exists.

revenues in connection therewith? Other much larger, more experienced manufacturers supply OLED materials using their own equipment. PANL lacks its own manufacturing capacity. Instead PANL's relies on a third party to manufacture the material it will supply Samsung under an agreement dated July 29, 2005. This agreement has an important and complicated stock play in that PANL compensates its supplier in part with PANL stock. The agreement is scheduled to expire at the end of 2012. What leverage will PANL have over Samsung and PANL's own suppliers since those suppliers can now supply Samsung directly?

Section 2.5 of the 2011 Agreement deals with reserved rights to certain patents central to PANL's Samsung relationship and PANL's obligations to the entities that hold such rights, including the United States Government, Princeton University, the University of Southern California, and Motorola. However, PANL has not disclosed what rights and obligations are "reserved."

As reported in the *Korea Times* on June 2, 2011, the Japan Patent Office invalidated certain of PANL's patents in February and June of this year, thereby creating new competing sources of OLED materials that, freed from having to pay PANL a license fee, are now available to Samsung at lower cost. Section 2.8 of the 2011 Agreement, which has no counterpart in the 2005 Agreement, contains a release to SMD for infringement claims. The inclusion of that release indicates that, in the negotiation of the 2011 Agreement, Samsung used the recent successful challenge to the validity of PANL's patents, and perhaps its own challenge, to limit PANL's role in its OLED business. Yet PANL failed to disclose those rulings or the nature of its patent dispute with Samsung. The reduction in the role played by PANL in SMD's future OLED business indicates that PANL's patents turned out to be far less valuable and less extensive than the parties had anticipated. The terms and causes of the diminution of the value to PANL of its relationship with Samsung, as demonstrated by its having agreed to accept a (perhaps minimal) fixed license fee in lieu of any other compensation, must be fully disclosed.

Section 9.1 of the 2011 Agreement provides that the parties are independent contractors with no partnership, joint venture, or agency relationship between them. This is inconsistent with the Press Release that refers to SMD as "an excellent partner." The Press Release also says PANL will "support [SMD] with state-of-the-art technologies and materials" "[w]orking even more closely" with SMD. It further states that PANL "delivers innovative and customized solutions," although the 2011 Agreement curtails the delivery of such solutions to SMD. Clearly PANL's relationship with Samsung has suffered a significant blow and investors have the right to know the details, free of the spin provided by the Press Release.

The Supplemental OLED Material Purchase Agreement, effective as of August 22, 2011 between SMD and PANL, is similarly concerning. Section 1.1.1 is so thoroughly redacted that it is impossible to know what it says. Sections 1.1.2 and 1.1.3 state that PANL is to provide "mutually agreeable quantities" of product, making that agreement little more than an agreement to agree. Sections 2.2 and 2.3 do not disclose the amount of Phosphorescent Materials SMD is obligated to purchase and says that SMD may purchase such materials indirectly.

Before the 2011 Agreement was signed, analysts repeatedly noted that the Samsung product royalties are the key to valuing PANL. In a report dated May 9, 2011, Oppenheimer & Co. Inc. stated:

UDC didn't have an update on its royalty negotiation with Samsung, whose prior long-term deal ended in June 2010. The outcome of that negotiation will be very significant. Besides setting the economic terms for PANL's only current commercial relationship, the new contract will likely establish a template for deals with other panel makers.

This was echoed in a May 11, 2011 note from Canaccord Genuity:

Currently, UDC has extended the existing agreement multiple times and only includes red materials and a royalty just under 1% of the device ASP. We believe UDC needs to achieve somewhere around 2% including material sales to justify current valuation.

PANL's stock traded between \$43 and \$46 on May 11 setting the referred to "current valuation" at \$2 Billion.

On June 2, succinctly summing up the general analyst opinion, Canaccord Genuity stated "We believe this story remains fairly simple and boils down to the SMD/UDC business agreement."

When the Press Release was disseminated (and even on the preceding day), it had an immediate positive effect on PANL's stock price. On Friday, August 19, the stock closed at \$27.92. On Monday, August 22, the stock rose almost \$7 to close at \$34.76. The official news of the 2011 Agreement hit after Monday's market close. The Press Release appeared publicly on August 23, causing the stock to rise another \$5.90 to \$40.66. Trading volume that day was five times normal—yet there was little in the way of real disclosure in the Press Release and as we show above, much of its contents appear to be misleading. As an analyst for Oppenheimer & Co. Inc. said on August 26: "Further details are needed on PANL's deal with Samsung."

Several analysts seem to have been misled in their interpretation of the 2011 Agreement, believing that there was still a royalty agreement in place, and that terms were changed in a matter that was materially more favorable to PANL than anticipated. On August 23, Goldman Sachs wrote:

...while the economics of the new licensing and material purchase agreements were not disclosed, *we expect royalty and materials revenue to move higher...* (Emphasis added)

Canaccord Genuity also seems to have been misled. On August 25, the firm wrote:

...we have performed additional checks that lead us to believe that the agreement between Universal Display and Samsung is royalty-based instead of a fixed one-time license, as was rumored previously.

We believe that the terms are favorable to UDC, which leads us to believe that the royalty is approximately 150bps—the midpoint of our scenario analysis.

On August 26, PANL filed the redacted 2011 Agreement attached to its 8-K. While analysts did their best to make guesses, it was clear that they needed more information to properly estimate the value of PANL. Canaccord Genuity's analyst revised his pre-8-K opinion as follows:

While terms were omitted, it is clear that the Samsung deal is a license agreement [and not a royalty agreement].... Details were limited and are being kept to a few senior executives at both SMD and UDC. Both parties believe they prevailed in the terms of the agreement, *none of which were disclosed in the 8K.* (emphasis added)

Oppenheimer & Co. Inc.'s August 30 report agreed with Canaccord Genuity: "what is missing is additional detailed information, which is necessary for the stock to hold onto its current gains, in our view."

It appears from the September 1, 2011 report of Avian Securities that PANL may have told an analyst that there are problems with its disclosure. That report states:

The redacted SMD filing made last week will likely be reviewed by the SEC, which we expect will take a few weeks. We expect considerably more disclosure in the updated filing when it appears or more detail on the 3Q conference call, whichever comes first. We note also that accounting rules will likely force additional detail in PANL's 3Q filings.

Perhaps PANL leaked this information to that analyst (and to Avondale Partners, LLC whose September 3 report contains substantially the same language) in a misguided attempt to protect itself. That report, however, highlights the inadequacies and deceptiveness of PANL's Press Release and the 8-K and fails either to ameliorate the non-disclosure problem or to protect PANL from liability for its deceptive conduct.

The timing of PANL's August 29 announcement of an insignificant agreement with Panasonic appears to demonstrate that PANL intended that announcement to draw investor attention away from the negative effect changes embodied in the 2011 Agreement. On August 30,

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2011, Oppenheimer & Co. Inc. issued a report questioning the “utility” of PANL’s agreement with Panasonic (which expires on July 31, 2014 and thus may have actually been executed a month before the announcement):

Philips+Konica-Minolta, GE, Osram and Lumiotec are all in the OLED lighting space. But OLED lighting is even more expensive than LED-based lighting and prices need to come down at least an order of magnitude. Therefore, the utility of the PIOL sign-on is limited at present.

A day later, Avondale Partners, LLC stated: “[it did] not believe the revenue contribution [of the Panasonic deal] will be meaningful near-term.”

The complete and unredacted 2011 Agreement and 2005 Agreement must be disclosed so that the analyst community and investors can determine the true value to Samsung of PANL’s patents and technology and make a reasoned determination of the value of PANL’s stock. As shown above, the redacted agreements, combined with the intentionally misleading Press Release, misled analysts and investors into believing that the material adverse changes evidenced by the 2011 Agreement were positive developments. Moreover, PANL’s deficient and the intentionally misleading Press Release have caused investors and the analyst community to grossly overvalue PANL’s agreements with Samsung, thereby harming investors, making the marketplace for capital more difficult for those of PANL’s competitors who play by the rules, and permitting PANL insiders to cash out at inflated prices.

That PANL’s stock gained 85 per cent, adding \$1 billion of market value, in the five trading days between the date of its Press Release and the date of its filing the 8-K, appears to demonstrate the materially deceptive nature of PANL’s announcement of the 2011 Agreement. Similarly concerning is management’s decision to sell stock their own stock into a market materially affected by redactions that they made without having to comply with any legal standards or Commission review before filing. For over a decade, PANL has boasted about the Samsung relationship. Yet PANL never disclosed the significant adverse developments with Samsung, its technology, and its patents, and it redacted all the evidence from the filed form of the 2011 Agreement.

Our client believes it is important that investors have access to fair and reasonable disclosure in all matters pertaining to their capital asset pricing decisions and that the nation’s current economic crisis results in part from faulty disclosures. It would like to do whatever it can to help the Division and others at the Commission to achieve critically important disclosure by PANL.

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Accordingly, if I can provide you with any additional information, please do not hesitate to ask.

Respectfully,


Robert N. Chan

cc: Amanda Ratiz, Esq.
Thomas Kim, Esq.
Patti Dennis, Esq.
Jacob Fien-Helfman, Esq.
Andrea Bellaire, Esq.
Mr. Manuel P. Asensio