



AUDIT COMMITTEE CHARTER

Organization

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Universal Display Corporation (the “Company”) shall be comprised of at least three directors. Members of the Committee shall be appointed by the Board and may be removed by the Board in its discretion. All members of the Committee shall be independent under applicable rules of The Nasdaq Stock Market and the requirements of the Securities Exchange Act of 1934, as amended. All members of the Committee shall have sufficient experience and ability to be able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement, and at least one member of the Committee shall be qualified as an “audit committee financial expert” within the meaning of applicable legislation and regulations. The Committee shall have a chairperson elected or appointed by majority vote of the Board, which chairperson shall be authorized to act on behalf of the Committee between meetings.

Statement of Purpose

The Committee shall have responsibility for overseeing (1) the integrity of the Company’s financial statements, (2) the effectiveness of the Company’s internal control system, (3) the Company’s compliance with applicable legal and regulatory requirements, (4) direct interaction with and evaluation of the independence and qualifications of the Company’s independent auditor, and (5) the performance of the Company’s internal audit function, whether outsourced to a third party and/or performed by Company employees, and its independent auditor. To fulfill this responsibility, there must be free and open communication between the Committee, Company management and the Company’s independent auditor. The effectiveness of the Committee depends heavily on Company management promptly bringing any significant financial issues to the Committee’s attention. The oversight exercised by the Committee is not of the same character or quality as the audit activities performed by the Company or its independent auditor. Consequently, this oversight does not guarantee that the financial statements of the Company will be free from mistake or fraud.

Authority and Responsibilities

In furtherance of its stated purposes, the Committee shall have the following authority and responsibilities:

1. To review the annual audited financial statements and quarterly financial statements of the Company, and to discuss with management and the Company’s independent auditor these statements and any other matters required to be reviewed and discussed with the Committee under applicable legal, regulatory or NASD requirements.
2. To discuss with management and the Company’s independent auditor, as appropriate, all earnings press releases, financial information and guidance provided to analysts, rating agencies or the public.
3. To select, evaluate and, if necessary, replace the Company’s independent auditor, and to approve all audit engagement fees and terms.
4. To pre-approve, or authorize one of its members to pre-approve, all audit and non-audit services provided to the Company, including the scope of such services, the procedures to be utilized and the compensation to be paid.
5. To discuss with management and the Company’s independent auditor, as appropriate, any problems or difficulties encountered with the audit or any quarterly reviews, including management’s response thereto.
6. To review with management the Company’s internal audit function, including authority and organizational reporting lines of employees, as well as the Company’s annual audit planning, budgeting and staffing decisions.

7. To review the Company's financial reporting and accounting standards and principles, significant changes in such standards and principles, or in their application, and key accounting decisions affecting the Company's financial statements, including alternatives to, and the rationale for, these decisions.
8. To discuss with management and the Company's independent auditor, as appropriate, the Company's risk assessment and risk management policies, including the Company's major exposures to financial risk and the steps taken by management to monitor and mitigate such exposures.
9. To assess the effectiveness of the Company's internal control over financial reporting, including information technology security and control systems, and to discuss this assessment with management and the Company's independent auditor.
10. To meet with the Company's independent auditor, separately from management, as often as the Committee may deem appropriate, but in any event at least quarterly.
11. To review all relationships between the Company's independent auditor and the Company, consistent with Independence Standards Board Standard No. 1, to discuss with the independent auditor any disclosed relationships or services that may affect the objectivity or independence of the independent auditor, and to obtain and review, at least annually, a formal written report from the independent auditor assessing the auditor's independence.
12. To approve the Company's hiring of employees or former employees of the Company's independent auditor.
13. To review and approve the rotation of partners on the audit team of the Company's independent auditor.
14. To review and investigate any matters or complaints pertaining to accounting, internal accounting control and auditing matters, and to review and investigate 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 standards of business conduct required by the Company's Code of Ethics & Business Conduct and other corporate policies.
15. To retain such outside counsel, experts and other advisors as the Committee may deem appropriate in its sole discretion, and to approve any related fee arrangements and other terms of engagement, without requiring the Committee to seek approval from the Board.
16. To provide for ordinary administrative expenses of the Committee that are appropriate in carrying out its duties, without requiring the Committee to seek approval from the Board.
17. To establish procedures for the Committee's receipt and handling of complaints from employees of the Company and others about accounting, internal accounting control and auditing matters, which procedures would permit employee complaints to be submitted anonymously.
18. To meet as often as the Committee may deem appropriate, but in any event at least quarterly.
19. To report its recommendations to the Board after each Committee meeting, and to conduct and present to the Board an annual performance evaluation of the Committee.
20. To prepare and publish an annual Committee report in the Company's proxy statement.
21. To review and reassess, at least annually, the adequacy of this Charter and recommend any proposed changes to the Board for approval.
22. To confirm that a copy of this Charter is included as an appendix to the Company's proxy statement at least once every three years, or is otherwise made available to the public as required pursuant to the applicable rules of The Nasdaq Stock Market and the requirements of the Securities Exchange Act of 1934, as amended.