

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____.

COMMISSION FILE NUMBER: 0-21044

UNIVERSAL ELECTRONICS INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION
OF INCORPORATION OR ORGANIZATION)

33-0204817
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

6101 GATEWAY DRIVE
CYPRESS, CALIFORNIA
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

90630
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (714) 820-1000

Indicate by check mark whether the Registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months, and (2) has been subject to such filing requirements
for the past 90 days.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date - 13,772,474 shares of Common
Stock, par value \$.01 per share, of the Registrant were outstanding at September
30, 2000.

UNIVERSAL ELECTRONICS INC.

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ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

UNIVERSAL ELECTRONICS INC.
 CONSOLIDATED BALANCE SHEETS
 (In thousands, except share-related data)
 (Unaudited)

	September 30, 2000	December 31, 1999
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,567	\$ 13,286
Accounts receivable	29,780	27,933
Inventories	20,633	13,494
Prepaid expenses and other current assets	1,615	1,887
Deferred income taxes	1,857	3,906
	-----	-----
Total current assets	69,452	60,506
Equipment, furniture and fixtures, net	3,502	3,697
Goodwill and other intangible assets, net	6,596	6,265
Other assets	1,178	1,662
Deferred income taxes	--	1,621
	-----	-----
Total assets	\$ 80,728	\$ 73,751
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 8,097	\$ 8,824
Accrued income taxes	249	794
Accrued compensation	2,464	1,928
Other accrued taxes	198	831
Other accrued expenses	3,799	2,623
	-----	-----
Total current liabilities	14,807	15,000
Notes payable	188	240
	-----	-----
Total liabilities	14,995	15,240
	-----	-----
Preferred stock, \$.01 par value, 5,000,000 shares authorized; none issued or outstanding	--	--
Common stock, \$.01 par value, 50,000,000 shares authorized; 15,422,081 and 15,317,304 shares issued at September 30, 2000 and December 31, 1999, respectively	154	153
Paid-in capital	65,015	64,299
Currency translation adjustment	(593)	(237)
Retained earnings	7,904	1,087
Unamortized value of restricted stock grants	(43)	(83)
Common stock in treasury, 1,649,607 and 1,652,384 shares at September 30, 2000 and December 31, 1999, respectively	(6,704)	(6,708)
	-----	-----
Total stockholders' equity	65,733	58,511
	-----	-----
Total liabilities and stockholders' equity	\$ 80,728	\$ 73,751
	=====	=====

The accompanying notes are an integral part of these financial statements.

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30, 2000	1999	Nine Months Ended September 30, 2000	1999
	-----	-----	-----	-----
Net sales	\$ 34,979	\$ 28,116	\$ 85,935	\$ 71,814
Cost of sales	20,702	16,328	50,525	42,577
Gross profit	14,277	11,788	35,410	29,237
Selling, general and administrative expenses	8,639	7,935	24,944	22,532
Operating income	5,638	3,853	10,466	6,705
Interest income	(248)	(47)	(755)	(42)
Other income	(280)	(63)	(333)	(9)
Income before income taxes	6,166	3,963	11,554	6,756
Provision for income taxes	2,528	1,625	4,737	2,770
Net income	\$ 3,638	\$ 2,338	\$ 6,817	\$ 3,986
	=====	=====	=====	=====
Net income per share:				
Basic	\$.26	\$.17	\$.50	\$.30
	=====	=====	=====	=====
Diluted	\$.24	\$.16	\$.45	\$.29
	=====	=====	=====	=====
Weighted average common stock outstanding:				
Basic	13,759	13,446	13,731	13,228
	=====	=====	=====	=====
Diluted	15,112	14,298	15,079	13,938
	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2000	1999
Cash provided by operating activities:		
Net income	\$ 6,817	\$ 3,986
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,135	2,766
Provision for doubtful accounts	57	706
Deferred income taxes	3,670	2,370
Other	222	45
Changes in operating assets and liabilities:		
Accounts receivable	(1,904)	(1,493)
Inventory	(6,779)	369
Prepaid expenses and other assets	603	413
Accounts payable and accrued expenses	985	1,992
Accrued income taxes	(1,178)	33
Net cash provided by operating activities	5,628	11,187
Cash used for investing activities:		
Acquisition of fixed assets	(1,874)	(1,222)
Payments for businesses acquired	(1,461)	(1,550)
Trademarks and other intangibles	(146)	(245)
Net cash used for investing activities	(3,481)	(3,017)
Cash provided by (used for) financing activities:		
Short-term bank borrowing	--	10,810
Short-term bank payments	--	(15,596)
Proceeds from stock options exercised	542	2,414
Other	(52)	--
Net cash provided by (used for) financing activities	490	(2,372)
Effect of exchange rate changes on cash	(356)	4
Net increase in cash and cash equivalents	2,281	5,802
Cash and cash equivalents at beginning of period	13,286	1,489
Cash and cash equivalents at end of period	\$ 15,567	\$ 7,291
	=====	=====

The accompanying notes are an integral part of these financial statements.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ADJUSTMENTS

The accompanying consolidated financial statements include the accounts of the Company and all subsidiaries after elimination of all material intercompany accounts and transactions. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. These financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company's 1999 Form 10-K. The financial information presented in the accompanying statements reflects all adjustments that are, in the opinion of management, necessary for a fair presentation of the periods indicated. All such adjustments are of a normal recurring nature.

INVENTORIES

Inventories consist of the following (in thousands):

	September 30, 2000	December 31, 1999
	-----	-----
Components	\$ 8,290	\$ 5,710
Finished goods	12,343	7,784
	-----	-----
Total inventories	\$20,633	\$13,494
	=====	=====

NET INCOME PER SHARE

Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted net income per share is computed by dividing net income by the weighted average number of common shares and dilutive potential common shares, which includes the dilutive effect of stock options. Dilutive potential common shares for all periods presented are computed utilizing the treasury stock method.

Net income per share for the quarters and the nine months ended September 30, 2000 and September 30, 1999 are calculated as follows:

	Quarter Ended		Nine Months Ended	
	September 30, 2000	September 30, 1999	September 30, 2000	September 30, 1999
	-----	-----	-----	-----
	(in 000's, except per share data)			
BASIC				
Net Income	\$ 3,638	\$ 2,338	\$ 6,817	\$ 3,986
	=====	=====	=====	=====
Weighted-average common shares outstanding	13,759	13,446	13,731	13,228
	-----	-----	-----	-----
Basic earnings per share	\$.26	\$.17	\$.50	\$.30
	=====	=====	=====	=====
DILUTED				
Net Income	\$ 3,638	\$ 2,338	\$ 6,817	\$ 3,986
	=====	=====	=====	=====
Weighted-average common shares outstanding for basic	13,759	13,446	13,731	13,228
Dilutive effect of stock options	1,353	852	1,348	710
	-----	-----	-----	-----
Weighted-average common shares outstanding on a diluted basis	15,112	14,298	15,079	13,938
	-----	-----	-----	-----
Diluted earnings per share	\$.24	\$.16	\$.45	\$.29
	=====	=====	=====	=====

STOCK SPLIT

On December 20, 1999, the Board of Directors declared a two-for-one split of the Company's common stock effective January 31, 2000, in the form of a stock dividend for stockholders of record at the close of business on January 10, 2000. All share and per-share amounts in the accompanying consolidated financial statements and notes to consolidated financial statements have been restated to give retroactive effect to the stock split.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities". The statement is effective for fiscal years beginning after June 15, 2000. The Company is assessing the impact this statement will have on the consolidated financial statements and has not yet adopted the provisions of SFAS No. 133 as of September 30, 2000.

In December 1999, the Securities and Exchange Commission released Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements," which was amended by SAB No. 101A in March 2000 and SAB No. 101B in June 2000. SAB No. 101A and SAB No. 101B delayed the implementation date of SAB No. 101. SAB No. 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements, and is effective in the fourth quarter of 2000, as amended. The Company is currently assessing the impact of adoption on its consolidated financial statements.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the presentation utilized in the three and nine-month periods ended September 30, 2000.

BUSINESS SEGMENTS AND FOREIGN OPERATIONS

The Company operates in a single industry segment and is engaged in the development and marketing of pre-programmed wireless control devices and related products principally for home video and audio entertainment equipment and the subscription broadcast market.

The Company's operations and identifiable assets by geographic area in thousands are presented below:

	Nine Months Ended September 30,	
	2000	1999
Net Sales		
United States	\$54,119	\$50,041
Netherlands	15,717	5,450
United Kingdom	5,187	5,358
Germany	4,215	4,935
All Other	6,697	6,030
	-----	-----
Total Net Sales	\$85,935	\$71,814
	=====	=====

	September 30, 2000	December 31, 1999
	-----	-----
Identifiable Assets		
United States	\$ 6,493	\$ 7,619
All Other Countries	4,783	4,005
	-----	-----
Total Identifiable Assets	\$11,276	\$11,624
	=====	=====

Specific identification of customer location was the basis used for attributing revenues from external customers to individual countries.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Third Quarter 2000 versus 1999

Net sales for the 2000 third quarter were \$35.0 million compared to \$28.1 million for the same quarter last year. Net sales in the Company's technology lines (subscription broadcasting, OEM and private label) were approximately 82.7% of net sales for the third quarter of 2000 compared to 73.5% for the third quarter of 1999. Net sales from the retail lines (One For All(R) international, Eversafe and direct import) accounted for approximately 17.3% of total third quarter 2000 net sales compared to 26.5% for the corresponding period in 1999.

Net sales in the Company's technology lines for the third quarter of 2000 increased by approximately 40.1% from \$20.6 million for the same period last year to \$29.0 million in 2000. The increase in technology sales is principally due to increased shipments in U.S. and European digital cable, satellite and OEM lines offset by reduced orders in the private label line.

The Company's net sales for the 2000 third quarter from its retail lines were \$6.0 million, a decrease of 19.1% from net sales of \$7.5 million in 1999 for the same quarter last year. Direct import revenues increased 61.6% for the third quarter of 2000 from \$399,000 to \$646,000 due to increased royalties resulting from increased volume as well as product revenues from the introduction of the Company's new Mosaic(TM) touch screen remotes into the direct import market. One For All international revenues, the largest component of the retail line, decreased 22.7% for the third quarter of 2000 from \$7.0 million for the 1999 third quarter to \$5.4 million in 2000 as a result of reduced orders from retailers in Germany and England.

The Company's overall gross margin for the third quarter of 2000 was 40.8% compared to a gross margin of 41.9% for the same period last year. Changes in product mix and an increase in sales to higher volume customers with related discounts attributed to the decrease in gross margin.

Selling, general and administrative expenses increased 8.9% from the third quarter of 1999 to the third quarter of 2000. In dollars, the Company's selling, general and administrative expenses increased \$700,000 during the third quarter of 2000 to \$8.6 million from \$7.9 million in 1999 principally due to increased delivery and freight costs associated with higher sales volumes.

In the third quarter of 2000, the Company recorded \$248,000 of interest income compared to \$47,000 for the third quarter of 1999. This increase resulted from interest earned on higher average cash balances.

The Company recorded income tax expense of \$2.5 million for the third quarter of 2000 compared to approximately \$1.6 million for the same quarter of 1999. The increase was due to improved results in 2000. The Company's effective tax rate was 41% in the third quarter of 2000 and the third quarter of 1999.

Nine Months 2000 versus 1999

Net sales for the nine months ended September 30, 2000 were \$85.9 million, an increase of 19.7% over the net sales of \$71.8 million for the same period last year. Net income for the first nine months of 2000 was \$6.8 million or \$0.50 per share (basic) and \$0.45 per share (diluted), compared to \$4.0 million or \$0.30 per share (basic) and \$0.29 per share (diluted) for the same period last year.

Net sales in the Company's technology lines (subscription broadcasting, OEM and private label) for the first nine months of 2000 increased 26.9% to \$68.6 million from \$54.0 million for the same period last year. This is principally due to increased shipments to U.S. and European OEMs and satellite providers and increased sales to U.S. cable service providers.

Net sales from the Company's retail lines (One For All(R) international, Eversafe and direct import) for the first nine months of 2000 decreased 2.4% to \$17.3 million from \$17.8 million for the same period last year primarily due to decreased shipments of the Eversafe product line as the Company has discontinued the sale of product in this only remaining direct domestic retail line.

Gross margins for the first nine months of 2000 were 41.2% compared to 40.7% for the same period last year primarily due to higher margins associated with the introduction of new products and cost reductions in certain component parts in 2000.

Selling, general and administrative expenses increased to \$24.9 million in the first nine months of 2000, compared to \$22.5 million in the first nine months of 1999. The increase was attributable to increased delivery and freight expenses associated with increased sales volumes and higher rates, increased payroll costs due to additional hiring of personnel associated with technology development and sales, overall increases in payroll and bonus related costs, and increased professional fees associated with the Company's corporate development activity including evaluation of acquisition candidates, partially offset by reduced bad debt and telephone expenses.

Interest income increased by \$713,000 to \$755,000 for the first nine months of 2000 from \$42,000 for the same period in 1999 due to interest earned on higher accumulated cash balances in 2000.

The Company recorded income tax expense of \$4.7 million for the first nine months of 2000 compared to approximately \$2.8 million for the same period of 1999. The increase was due to improved results in 2000. The Company's effective tax rate was 41% in the nine-month periods ended September 30, 2000 and September 30, 1999.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of funds are its operations and bank credit facilities. Cash provided by operating activities was \$5.6 million for the nine months ended September 30, 2000 compared to \$11.1 million for the same period in 1999. The decrease in cash flow is primarily due to an increase in inventory to replenish stock levels in anticipation of our seasonal peaks coupled with an increase in accounts receivable resulting from the increased level of sales.

On October 23, 1998, the Company entered into a \$15 million revolving credit agreement with Bank of America National Trust and Savings Association ("B of A"), which was amended on September 19, 2000 (the "Agreement"). Under the Agreement with B of A, the Company can choose from several interest rate options at its discretion. The interest rate in effect as of September 30, 2000 using the Fixed Rate option as defined in the Agreement, which is intended to approximate B of A's cost of funds, plus an applicable margin, was 7.87%. The applicable margin varies with a range from 1.25% to 2.00% per annum depending on the Company's net income before interest, taxes, depreciation and amortization. At September 30, 2000, the applicable margin was 1.25 percent. The revolving credit facility, which expires on October 23, 2001, is secured by a first priority security interest in the Company's cash and cash equivalents, accounts receivable, inventory, equipment, and general intangibles of the Company. The Company pays a commitment fee of a maximum rate of 3/16 of 1% per year on the unused portion of the credit line. Under the terms of this Agreement, the Company's ability to pay cash dividends on its common stock is restricted and the Company is subject to certain financial covenants and other restrictions that are standard for these types of agreements. However, the Company has authority under this credit facility to acquire up to 1,000,000 shares of its common stock in market purchases and, since the date of this Agreement, the Company has acquired approximately 109,000 shares of stock, at a cost of approximately \$564,500, which it holds as treasury shares and are available for reissue by the Company. Amounts available for borrowing under this credit facility are reduced by the outstanding balance of the Company's import letters of credit. As of September 30, 2000, no amounts were outstanding under this credit facility. The Company had no outstanding import letters of credit as of September 30, 2000.

There were no open market purchases of the Company's common stock in 2000 or 1999 under a program announced in 1996. The Company holds shares purchased on the open market as treasury stock and they are available for reissue by the Company. Presently, except for using a small number of these treasury shares to compensate its outside board members, the Company has no plans to distribute these shares although the Company may change these plans if necessary to fulfill its on-going business objectives. In addition, during the nine-months ended September 30, 2000, the Company received proceeds of approximately \$542,000 from the exercise of stock options granted to the Company's current and former employees, as compared to approximately \$2,414,000 during the same period in 1999.

Capital expenditures in the first nine months of 2000 and 1999 were \$1.9 million and \$1.2 million, respectively. These expenditures related primarily to acquiring product tooling.

During the first quarter of 1998, the Company acquired a remote control distributor in the United Kingdom for \$3.0 million, of which \$1.7 million was paid in cash in 1998, \$800,000 was paid in cash in the first quarter of 1999 and the remaining \$500,000 was paid in the fourth quarter of 1999.

Effective July 1, 1999, the Company completed its acquisition of a remote control distributor in Spain for \$750,000.

On August 25, 2000, the Company acquired a remote control distributor in France for approximately \$ 1.8 million, of which \$ 1,461,000 was paid during the third quarter of 2000. The remaining amount will be paid in installments through the end of 2002.

It is the Company's policy to carefully monitor the state of its business, cash requirements and capital structure. The Company believes that funds generated from operations and available from its borrowing capacity will be sufficient to fund current business operations as well as anticipated growth at least through the end of 2000, however, there can be no assurances that this will occur.

RISK FACTORS

Forward Looking Statements

The Company cautions that the following important factors, among others (including but not limited to factors discussed below, in the "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as those discussed elsewhere in this Quarterly Report on Form 10-Q, and as mentioned from time to time in the Company's other reports filed with the Securities and Exchange Commission), could affect the Company's actual results and could cause or contribute to the Company's actual consolidated results to differ materially from those expressed in any forward-looking statements of the Company made by or on behalf of the Company. The factors included here are not exhaustive. Further, any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Therefore, forward-looking statements should not be relied upon as a prediction of actual future results.

While management believes that the forward looking statements made in this report are based on reasonable assumptions, the actual outcome of such statements is subject to a number of risks and uncertainties, including continued acceptance of the Company's technology and products, the impact of competitive pressures, including products and pricing, locating and finalizing acceptable acquisition targets and/or strategic partners, the availability of financing for acquisitions on terms acceptable to the Company, fluctuations in currency exchange rates, the consolidation of and new competition experienced by members in the cable industry, principally from satellite and other similar broadcast providers, general economic and stock market conditions and other risks which are otherwise set forth in this Quarterly Report on Form 10-Q and the Company's other filings with the Securities and Exchange Commission.

Dependence Upon Key Suppliers

Most of the components used in the Company's products are available from multiple sources; however, the Company has elected to purchase integrated circuit components used in the Company's products, principally its wireless control products, and certain other components used in the Company's products, from three main sources, each of which provide in excess of ten percent (10%) of the Company's microprocessors for use in its products. The Company has developed alternative sources of supply for these integrated circuit components. However, there can be no assurance that the Company will be able to continue to obtain these components on a timely basis.

The Company generally maintains inventories of its integrated chips, which could be used in part to mitigate, but not eliminate, delays resulting from supply interruptions. An extended interruption, shortage or termination in the supply of any of the components used in the Company's products, or a reduction in their quality or reliability, or a significant increase in prices of components, would have an adverse effect on the Company's business and results of operations.

Dependence on Foreign Manufacturing

Third-party manufacturers located in foreign countries manufacture all of the Company's wireless controls. The Company's arrangements with its foreign manufacturers are subject to the risks of doing business abroad, such as import duties, trade restrictions, work stoppages, availability of production capacity, political instability and other factors which could have a material adverse effect on the Company's business and results of operations. The Company believes that the loss of any one or more of its manufacturers would not have a long-term material adverse effect on the Company's business and results of operations because numerous other manufacturers are available to fulfill the Company's requirements, however, the loss of any of the Company's major manufacturers could adversely effect the Company's business until alternative manufacturing arrangements are secured.

Potential Fluctuations in Quarterly Results

The Company's quarterly financial results may vary significantly depending primarily upon factors such as the timing of significant orders, the timing of new product offerings by the Company and its competitors and product presentations and the loss or acquisition of any significant customers. In addition, historically the Company's business has been seasonal, with the largest proportion of sales occurring in September, October and November of each calendar year. Factors such as quarterly variations in financial results could adversely affect the market price of the Common Stock and cause it to fluctuate substantially. In addition, the Company (i) may from time to time increase its operating expenses to fund greater levels of research and development, increase its sales and marketing activities, develop new distribution channels, improve its operational and financial systems and broaden its customer support capabilities and (ii) may incur significant operating expenses associated with any new acquisitions. To the extent that such expenses precede or are not subsequently followed by increased revenues, the Company's business, operating results and financial condition will be materially adversely effected.

In addition, the Company may experience significant fluctuations in future quarterly operating results that may be caused by many factors, including demand for the Company's products, introduction or enhancement of products by the Company and its competitors, the loss or acquisition of any significant customers, market acceptance of new products, price reductions by the Company or its competitors, mix of distribution channels through which products are sold, level of product returns, mix of customers and products sold, component pricing, mix of international and domestic revenues, and general economic conditions. In addition, as a strategic response to changes in the competitive environment, the Company may from time to time make certain pricing or marketing decisions or acquisitions that could have a material adverse effect on the Company's business, results of operations or financial condition. As a result, the Company believes that period-to-period comparisons of its results of operations are not necessarily meaningful and should not be relied upon as any indication of future performance. Due to all of the foregoing factors, it is likely that in some future quarters the Company's operating results will be below the expectations of public market analysts and investors. In such event, the price of the Company's common stock would likely be materially adversely effected.

Dependence on Consumer Preference

The Company is susceptible to fluctuations in its business based upon consumer demand for its products. The Company believes that its success depends in substantial part on its ability to anticipate, gauge and respond to such fluctuations in consumer demand. However, it is impossible to predict with complete accuracy the occurrence and effect of any such event that will cause such fluctuations in consumer demand for the Company's products. Moreover, the Company cautions that any increases in sales or growth in revenue or increases in its gross margins that it achieves may be transitory and should by no means be construed to mean that such increases or growth will continue.

Dependence Upon Timely Product Introduction

The Company's ability to remain competitive in the wireless control products market will depend in part upon its ability to successfully identify new product opportunities and to develop and introduce new products and enhancements on a timely and cost effective basis. There can be no assurance that the Company will be successful in developing and marketing new products or in enhancing its existing products, or that such new or enhanced products will achieve consumer acceptance, and if acquired, will sustain that acceptance, that products developed by others will not render the Company's products non-competitive or obsolete or that the Company will be able to obtain or maintain the rights to use proprietary technologies developed by others which are incorporated in the Company's products. Any failure by the Company to anticipate or respond adequately to technological developments and customer requirements, or any significant delays in product development or introduction, could have a material adverse effect on the Company's financial condition and results of operations.

In addition, the introduction of new products which the Company may introduce in the future may require the expenditure of a significant amount of funds for research and development, tooling, manufacturing processes, inventory and marketing. In order to achieve high volume production of any new product, the Company may have to make substantial investments in inventory and expand its production capabilities.

Dependence on Major Customers

The Company's performance is affected by the economic strength and weakness of its worldwide customers. The Company sells its wireless control products and proprietary technologies to private label customers, original equipment manufacturers ("OEMs"), and companies involved in the subscription broadcasting industry. The Company also supplies its products to its wholly owned, non-U.S. subsidiaries and to independent foreign distributors, who in turn distribute the Company's products worldwide, with Europe, Australia, New Zealand, Mexico and selected countries in Asia and Latin America currently representing the Company's principal foreign markets. In 1999, the Company lost a significant customer in its subscription broadcasting business due to that customer being acquired by a third party. During 1999, the Company had two customers that acquired more than ten percent of the Company's products and the loss of either of these customers or any of the Company's other key customers either in the United States or abroad due to the financial weakness or bankruptcy of any such customer or the inability of the Company to obtain orders or maintain its order volume with its major customers may have an adverse effect on the Company's financial condition or results of operations.

Competition

The wireless control industry is characterized by intense competition based primarily on product availability, price, speed of delivery, ability to tailor specific solutions to customer needs, quality and depth of product lines. The Company's competition is fragmented across its product lines, and accordingly, the Company does not compete with any one company across all product lines. The Company competes with a variety of entities, some of which have greater financial and other resources than the Company. The Company's ability to remain competitive in this industry depends in part on its ability to successfully identify new product opportunities and develop and introduce new products and enhancements on a timely and cost effective basis as well as its ability to identify and enter into strategic alliances with entities doing business within the industries the Company serves. There can be no assurances that the Company and its product offerings will be and/or remain competitive or that any strategic alliances, if any, which the Company enters into will achieve the type, extent and amount of success or business that the Company expects or hopes to achieve.

Potential for Litigation

As is typical in the Company's industry and the nature and kind of business in which the Company is engaged, from time to time, various claims, charges and litigation are asserted or commenced by third parties against the Company or by the Company against third parties arising from or related to product liability, infringement of patent or other intellectual property rights, breach of warranty, contractual relations, or employee relations. The amounts claimed may be substantial but may not bear any reasonable relationship to the merits of the claims or the extent of any real risk of court awards. While it is the opinion of management that the Company's products do not infringe any third parties' patent or other intellectual property rights, the costs associated with defending or pursuing any such claims or litigation could be substantial and amounts awarded as final judgments, if any, in any such potential or pending litigation, could have a significant and material adverse effect on the Company's financial condition or results of operations.

General Economic Conditions

General economic conditions, both domestic and foreign, have an impact on the Company's business and financial results. From time to time the markets in which the Company sells its products experience weak economic conditions that may negatively affect the sales of the Company's products. To the extent that general economic conditions affect the demand for products sold by the Company, such conditions could have an adverse effect on the Company's business.

Effects on the Company Due to International Operations

By operating its business in countries outside of the United States, the Company is exposed to fluctuations in foreign currency exchange rates, exchange ratios, nationalization or expropriation of assets, import/export controls, political instability, variations in the protection of intellectual property rights, limitations on foreign investments and restrictions on the ability to convert currency. These risks are inherent in conducting operations in geographically distant locations, with customers speaking different languages and having different cultural approaches to the conduct of business, any one of which alone or collectively, may have an adverse effect on the Company's international operations, and consequently on the Company's business, operating results and financial condition. While the Company will continue to work toward minimizing any adverse effects of conducting its business abroad, no assurance can be made that the Company will be successful in minimizing any such effects.

OUTLOOK

The Company, throughout 2000 has and will continue to seek ways to increase its customer base worldwide, particularly in the areas of subscription broadcasting, OEM, and its One For All international retail business. In addition, the Company will continue its focus on creating new applications for its proprietary and/or patented technologies in the consumer electronics/OEM market, and computer/internet control markets.

The Company will also continue in 2000 to control its overall cost of doing business. Management believes that through product design changes and its purchasing efforts, improvements in the Company's gross margins and efficiencies in its selling, general and administrative expenses can be accomplished, although there can be no assurances that there will be any improvements to the Company's gross margin or that the Company will achieve any cost savings through these efforts and if obtained, that any such improvements or savings will be significant or maintained.

In addition, during 2000, management will continue to pursue its overall strategy of seeking out ways to operate all aspects of the Company more profitably. This strategy will include looking at acceptable acquisition targets and strategic partnership opportunities. The Company cautions, however, that no assurances can be made that any suitable acquisition targets or partnership opportunities will be identified and, if identified, that a transaction can be consummated. Moreover, if consummated, no assurances can be made that any such acquisition or partnership will profitably add to the Company's operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to various market risks, including interest rate and foreign currency exchange rate fluctuations. The Company has established policies, procedures and internal processes governing its management of market risks and the use of financial instruments to manage its exposure to such risks. The interest payable under the Company's revolving credit agreement with its bank is variable and generally based on either the bank's cost of funds, or the IBOR rate, and is affected by changes in market interest rates. At September 30, 2000, the Company had no borrowings on its credit line. The interest rate in effect on the credit line using the bank's cost of funds rate as the base as of September 30, 2000 was 7.87%. The Company has wholly owned subsidiaries in the Netherlands, United Kingdom, Germany, France and Spain. Sales from these operations are typically denominated in local currencies including Euros, British Pounds, German Marks, French Francs and Spanish Pesetas thereby creating exposures to changes in exchange rates. Changes in the local currencies/U.S. Dollars exchange rate may positively or negatively affect the Company's sales, gross margins and retained earnings. The Company, from time to time, enters into foreign currency exchange agreements to manage its exposure arising from fluctuating exchange rates related to specific transactions, primarily foreign currency forward contracts for inventory purchases. The Company had a number of forward exchange contracts outstanding at September 30, 2000 with an aggregate notional value of approximately \$3.1 million. The Company does not enter into any derivative transactions for speculative purposes. The sensitivity of earnings and cash flows to variability in exchange rates is assessed by applying an approximate range of potential rate fluctuations to the Company's assets, obligations and projected results of operations denominated in foreign currencies. Based on the Company's overall foreign currency rate exposure at September 30, 2000, the Company believes that movements in foreign currency rates should not materially affect the financial position of the Company, although no assurance can be made that any such foreign currency rate movements in the future will not have a material effect.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (A) Exhibits pursuant to Item 601 of Regulation S-K
- 10.1 First Amendment to Revolving Loan and Security Agreement dated September 19, 2000 by and between Universal Electronics Inc. and Bank of America, N.A.
 - 10.2 Form of Executive Officer Employment Agreement dated October 27, 2000 by and between Universal Electronics Inc. and Camille K. Jayne
 - 10.3 Form of Nonqualified Stock Option Agreement dated August 24, 2000 by and between Universal Electronics Inc. and Camille K. Jayne
 - 10.4 Form of First Amendment to Stock Option Agreement dated October 27, 2000 by and between Universal Electronics Inc. and Camille K. Jayne
 - 10.5 Form of Executive Officer Employment Agreement dated October 27, 2000 by and between Universal Electronics Inc. and Paul D. Arling
- 27 Financial Data Schedule
- (B) Reports on Form 8-K
- There were no reports on Forms 8-K filed during the quarter ended September 30, 2000.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

(Registrant) Universal Electronics Inc.

Date: November 14, 2000 /s/ Mark Belzowski

Mark Belzowski
Vice President and Chief Financial Officer

FIRST AMENDMENT
TO
REVOLVING LOAN AND SECURITY AGREEMENT

THIS FIRST AMENDMENT TO REVOLVING LOAN AND SECURITY AGREEMENT (this "Amendment") is entered into as of September 19, 2000 between UNIVERSAL ELECTRONICS, INC., a Delaware corporation (the "Borrower") and BANK OF AMERICA N.A., formerly known as Bank of America National Trust and Savings Association, a national banking association (the "Bank").

WITNESSETH:

WHEREAS, the Borrower and the Bank are parties to a Revolving Loan and Security Agreement dated as of October 2, 1998 (the "Existing Loan Agreement" and as amended and modified by this Amendment, the "Amended Loan Agreement"); and

WHEREAS, the Borrower and the Bank desire to amend the Existing Loan Agreement in certain respects;

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the parties hereto agree as follows:

SECTION 1

DEFINED TERMS

Terms defined in the Existing Loan Agreement and not otherwise defined herein are used herein as therein defined.

SECTION 2

AMENDMENTS TO EXISTING LOAN AGREEMENT

2.1 Section 12.1.1 of the Existing Loan Agreement is hereby restated as follows:

"SECTION 12.1.1 Financial Statements and Reports.

(a) Annual Audited Financial Statements of Borrower. Within 90 days after each fiscal year of Borrower, a copy of the annual audited consolidated financial statements of the Borrower and its Subsidiaries, prepared in accordance with GAAP, which statements shall have been prepared by an independent certified public accounting firm acceptable to the Bank;

(b) Quarterly Financial Statements of Borrower. Within 30 days after the end of each fiscal quarter of each fiscal year of the Borrower (other than the last fiscal quarter of each fiscal year), a copy of the unaudited consolidated financial statement of the Borrower and its Subsidiaries, prepared in the

same manner as the financial statements referred to in the preceding subsection (a), signed by the Borrower's chief financial officer and consisting of a statement of funds flow for the period from the beginning of the applicable fiscal year to the close of such fiscal quarter; and

(c) Officer's Certificate. Within 45 days after the end of each fiscal quarter of the Borrower including the last fiscal quarter of each fiscal year), a certificate of Borrower's chief financial officer dated the last day of such fiscal year quarter containing a statement that no Event of Default or Unmatured Event of Default has occurred and is continuing, or, if there is any such event, describing it and the steps, if any, being taken to cure it, and continuing a computation of, and showing compliance with, each of the financial ratios and restrictions contained in this Section 12."

2.2 Section 12.14 of the Existing Loan Agreement is hereby restated as follows:

"SECTION 12.14. Indebtedness. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or permit to exist, or otherwise become or be liable in respect of, any Indebtedness other than, without duplication, the following:

(a) Indebtedness under the terms of this Agreement and the Other Agreements;

(b) Indebtedness outstanding on October 2, 1998 and disclosed in the financial statements referred to in Section 11.6 or in Schedule 12.14;

(c) Indebtedness existing on October 2, 1998 of a Subsidiary of the Borrower owing to the Borrower or to another Subsidiary of the Borrower disclosed in the financial statements referred to in Section 11.6 or in Schedule 12.14; and

(c) Indebtedness of any Subsidiary to any commercial bank or other commercial lender in an aggregate outstanding principal amount for all the Borrower's Subsidiaries not exceeding \$500,000."

SECTION 3

REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants to the Bank that:

3.1 Authorization; No Conflict. The execution and delivery by the Borrower of this Amendment and the performance by the Borrower of its obligations under the Amended Loan Agreement have been duly authorized by all necessary corporate action, do not require any filing or registration with or approval or consent of any governmental agency or authority, do not and

will not conflict with, result in any violation of, or constitute any default under, any provision of the agreement pursuant to which Borrower was formed or any agreement or other document binding upon or applicable to the Borrower or any of its Subsidiaries (or any of their respective properties), or any material law or governmental regulation or court decree or order applicable to the Borrower or any of its Subsidiaries, and will not result in or require the creation or imposition of any Lien in any of the properties of the Borrower or any of its Subsidiaries pursuant to the provisions of any agreement binding upon or applicable to the Borrower or any of its Subsidiaries (other than in favor of the Bank).

3.2 Due Execution; Enforceability. This Amendment has been duly executed and delivered by the Borrower and, together with the Amended Loan Agreement, is a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms subject, as to enforcement only, to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforceability of the rights of creditors generally.

3.3 Reaffirmation of Representations and Warranties. The representations and warranties contained in Article XI of the Existing Loan Agreement are true and correct on the date of this Amendment, except to the extent (a) that such representations and warranties solely relate to an earlier date or (b) changed by circumstances permitted by the Amended Loan Agreement.

SECTION 4

CONDITIONS PRECEDENT

The amendments to the Existing Loan Agreement set forth in Section 2 of this Amendment shall become effective as of the date first above written (the "Amendment Effective Date") upon satisfaction of all of the following conditions precedent:

4.1 Receipt of Documents. The Bank shall have received:

(a) a copy of this Amendment, duly executed by the Borrower; and

(b) a certificate of the Secretary of the Borrower attesting that there have been no changes since October 2, 1998 to the Borrower's By-laws and Articles of Incorporation and that set forth on such certificate are the names, titles and specimen signatures of all persons authorized to execute and deliver the Credit Agreement, the Other Agreements and this Amendment on behalf of the Borrower.

4.2 Amendment Fee. The Borrower shall have paid to the Bank, in full, a nonrefundable amendment fee of \$1,000.

4.3 Other Conditions. There shall not exist any event or condition which is, or with notice or lapse of time or both would be, an Event of Default or an Unmatured Event of Default under the Existing Loan Agreement.

SECTION 5

MISCELLANEOUS

5.1 Warranties and Absence of Defaults. In order to induce the Bank to enter into this Amendment, the Borrower hereby warrants to the Bank, as of the date of the actual execution of this Amendment by Borrower, that except as disclosed to the Bank and consented to by the Bank (a) no event or condition exists which is, or with notice or lapse of time or both would be, an Event of Default or an Unmatured Event of Default under the Existing Loan Agreement and (b) the representations and warranties in Section 3 of this Amendment are true and correct.

5.2 Documents Remain in Effect. Except as amended and modified by this Amendment, the Existing Loan Agreement and the Other Agreements remain in full force and effect and the Borrower hereby ratifies, adopts and confirms its representations, warranties, agreements and covenants contained in, and obligations and liabilities under, the Existing Loan Agreement and the Other Agreements.

5.3 Reference to Loan Agreement. On and after the Amendment Effective Date, each reference in the Amended Loan Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import, and each reference to the "Loan Agreement" in any note and in any other agreements, documents or other instruments executed and delivered pursuant to the Amended Loan Agreement, shall mean and be a reference to the Amended Loan Agreement.

5.4 Headings. Headings used in this Amendment are for convenience of reference only, and shall not affect the construction of this Amendment.

5.5 Counterparts. This Amendment may be executed in any number of counterparts, and by the parties hereto on the same or separate counterparts, and each such counterpart, when executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment.

5.6 Expenses. Borrower agrees to pay all reasonable costs and expenses of the Bank (including reasonable fees, charges and disbursements of the Bank's attorneys) in connection with the preparation, negotiation, execution and delivery of this Amendment and all other instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith. In addition, Borrower agrees to pay, and save the Bank harmless from all liability for, any stamp or other taxes which may be payable in connection with the execution or delivery of this Amendment, the borrowings under the Amended Loan Agreement, and the execution and delivery of any instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith. All obligations provided in this Section 5.6 shall survive any termination of this Amendment or the Amended Loan Agreement.

5.7 Governing Law. This Amendment shall be a contract made under and governed by the internal laws of the State of Illinois. Wherever possible each provision of this Amendment shall be interpreted in such manner as to be effective and valid under applicable laws, but if any provision of this Amendment shall be prohibited by or invalid under such laws, such provisions shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Amendment.

5.8 Successors. This Amendment shall be binding upon Borrower and the Bank and their respective successors and assigns, and shall inure to the benefit of Borrower and the Bank and the successors and assigns of the Bank.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized and delivered as of the date first above written.

UNIVERSAL ELECTRONICS, INC.

By: /s/ MARK BELZOWSKI

Mark Belzowski

Title: Chief Financial Officer

BANK OF AMERICA, N.A. (formerly known as
Bank of America National Trust and
Savings Association

By: /s/ DENISE PARDUE

Denise Pardue

Title: Vice President

SECRETARY'S CERTIFICATE

UNIVERSAL ELECTRONICS, INC.

The undersigned hereby certifies that Richard A. Firehammer, Jr. is the duly elected, qualified and acting Secretary of Universal Electronics, Inc., a Delaware corporation ("Company"), and pursuant to that certain First Amendment dated September 19, 2000 (the "Amendment") to Revolving Loan and Security Agreement dated as of October 2, 1998 (the "Credit Agreement") between the Company and Bank of America, N.A. (the "Bank"), hereby further certifies to the Bank as follows:

(a) There has been no amendment, modification or other change to the By-laws of the Company from that in effect on October 2, 1998 and heretofore delivered by the Company to the Bank, except as set forth in Exhibit A;

(b) There has been no amendment, modification or other change to the Articles of Incorporation of the Company from that in effect on October 2, 1998 and heretofore delivered by the Company to the Bank, except as set forth in such Exhibit B;

(c) The following are the names and titles of duly elected, qualified and acting officers of the Company. Each such person holds the office set forth below opposite his name, and the respective signatures appearing below opposite the names of any officers who have executed or are executing the Credit Agreement, the Amendment or the Other Agreements (as defined in the Credit Agreement) are genuine signatures of such persons.

Name - - - - -	Title - - - - -	Signature Sample - - - - -
Camille Jayne	Chairman and Chief Executive Officer	/s/ CAMILLE JAYNE - - - - -
Paul D. Arling	President and Chief Operating Officer	/s/ PAUL D. ARLING - - - - -
Richard A. Firehammer, Jr.	Senior Vice President and Secretary	/s/ RICHARD A. FIREHAMMER, JR. - - - - -
Mark Belzowski	Chief Financial Officer	/s/ MARK BELZOWSKI - - - - -

(d) Each officer whose signature appears above is or has been duly authorized and empowered by the Company to execute the Credit Agreement, the Amendment and the Other Agreements, to request and confirm Loans and Letters of Credit and to execute

and deliver to the Bank all other instruments, documents and certificates as from time to time may be necessary or desirable to effect or confirm any matter under the Credit Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Secretary's Certificate the 19 day of September, 2000.

UNIVERSAL ELECTRONICS, INC.

By: /s/ RICHARD A. FIREHAMMER, JR.

Richard A. Firehammer, Jr., Secretary

The undersigned hereby certifies that he is the duly elected, qualified and acting CFO of the Company, and hereby further certifies that Richard A. Firehammer, Jr. is the duly elected, qualified and acting Secretary of the Company and that the above signature is his genuine signature.

UNIVERSAL ELECTRONICS, INC.

By: /s/ MARK BELZOWSKI

CFO

Title

EXHIBIT A

[Attach amendments since October 2, 1998 to By-laws; if none, so indicate]

None

EXHIBIT B

[Attach amendments since October 2, 1998 to Articles of Incorporation; if none, so indicate]

Certificate of Amendment to Restated Certificate of Incorporation -- filed July 26, 2000 -- 2 Pages Attached

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "UNIVERSAL ELECTRONICS INC.", FILED IN THIS OFFICE ON THE TWENTY-SIXTH DAY OF JULY, A.D. 2000, AT 12:30 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

[SEAL]

/s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

2108379 8100

AUTHENTICATION: 0582502

001377448

DATE: 07-26-00

CERTIFICATE OF AMENDMENT

TO

RESTATED CERTIFICATE OF INCORPORATION

OF

UNIVERSAL ELECTRONICS INC.

Pursuant to Section 242 of the
Delaware General Corporation Law

The undersigned, Paul D. Arling and Richard A. Firehammer, Jr., President and Secretary, respectively, of Universal Electronics Inc., a Delaware corporation (the "Corporation"), hereby certify as follows:

1. The name of the Corporation is Universal Electronics Inc.
2. The Board of Directors of the Corporation at a meeting held February 1, 2000, adopted the following resolution proposing and declaring advisable the following amendment to the Restated Certificate of Incorporation of the Corporation and directing that the amendment should be considered at the next annual meeting of the stockholders:

RESOLVED, that Article FOURTH, Part I of the Corporation's Restated Certificate of Incorporation, as amended, be amended to read in its entirety as follows:

Part I. Aggregate Number of Shares. The aggregate number of shares of stock which the Corporation has authority to issue is 55,000,000 shares, consisting of:

1. 5,000,000 shares of Preferred Stock, par value \$.01 per share (the "Preferred Stock"); and
2. 50,000,000 shares of Common Stock, par value \$.01 per share (the "Common Stock").

3. At the annual meeting of stockholders held June 21, 2000, the foregoing amendment was duly adopted in accordance with Section 242 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, Universal Electronics Inc. has caused this Certificate of Amendment to be signed by Paul D. Arling, its President, and attested by Richard A. Firehammer, Jr., its Secretary, this 25th day of July, 2000.

UNIVERSAL ELECTRONICS INC.

By: /s/ PAUL D. ARLING

Paul D. Arling, President

ATTEST:

/s/ RICHARD A. FIREHAMMER, JR.

Richard A. Firehammer, Jr., Secretary

EXECUTIVE OFFICER
EMPLOYMENT AGREEMENT

THIS EXECUTIVE OFFICER EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into this 27 day of October 2000 by and between UNIVERSAL ELECTRONICS INC. (the "Employer") and CAMILLE JAYNE ("Executive").

RECITALS:

WHEREAS, the Employer is presently headquartered in Cypress, California, and is engaged in the business of developing and marketing easy to use, pre-programmed universal remote control products primarily for home video and audio entertainment equipment and home security and home automation devices; and

WHEREAS, on March 24, 1999, Executive and Employer entered into that certain Executive Officer Amended Employment Agreement and such agreement is set to expire at the end of business on February 1, 2001 and the parties wish to extend such date to February 1, 2002; and

WHEREAS, Employer wishes to retain Executive as one of its key executives and avail itself of Executive's expertise, experience and capability in Employer's business, and in this connection in exchange for Executive's agreement to perform her obligations as set forth in this Agreement, Employer hereby promotes and offers employment to Executive as Employer's Executive Chairman of the Board to perform those duties and assume those responsibilities set forth herein, and as identified and outlined for Chairman of the Board in Employer's Amended and Restated By-Laws, and to undertake such other duties and to assume such other responsibilities commensurate with Executive's designated position(s) as may be reasonably assigned to Executive from time to time by the Board of Directors of Employer; and

WHEREAS, Executive hereby accepts such promotion and extension of term and desires to be employed by the Employer subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants contained herein, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. EMPLOYMENT

Subject to all of the terms and conditions of this Agreement, effective on October 1, 2000 (the "Effective Date of this Agreement"), Employer hereby promotes and employs Executive and Executive hereby accepts such promotion and employment with Employer.

2. TITLE, AUTHORITY AND DUTIES

(a) TITLE(S) AND POSITION(S). On the Effective Date of this Agreement, Executive shall be promoted to and employed in the position of and shall have the title of Executive Chairman of the Board. Until this Agreement is terminated as provided herein, Executive will continue to occupy such position and hold such title until Employer and Executive shall mutually agree in writing to change any such position(s) and title(s).

(b) AUTHORITY AND DUTIES. Executive will, during the term of this Agreement, be responsible for establishing and recommending the overall strategic plan for Employer by working closely with the Employer's CEO and together with the CEO, presenting such strategic plan to the Board of Directors for its review and approval. Upon such approval, Executive shall, working closely with the Employer's CEO, lead in the implementation of such strategic plan by, among other things, negotiating with potential corporate alliances and business development partners. In addition, Executive shall perform those duties and assume those responsibilities as set forth in this Agreement and as identified and outlined in Employer's Amended and Restated By-Laws, as amended as of the date of this Agreement, and to undertake such other duties and to assume such other responsibilities commensurate with Executive's designated position as may be reasonably assigned to Executive from time to time by the Board of Directors of Employer.

(c) EXCLUSIVE SERVICES AND EFFORTS OF EXECUTIVE. During the term of this Agreement, Executive shall serve the Employer, under the direction of the Board of Directors of Employer, and shall faithfully, diligently, competently and, to the best of her ability, exclusively devote her full time, energy and attention (unless otherwise agreed to by the parties) to the business of the Employer and to the promotion of its interest. Executive recognizes that Employer's organization, business and relationship with clients, prospective clients and others having business dealings with Employer are and will be the sole property of Employer and Executive shall have no separate interests or rights with respect thereto, except as an employee of Employer.

(d) OTHER ACTIVITIES AND INTERESTS. Employer shall be entitled to all of the benefits, emoluments, profits, discoveries or other issues arising from, incident to and related to any and all work, services and advice of Executive to Employer in carrying out her duties and responsibilities hereunder. Executive shall not, without the written consent of Employer, directly or indirectly, render services to or for any person, firm, corporation or other entity or organization, whether or not in exchange for compensation, regardless of the form in which such compensation, if any, is paid and whether or not it is paid directly or indirectly to her if the rendering of such service would interfere with the performance of her duties and responsibilities to Employer hereunder. Notwithstanding the foregoing sentence, Executive may spend time and attention to personal investment and community activity matters and such other personal matters consistent with Employer's policies and procedures set forth

within Employer's policy manual in effect from time to time which are equally applicable to all of Employer's executive employees, so long as the spending of such time and attention does not substantially interfere with the performance of her duties and responsibilities to Employer hereunder.

3. TERM OF EMPLOYMENT AND TERMINATION

(a) TERM. Unless earlier terminated as provided herein, the term of this Agreement shall commence at the start of business on the Effective Date of this Agreement and shall continue through the end of business on February 1, 2002 (the "Term").

(b) TERMINATION.

(i) BY EMPLOYER FOR JUST CAUSE. Employer may terminate the employment of Executive under this Agreement for Just Cause (as defined herein) at any time upon delivery of written notice to her setting forth, in reasonable specificity, such Just Cause. For purposes of this Agreement, and particularly this subsection 3(b)(i), "Just Cause" shall mean:

(1) The continued failure by or refusal of Executive to substantially perform her duties and responsibilities as set forth herein; or

(2) Executive's indictment for, conviction of or a guilty plea to a felony or of any crime involving moral turpitude, whether or not affecting the Employer; or

(3) The engagement by Executive of personal illegal conduct which, in the reasonable judgment of Employer, by association with her, is materially and demonstrably injurious to the property and/or business of Employer; or

(4) Any material breach by Executive of the terms and conditions contained herein, including without limitation, those certain confidentiality provisions set forth in Section 16; or

(5) The commission of any act opposed to the best interests of Employer for which Executive would not be entitled to indemnification under Employer's Restated Certificate of Incorporation and Amended and Restated By-Laws, each as amended as of the date of this Agreement; or

(6) The failure by Executive to protect the best interests of Employer through Executive's gross neglect of duty.

(ii) BY EXECUTIVE FOR GOOD REASON. Executive may terminate her employment with Employer under this Agreement for Good Reason (as defined herein) at any time upon delivery of written notice to Employer setting forth, in reasonable specificity, such Good Reason(s). For purposes of this Agreement, and particularly this subsection 3(b)(ii), "Good Reason" shall mean:

(1) The attempted discontinuance or reduction in Executive's "Base Cash Salary" (as defined herein); or

(2) The attempted discontinuance or reduction in Executive's bonuses and/or incentive compensation award opportunities under plans or programs applicable to her, unless such discontinuance or reduction is a result of Employer's policy applied equally to all executive employees of Employer; or

(3) The attempted discontinuance or reduction in Executive's stock option and/or stock award opportunities under plans or programs applicable to her, unless such discontinuance or reduction is a result of Employer's policy applied equally to all executive employees of Employer; or

(4) The attempted discontinuance or reduction in Executive's perquisites from those historically provided her during her tenure with the Employer and generally applicable to executive employees of Employer; or

(5) The relocation of Executive to an office (other than Employer's headquarters) located more than fifty (50) miles from her then current office location; or

(6) The significant reduction in Executive's responsibilities and status within the Employer or change in her title(s) or position(s); or

(7) The attempted discontinuance of Executive's participation in any benefit plans maintained by Employer unless such plans are discontinued by reason of law or loss of tax deductibility to the Employer with respect to the contributions to or payments under such plans, or are discontinued as a matter of the Employer's policy applied equally to all participants; or

(8) The attempted reduction of Executive's paid vacation to less than that as provided in this Agreement; or

(9) The failure by Employer to obtain an assumption of Employer's obligations under this Agreement by any assignee of or successor to Employer, regardless of whether such entity becomes a successor to

Employer as a result of merger, consolidation, sale of assets of Employer or other form of reorganization; or

(10) The occurrence of any of the items set forth in paragraphs (1) through (9) of this subsection 3(b)(ii), if, in the reasonable determination by the Executive, such occurrence happens as a result of and within the shorter of six (6) months or the remaining term of this Agreement following a "Change in Control" (as such term is defined below). For the purposes of this Agreement, a "Change in Control" shall be deemed to occur when and only when the first of the following events occurs:

a. Any "person" or "group" (as such terms are used in Sections 3(a), 3(d), and 14(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "1934 Act"), other than (i) a trustee or other fiduciary holding securities under any employee benefit plan of the Corporation or any of its subsidiaries or (ii) a corporation owned directly or indirectly by the stockholders of the Corporation in substantially the same proportions as their ownership of stock in the Corporation, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act)), directly or indirectly, of securities of the Corporation representing 20% or more of the total voting power of the then outstanding securities of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"); or

b. Individuals who are members of the Incumbent Board, cease to constitute a majority of the Board of Directors of the Corporation. The term "Incumbent Board" shall mean (i) the members of the Board of Directors on the effective date of this Agreement, and (ii) any individual who becomes a member of the Board of Directors after the effective date of this Agreement, if his or her election or nomination for election as a director was approved by the affirmative vote of a majority of the then Incumbent Board; or

c. (i) The merger or consolidation of the Corporation with any other corporation or entity, other than a merger or consolidation which would result in the Voting Stock outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the total voting power represented by the Voting Stock or the voting securities of such surviving entity outstanding immediately after such merger or consolidation, (ii) the sale, transfer or disposition of all or substantially all of the

Corporation's assets to any other corporation or entity, or (iii) the dissolution or liquidation of the Corporation.

For purposes of this Agreement, a Change in Control approved by the Incumbent Board will be deemed a "friendly acquisition" and a Change in Control not approved by the Incumbent Board will be deemed a "hostile acquisition."

(iii) AUTOMATICALLY IN ACCORDANCE WITH SUBSECTION 3(a). In addition to the rights to terminate this Agreement as set forth in subsections 3(b)(i) and 3(b)(ii), this Agreement may also terminate automatically in accordance with subsection 3(a).

(iv) DISAGREEMENTS. Any disagreement concerning whether there has been Just Cause for termination by Employer or Good Reason for termination by Executive will be resolved by binding arbitration in accordance with the provisions of Section 18 of this Agreement.

(c) EFFECT OF TERMINATION. Upon termination of Executive's employment with Employer:

(i) BY EMPLOYER FOR JUST CAUSE. Executive shall not be entitled to receive payment of any salary, bonus, expenses, or other benefits beyond the date of termination and, subject to this subsection 3(c)(i) and Section 17, this Agreement shall become null and void effective as of the date of termination and Employer and Executive shall have no further obligation hereunder toward the other except for the payment of salary, bonus, expenses and benefits, if any, which have accrued but remain unpaid prior to and as of the termination date.

(ii) BY EXECUTIVE FOR GOOD REASON.

(1) Executive shall be paid by Employer in a lump sum within twenty (20) business days of such termination, an amount which is equal to the sum of the following:

(A) The amount equivalent to eighteen (18) months (twenty-four (24) months if such termination is pursuant to subsection 3(b)(ii)(10) and such Change in Control is deemed a "friendly acquisition" or thirty-six (36) months if such termination is pursuant to subsection 3(b)(ii)(10) and such Change in Control is deemed a "hostile acquisition"), Base Cash Salary at the salary rate in effect for Executive immediately prior to the effective date of such termination (without regard to any attempted reduction or discontinuance of such salary); and

(B) The amount equivalent to eighteen (18) months (twenty-four (24) months if such termination is pursuant to subsection 3(b)(ii)(10) and such Change in Control is deemed a "friendly acquisition" or thirty-six (36) months if such termination is pursuant to subsection 3(b)(ii)(10) and such Change in Control is deemed a "hostile acquisition"), multiplied by the greater of (i) the monthly rate of the bonus payment for the bonus period in the year immediately prior to Executive's termination date or (ii) the estimated amount of the bonus for the period which includes Executive's termination date (without regard to any attempted reduction or discontinuance of such bonus).

(2) In addition to such amount under subsection 3(c)(ii)(1) above, Executive shall also receive, (i) in cash, the value of the incentive compensation (including, but not limited to, employer contributions to the Universal Electronics Inc. 401(k) and Profit Sharing Plan) and (ii) the rights to receive grants of stock options and stock awards to which she would have been entitled under all incentive compensation and stock option and stock award plans maintained by Employer if Executive had remained in the employ of Employer for eighteen (18) months (twenty-four (24) months if such termination is pursuant to subsection 3(b)(ii)(10) and such Change in Control is deemed a "friendly acquisition" or thirty-six (36) months if such termination is pursuant to subsection 3(b)(ii)(10) and such Change in Control is deemed a "hostile acquisition"), without regard to any attempted reduction or discontinuance of such incentive compensation. The amount of such payment and/or grants shall be determined as of the date of termination and shall be paid and/or issued as promptly as practicable and in no event later than 30 days after such termination.

(3) Employer shall also maintain in full force and effect for the Executive's continued benefit (and, to the extent applicable, the continued benefit of her dependents) all of the employee benefits (including, not limited to, coverage under any medical and insurance plans, programs or arrangements) to which she would have been entitled under all employee benefit plans, programs or arrangements maintained by Employer if Executive had remained in the employ of Employer for eighteen (18) months (twenty-four (24) months if such termination is pursuant to subsection 3(b)(ii)(10) and such Change in Control is deemed a "friendly acquisition" or thirty-six (36) months if such termination is pursuant to subsection 3(b)(ii)(10) and such Change in Control is deemed a "hostile acquisition"), without regard to any attempted reduction or discontinuance of such benefits, or if such continuation is not possible under the terms and provisions of such plans, programs or arrangements, Employer shall arrange to provide benefits substantially similar to those which Executive (and, to the extent applicable,

her dependents) would have been entitled to receive if she had remained a participant in such plans, programs or for such eighteen (18) month (twenty-four (24) months if such termination is pursuant to subsection 3(b)(ii)(10) and such Change in Control is deemed a "friendly acquisition" or thirty-six (36) months if such termination is pursuant to subsection 3(b)(ii)(10) and such Change in Control is deemed a "hostile acquisition") period.

(4) Subject to this subsection 3(c)(ii) and Section 17, this Agreement shall become null and void effective as of the date of termination and Employer and Executive shall have no further obligation hereunder toward the other.

(iii) PURSUANT TO SUBSECTION 3(b)(iii). Executive acknowledges and agrees that in the event that this Agreement terminates in accordance with subsection 3(b)(iii), that Employer and Executive shall have no further obligation hereunder toward the other except for the payment of salary, bonus, expenses and benefits, if any, which have accrued but remain unpaid prior to and as of the termination date.

(iv) SUBMISSION OF RESIGNATIONS BY EXECUTIVE. Upon termination of this Agreement by either Employer or Executive as set forth herein and the receipt by Executive of (1) all cash amounts due her as set forth herein and (2) a written representation signed by an authorized representative of Employer that all non-cash obligations of Employer as set forth herein have been fulfilled or, as the case may be, have been commenced, Executive shall immediately submit Executive's resignation for any and all offices or directorships of Employer and/or any and all subsidiaries and affiliates of Employer which resignation shall have retroactive application and effect to such termination date; provided however that during such time period from the effective date of such termination to the date Executive submits her resignation, Executive acknowledges and agrees that she does not have authority to bind Employer to any contracts or commitments and agrees not to create any obligation for Employer or bind or attempt to bind Employer in any manner whatsoever. Executive also acknowledges that she shall have no supervisory or managerial responsibility or authority from and after the effective date of her termination, regardless of whether she submits the resignation or not, and agrees not to involve herself in any activities of Employer, except as may be requested by the an authorized officer of Employer.

4. TOTAL COMPENSATION

While employed under this Agreement and in consideration of the services to be rendered by Executive pursuant hereto, Executive shall receive the following amounts/benefits as the sole and total compensation for the performance of her duties and obligations under this Agreement:

(a) BASE CASH SALARY. A salary at the rate of Four Hundred Thousand Dollars (US\$400,000) per annum (the "Base Cash Salary"), which shall be deemed to accrue from day to day, payable in accordance with Employer's standard payroll practices and procedures;

(b) BONUS. A bonus calculated in accordance with the plans or programs established by Employer from time to time payable in accordance with Employer's standard payroll practices and procedures; provided that any such bonuses whenever earned and paid shall be determined without regard to any material gains and losses which occur outside of the scope of Employer's ordinary operating business unless any such plans or programs explicitly include such material gains and losses within the determination of any such bonuses;

(c) STOCK OPTIONS. Stock options granted or stock awards in accordance with the plans or programs established by Employer from time to time;

(d) INCENTIVE COMPENSATION. Participation in Employer's incentive compensation plans and/or programs, including, but not limited to, receipt of employer contributions to the Universal Electronics Inc. 401(k) and Profit Sharing Plan and the right to receive stock awards and to exercise stock options under Employer's various stock option plans and/or such other plans and/or programs which are established from time to time;

(e) BENEFITS. The benefits provided by Employer to its executive employees generally, including without limitation, the benefits and perquisites included under the Universal Electronics Inc. group family health insurance program, which includes comprehensive medical insurance, dental insurance, group disability, group life insurance, and executive bonus (supplemental life); provided that the benefits provided to Executive shall be no less extensive than that provided her immediately prior to the date of this Agreement;

(f) VACATION. Four (4) weeks (twenty (20) working days) vacation with pay, determined and carried over in accordance with the policies and procedures set forth within Employer's policy manual in effect from time to time which are equally applicable to all of Employer's executive employees;

(g) OTHER PERQUISITES. Such other employee benefits and perquisites that are provided by Employer to executives generally, provided that the other perquisites provided to Executive shall be no less extensive than the most extensive perquisites provided to any other executive employee of the Employer;

(h) D&O INSURANCE. Director and Officer Liability insurance in a reasonably sufficient amount;

(i) DISCRETIONARY BONUS. Such other amounts of compensation and/or bonus which is determined by Employer from time to time;

(j) REVIEWS. The total amount of compensation to be paid and/or provided to Executive shall be reviewed by the Board of Directors, or such committee thereof, of Employer as of the first day of each calendar year while this Agreement is in force and effect. In no event shall such review result in a reduction of the amount of Base Cash Salary paid and/or provided to Executive hereunder.

5. ADJUSTMENTS IN CASE OF EXCESS PARACHUTE PAYMENTS

In the event that the aggregate present value (determined in accordance with applicable federal, state and local income tax law, rules and regulations) of all payments to be made and benefits to be provided to Executive under this Agreement and/or under any other plan, program or arrangement maintained or entered into by Employer or any of its subsidiaries shall result in "excess parachute payments" to her within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), or any comparable provision of successor legislation, which subject her to the Excise Tax under Section 4999 of the Code or any comparable provision of successor legislation, Employer shall pay to Executive an additional amount (the "gross-up payment") calculated so that the net amount received by her after deduction of the Excise Tax and of all federal, state and local income taxes upon the gross-up payment shall equal the payments to be made and the benefits to be provided to her under this Agreement. For purposes of determining the amount of the gross-up payment, Executive shall be deemed to pay federal, state and local income taxes at the highest marginal rates thereof in the calendar year in which the gross-up payment is to be made, net of the maximum reduction in federal income taxes obtainable from deduction of such state and local taxes. The computations required by this Section 5 shall be made by the independent public accountants then regularly retained by Employer, in consultation with tax counsel selected by and acceptable to Executive. Employer shall pay all of its accountants' fees and the lesser of (i) one-half of Executive's tax counsel's fees or (ii) \$2,500.

6. REIMBURSEMENT FOR BUSINESS RELATED EXPENSES

Employer shall reimburse Executive for all reasonable expenses incurred and paid by her in connection with Employer's business in accordance with Employer's policy manual in effect from time to time.

7. INTEREST

In the event any payment to Executive under this Agreement is not paid within five (5) business days after it is due, such payment shall thereafter bear interest at the prime rate from time to time in effect at Bank of America, Los Angeles, California; provided however, that this provision shall not excuse the timely payment of such sums required by this Agreement.

8. NOTICES

Written notices to be given under this Agreement shall be personally delivered or sent by overnight courier (such as Federal Express, DHL or UPS and the like) or by registered or certified mail, return receipt requested, to the addresses set forth below:

To Employer:
Universal Electronics Inc.
6101 Gateway Drive
Cypress, California 90630
Attn.: Corporate Secretary

With a required copy to:
Universal Electronics Inc.
6101 Gateway Drive
Cypress, California 90630
Attn: The Board of Directors

To Executive:
Ms. Camille Jayne
At her last known address as reflected in Employer's records

9. SEVERABILITY

If any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect under applicable law, the validity, legality and enforceability of the remaining provisions contained herein shall not, in any way, be ineffective or impaired thereby.

10. GOVERNING LAW

This Agreement shall be governed by the law of the state of California without regard to the conflicts of laws provisions of the state of California.

11. WAIVER

The failure of either party to insist in any one or more instances on strict performance of any of this Agreement's provisions, or to exercise or enforce any right, remedy or obligation under this Agreement, shall not be construed as a waiver or relinquishment of any right, remedy or obligation, and the right, remedy or obligation shall continue in full force and affect.

12. ENTIRE AGREEMENT AND MODIFICATION

This Agreement sets forth the entire agreement of the parties concerning the employment of Executive by the Employer and any oral or written statements, representations, agreements or understandings made or entered into prior to or contemporaneously with the execution of this Agreement, including without limitation that certain Executive Officer Amended Employment Agreement dated March 24, 1999, are hereby rescinded, revoked, and rendered null and void by the parties. This Agreement may be modified only by a written instrument duly executed by each party hereto.

13. ASSIGNMENT

This Agreement shall be binding upon the parties hereto, their respective heirs, personal representatives, executors, administrators, successors and assigns. Any such assignee or successor of Employer shall, within ten (10) business days after receipt of a written request by Executive, send to Executive its acknowledgment and agreement that such assignee or successor expressly assumes all of Employer's obligations under this Agreement as if such assignee or successor was the original employer and the term "Employer" as used herein as include any such assignee or successor.

14. INTERPRETATION OF AGREEMENT

The parties have cooperated in the drafting and preparation of this Agreement. Therefore, the parties hereto agree that, in any construction to be made of the Agreement the same shall not be construed against any of the parties. Each of the parties hereto has carefully read this Agreement and has been given the opportunity to have it reviewed by legal counsel and negotiate its terms.

15. SPECIFIC OBLIGATIONS OF THE EXECUTIVE

In addition to the general duties set forth herein, Executive shall use her reasonable efforts for the benefit of Employer by whatever activities Employer finds reasonably appropriate to maintain and improve Employer's standing in the community generally and among current and prospective customers, including such entertainment for professional purposes as Executive and Employer mutually consider appropriate. Executive shall undertake business development endeavors as reasonably directed by Employer.

16. NONDISCLOSURE AND NONAPPROPRIATION OF INFORMATION AND NONCOMPETITION

(a) Executive recognizes and acknowledges that while employed by Employer, she has and will have access to, learn, be provided with and, in some cases, prepare and create certain confidential, proprietary business information and/or trade secrets for Employer, including, but not limited to, lists, files and forms, (hereinafter collectively referred to as the "trade secrets"), all of which are of substantial value to Employer and its business. In this connection, Executive expressly covenants and agrees, during her employment with Employer, to:

(i) Hold in a fiduciary capacity and not reveal, communicate, use or cause to be used for her own benefit or divulge any trade secrets, or other proprietary right now or hereafter owned by the Employer;

(ii) Not sell, exchange or give away, or otherwise dispose of any trade secrets now or hereafter owned by Employer, whether the same shall or may have been originated or discovered by Employer or otherwise;

(iii) Not reveal, divulge or make known to any person, firm, corporation or other entity any trade secrets of Employer; and

(iv) Not reveal, divulge or make known to any person (other than her spouse, attorney and/or accountant), firm, company or corporation any of the terms of this Agreement.

(b) To protect the legitimate business interests of Employer from unfair competition by Employee and to protect its trade secrets, Employee expressly covenants and agrees that during her employment with Employer and continuing thereafter for a period of two (2) years, Employee shall not, directly or indirectly:

(i) Solicit or endeavor to entice away from Employer through the use of Employer's proprietary business information and/or trade secrets, any person, firm, company or corporation that, at the time Employee's employment with Employer ceased, was doing business with Employer and accounted for ten percent (10%) or more of Employer's gross revenue as determined by Employer's book and records; or

(ii) Solicit for hire or hire as a result of such solicitation, any key employee of Employer, except that Executive may hire any such key employee so long as such hiring was made as a result of a general solicitation of employment through typical solicitation means, such as advertisements and the like, or such solicitation was initiated by such key employee.

(c) Executive further covenants and agrees to return to Employer either before or immediately upon her termination of employment with Employer any and all written

information, material or equipment that constitutes, contains or relates to Employer's proprietary information trade secrets and which relate to Employer's business which are in Executive's possession, custody and control, whether confidential or not, including any and all copies thereof which may have been made by or for Executive. Executive shall maintain no copies thereof after termination of her employment.

17. SURVIVAL OF OBLIGATIONS

In addition to those specific provisions of Section 3, which by their express terms, survive the termination of this Agreement under certain circumstances, the terms and conditions and obligations of the parties as contained Sections 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 16, 17, 18 and 19 shall survive the termination of this Agreement and, notwithstanding such termination, shall remain fully binding on the parties hereto.

18. ARBITRATION

Except for any claim or dispute in which equitable relief under this Agreement is sought, any disagreement, dispute or controversy concerning whether there has been Just Cause, Good Reason or breach of any of the terms of this Agreement shall be settled exclusively and finally by arbitration. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association in effect from time to time (the "AAA Rules"). The arbitration shall be conducted in Los Angeles, California, or in such other city as the parties to the dispute may designate by mutual consent. The arbitral tribunal shall consist of three arbitrators (or such lesser number as may be agreed upon by the parties) selected according to the procedure set forth in the AAA Rules, with the chairman of the arbitral tribunal selected in accordance with the AAA Rules. Except as otherwise set forth in this Agreement, the fees and expenses of the arbitral tribunal in connection with such arbitration shall be borne by the parties to the dispute as shall be determined by the arbitral tribunal.

19. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, the parties have executed the Agreement as of the Effective Date of this Agreement.

Signed and acknowledged in the presence of:

UNIVERSAL ELECTRONICS INC.

Corporate Secretary

By: -----
An Authorized Member of the
Compensation Committee of the
Board of Directors

CAMILLE JAYNE

Signature

NONQUALIFIED STOCK OPTION AGREEMENT

THIS NONQUALIFIED STOCK OPTION AGREEMENT is made as of the date set forth on the signature page hereof by and between UNIVERSAL ELECTRONICS INC., a Delaware corporation (the "Corporation") and CAMILLE K. JAYNE (the "Optionee"). As used in this Agreement, the term "Corporation" shall include, where applicable, any and all of its subsidiaries.

R E C I T A L S

A. The Board of Directors of the Corporation (the "Board") has approved the Universal Electronics Inc. 1999A Non Qualified Stock Option Plan (the "Plan").

B. The Corporation desires to grant to the Optionee and option ("Option") to purchase shares of the Corporation's common stock, par value \$0.01 per share (the "Stock"), upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties, intending to be legally bound, hereto agree as follows:

1. GRANT AND DESIGNATION OF OPTION. Upon the execution and delivery of this Agreement and the related Stock Option Certificate of even date herewith (the "Certificate"), the Corporation hereby grants to the Optionee the Option to purchase the aggregate number of shares of Stock set forth on the Certificate at the price per share ("Option Price") further set forth on the Certificate. The Option granted hereunder shall not be treated as an incentive stock option within the meaning of Section 422A of the Internal Revenue Code of 1986, as amended.

2. TERM AND EXERCISE OF OPTION. Subject to earlier termination, acceleration or cancellation of the Option as provided herein, the term of the Option shall be for that period of time also set forth on the Certificate (the "Option Period") and, subject to the provisions of this Agreement, the Option shall be exercisable at such times and as to such number of shares as determined on the schedule set forth on the Certificate.

3. METHOD OF EXERCISE. The Option may be exercised by written notice to the Corporation (the "Exercise Notice") at its offices at 6101 Gateway Drive, Cypress, California 90630 to the attention of the Secretary of the Corporation. The Exercise Notice shall state (i) the election to exercise the Option, (ii) the total number of full shares in respect to which it is being exercised, and (iii) shall be signed by the person or persons exercising the Option. The Exercise Notice shall be accompanied by the Certificate and a certified or cashier's check for the full amount of the purchase price of such shares, or as may be permitted by the Board, by certificates for shares of Stock which have been owned by the Optionee for more than six (6) months prior to the date of exercise and which have a fair market value of the date of exercise equal to the purchase price, or by a combination of such

methods of payment. Upon receipt of the foregoing, the Corporation shall issue the shares of Stock as to which the Option has been duly exercised and shall return the Certificate, duly endorsed to reflect such exercise, to the Optionee.

4. OPTIONEE'S REPRESENTATIONS.

(a) Optionee represents and warrants that any and all shares acquired through the exercise of rights under the Option granted pursuant to this Agreement will be acquired for Optionee's own account and not with a view to, or present intention of, distribution thereof in violation of the Securities Act of 1933, as amended and the rules and regulations promulgated thereunder (the "1933 Act") and will not be disposed of in contravention of the 1933 Act.

(b) Optionee acknowledges that Optionee is able to bear the economic risk of the investment in any and all shares of Stock acquired through the exercise of rights under the Option for an indefinite period of time because the Stock may not be registered under the 1933 Act and, if not, cannot be sold unless subsequently registered under the 1933 Act or an exemption from such registration is available.

(c) Optionee has reviewed this Agreement and has had an opportunity to ask questions and receive answers concerning the terms and conditions of the offering of Stock and has had full access to such other information concerning the Corporation as Optionee has requested.

5. RESTRICTION ON EXERCISE. This Option may not be exercised if the issuance of such shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation. As a condition to the exercise of this Option, the Corporation may require Optionee to make any representation and warranty to the Corporation as may be required by any applicable law or regulation. All exercises of the Option must be for full shares of Stock only.

6. EFFECT OF TERMINATION OF EMPLOYMENT. Except as set forth in Paragraphs 7, 8 and 9 below, in the event that Optionee's employment with the Corporation ceases for any reason, Optionee may (or Optionee's estate or representative, in the event of Optionee's death during the applicable exercise period as set forth in this Paragraph 6), during the earlier of (i) the 180 day period following such cessation of employment or (ii) the remaining term of the Option Period, exercise the Option to the extent such Option was exercisable on the date such employment ceased and, on such date, that portion of the Option which was not exercisable shall automatically terminate without further action by the parties hereto and, in all events, to the extent not exercised, the Option shall terminate in its entirety at the end of business on the applicable exercise period as set forth in this Paragraph 6.

7. EFFECT OF TERMINATION OF EMPLOYMENT WITHOUT CAUSE OR DUE TO CONSTRUCTIVE TERMINATION.

(a) If Optionee's employment with the Corporation is terminated by the Corporation without "Cause" (as such term is defined in subparagraph 7(b) below), by "Constructive Termination" (as such term is defined in subparagraph 7(c) below), or it terminates as the result of expiration of the

term stated in her Executive Employment Agreement of even date, and, at such time, Optionee is not then a member of Corporation's Board of Directors because Optionee has not been nominated, or elected or re-elected, or appointed or reappointed to the Board of Directors, or Optionee resigns her employment as a result of not being nominated, or elected or re-elected, or appointed or reappointed to the Board of Directors, Optionee shall become immediately fully vested in the Option without further action by the parties hereto, and, to the extent not previously exercised, the Option shall be exercisable in whole or in part with respect to all remaining shares of Stock covered by the Option and may be exercised by Optionee (or Optionee's estate or representative, in the event of Optionee's death) at any time prior to the expiration of the Option Period. If the Optionee's employment with the Corporation is terminated by the Corporation without "Cause" (as such term is defined in subparagraph 7(b) below), by "Constructive Termination" (as such term is defined in subparagraph 7(c) below), or it terminates as the result of expiration of the term stated in her Executive Officer Employment Agreement of even date, and at such time Optionee is a member of Board of Directors, the Option will continue to vest as provided in the vesting schedule provided in the Stock Option Certificate attached hereto, provided, however, at such time Optionee is no longer a member of the Corporation's Board of Directors because she has not been nominated, or elected or re-elected, or appointed or reappointed to the Board of Directors, Optionee shall become immediately vested in the Option without further action by the parties hereto, and, to the extent not previously exercised, the Option shall be exercisable at any time prior to the expiration of the Option Period in whole or in part with respect to all remaining shares of Stock.

(b) For purposes of this Agreement, "Cause" shall mean (i) the willful and continued failure by Optionee to substantially perform Optionee's duties with the Corporation [other than a failure resulting from Optionee's death or "Total Disability," as such term is defined in subparagraph 7(e) below] after a demand for substantial performance is delivered to Optionee by the Corporation which specifically identifies the manner in which it is believed that Optionee has not substantially performed Optionee's duties; (ii) the willful engaging by Optionee in gross misconduct materially and demonstrably injurious to the property or business of the Corporation; or (iii) Optionee's commission of fraud, misappropriation or a felony. For purposes of this definition of "Cause", no act or failure to act on Optionee's part will be considered "willful" unless done, or omitted to be done, by Optionee not in good faith and without reasonable belief that Optionee's action or omission was in the interests of the Corporation or not opposed to the interests of the Corporation.

(c) For purposes of this Agreement, "Constructive Termination" shall occur on that date on which Optionee resigns from employment with the Corporation, if such resignation occurs within eighteen (18) months after the occurrence of (i) the failure of Optionee to be elected or re-elected or appointed or reappointed to such office which Optionee holds (other than as a result of a termination for "Cause") if Optionee is an officer of the Corporation and the office which Optionee holds is one to which Optionee is elected according to the Corporation's By-laws; (ii) a change in Optionee's functions, duties, or responsibilities such that Optionee's position with the Corporation becomes substantially less in responsibility, importance, or scope; or (iii) a "Change in Control" (as such term is defined in subparagraph 7(d) below).

(d) For purposes of this Agreement, a "Change in Control" shall be deemed to occur when (i) any "person" or "group" [as such terms are used in Sections 3(a), 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder

(the "1934 Act")], other than (1) a trustee or other fiduciary holding securities under any employee benefit plan of the Corporation or (2) a corporation owned directly or indirectly by the stockholders of the Corporation in substantially the same proportions as their ownership of Stock in the Corporation immediately prior to any such occurrence, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of securities of the Corporation representing twenty percent (20%) or more of the total voting power of the then outstanding securities of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"); (ii) individuals who are members of the Board on the date of this Agreement and any individual who becomes a member of the Board hereafter whose nomination for election as a director was approved by the affirmative vote of a majority of such Directors, cease to constitute a majority of the members of the Board; (iii) there occurs a merger or consolidation of the Corporation with any other corporation or entity, other than a merger or consolidation which would result in the Voting Stock of the Corporation immediately outstanding prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least eighty percent (80%) of the total voting power represented by the Voting Stock or the voting securities of such surviving entity outstanding immediately after such merger or consolidation; (iv) there occurs a sale or transfer or disposition of all or substantially all of the Corporation's assets to any other corporation or entity, other than a corporation owned directly or indirectly by the stockholders of the Corporation in substantially the same proportions as their ownership of Stock in the Corporation immediately prior to such sale, transfer or disposition; or (v) the dissolution or liquidation of the Corporation.

(e) For purposes of this Agreement, "Total Disability" shall mean an event of illness or other incapacity of Optionee resulting in Optionee's failure or inability to discharge Optionee's duties as an employee of the Corporation for ninety (90) or more days during any period of one hundred and twenty (120) days.

8. EFFECT OF TERMINATION OF EMPLOYMENT DUE TO DEATH OR TOTAL DISABILITY.

In the event that Optionee's employment with the Corporation ceases or is terminated due to Optionee's death or Total Disability, Optionee (or Optionee's estate or representative, in the event of Optionee's death) may during the earlier of (i) the one (1) year period following such cessation or termination of employment or (ii) the remaining term of any Option Period, exercise the Option to the extent such Option was exercisable on the date such employment ceased or was terminated and, on such date, that portion of the Option which was not exercisable shall automatically terminate without further action by the parties hereto and, in all events, to the extent not exercised, the Option shall terminate in its entirety at the end of business on the applicable exercise period as set forth in this Paragraph 8; provided, however, the Board, in its sole discretion, may approve the full vesting to Optionee (or Optionee's estate or representative, in the event of Optionee's death) in the Option and, in such event, to the extent not previously exercised, the Option shall be exercisable in whole or in part with respect to all remaining shares of Stock covered by the Option and may be exercised by Optionee (or Optionee's estate or representative, in the event of Optionee's death) at any time prior to the expiration of the Option Period.

9. EFFECT OF TERMINATION OF EMPLOYMENT FOR CAUSE. In the event that Optionee's employment with the Corporation is terminated by the Corporation for Cause, the Option, to the extent not then exercised (and whether or not then exercisable in whole or in part), shall automatically and immediately terminate in its entirety as of the date of such termination of

employment, without further action by Optionee or the Corporation, and Optionee thereafter shall have no rights whatsoever with respect to the Option.

10. RIGHT OF A STOCKHOLDER. Optionee shall not have any rights as a stockholder with respect to any shares of Stock unless and until legended certificates for such shares of such Stock are issued or unless the Optionee has been granted additional applicable rights under the Plan.

11. WITHHOLDING OF TAXES. Whenever the Corporation is required to issue shares of Stock upon exercise hereunder, the Corporation shall have the right to require the recipient to remit in cash (or with the consent of the Board, shares of Stock previously owned by the recipient or issuable upon such exercise) to the Corporation an amount sufficient to satisfy any federal, state and/or local withholding tax requirements prior to the delivery of any certificate or certificates for such shares of Stock.

12. ADJUSTMENTS. In the event of any change in the outstanding shares of Stock of the Corporation by reason of a stock dividend or distribution, recapitalization, spin-off, merger, consolidation, split-up, combination, exchange of shares or the like, the Board shall adjust the number of shares of Stock which may be issued under the Plan and shall provide for an equitable adjustment to (a) the number of shares of Stock subject to this Agreement and (b) the option price of this Stock Option.

13. COMPLIANCE WITH CERTAIN LAWS AND REGULATIONS. If the Board shall determine, in its sole discretion, that the listing, registration or qualification of the shares subject to the Option upon any securities exchange or under any law or regulation, or that the consent or approval of any governmental regulatory body is necessary or desirable in connection with the granting of the Option or the acquisition of shares thereunder, the Optionee shall supply the Board or the Corporation, as the case may be, with such certificates, representations and information as the Board or the Corporation, as the case may be, may request and shall otherwise cooperate with the Corporation in obtaining any such listing, registration, qualification, consent or approval.

14. TRANSFERABILITY OF OPTION. The Option is not transferable by the Optionee other than (i) by will or by the laws of descent and distribution or (ii) by gift or domestic relations order to a family member of the Optionee (a "Permitted Transferee"), and is exercisable, during the Optionee's lifetime, only by a Permitted Transferee, the Optionee, or in the case of Optionee's legal incompetency, by Optionee's guardian or legal representative.

15. ADDITIONAL RESTRICTIONS ON TRANSFER. The certificates representing the Stock purchased upon the exercise of the Option will bear the following legend until such shares of Stock have been registered under an effective registration statement under the 1933 Act:

The securities represented by this certificate were originally issued on _____, 2000, have not been registered under the Securities Act of 1933, as amended, or under the securities laws of any state or other jurisdiction (together, the "Securities Laws") and may not be offered for sale, sold or otherwise transferred or encumbered in the absence of compliance with such Securities Laws and until the issuer hereof shall

have received from counsel acceptable to issuer a written opinion reasonably satisfactory to issuer that the proposed transaction will not violate any applicable Securities Laws.

16. NOTICES. Any notice or demand provided for in this Agreement must be in writing and must be either personally delivered, delivered by overnight courier, or mailed by first class mail, to the Optionee at Optionee's most recent address on file in the records of the Corporation, to the Corporation at the address set forth or established pursuant to Paragraph 3 or to such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice or demand under this Agreement will be deemed to have been given when received.

17. SEVERABILITY. This Agreement and each provision hereof shall be valid and enforced to the fullest extent permitted by law. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision. Without limiting the generality of the foregoing, if the scope of any provision contained in this Agreement is too broad to permit enforcement to its fullest extent, such provision shall be enforced to the maximum extent permitted by law, and the parties hereby agree that such scope may be judicially modified accordingly.

18. COMPLETE AGREEMENT; PRIOR STOCK OPTION AGREEMENTS. This Agreement and those documents expressly referred to herein embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

19. COUNTERPARTS. This Agreement may be executed in separate counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same agreement.

20. SUCCESSORS AND ASSIGNS. This Agreement is intended to bind and inure to the benefit of and be enforceable by Optionee, the Corporation and their respective permitted successors and assigns (including personal representatives heirs and legatees), and is intended to bind all successors and assigns of the respective parties, except that Optionee may not assign any of Optionee's rights or obligations under this Agreement except to the extent and in the manner expressly permitted hereby.

21. REMEDIES. Each of the parties to this Agreement will be entitled to enforce its rights under this Agreement specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may, in its sole discretion, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement, without the necessity of posting bond or any other security.

22. WAIVER OR MODIFICATION. Any waiver or modification of any of the provisions of this Agreement shall not be valid unless made in writing and signed by the parties hereto. A waiver by either party of any breach of this Agreement shall not operate as a waiver of any subsequent breach.

23. INCORPORATION OF RECITALS. The recitals hereinabove set forth are hereby incorporated herein by this reference.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the 24th day of August, 2000.

OPTIONEE

UNIVERSAL ELECTRONICS INC.

Camille K. Jayne

By: -----

Its: President and Chief
Operating Officer

Certificate Number: 001

UNIVERSAL ELECTRONICS INC.
1999A NONQUALIFIED STOCK PLAN
STOCK OPTION CERTIFICATE

THIS CERTIFIES THAT CAMILLE K. JAYNE has been awarded an OPTION to purchase EIGHTY THOUSAND (80,000) shares of common stock, par value \$0.01 per share, of UNIVERSAL ELECTRONICS INC. ("Company") at a price per share of \$20.1875. This Certificate is issued in accordance with and is subject to the terms and conditions of the related NonQualified Stock Option Agreement of even date herewith (the "Agreement").

THIS OPTION is not transferable except in accordance with the terms and conditions of the Agreement.

THIS OPTION shall expire [ten (10)] years from the date of this Certificate ("Option Period").

THIS OPTION shall be exercisable as to all or a portion of the number of shares set forth above as follows:

On and After the Following Dates, But Prior To Expiration	Maximum Percentage Taking Into Account Prior Exercises	Company Endorsement Regarding Exercise
-----	-----	-----
8/24/01	25%	
8/24/02	50%	
8/24/03	75%	
8/24/04	100%	

IN WITNESS WHEREOF, UNIVERSAL ELECTRONICS INC. has caused this Stock Option Certificate to be signed by its duly authorized officer as of the 24th day of August, 2000.

UNIVERSAL ELECTRONICS INC.

By:

Its: President and Chief
Operating Officer

FIRST AMENDMENT
TO
STOCK OPTION AGREEMENT

THIS FIRST AMENDMENT TO STOCK OPTION AGREEMENT (the "First Amendment") dated October 27, 2000, is by and between Universal Electronics Inc., a Delaware corporation with its principal office at 6101 Gateway Drive, Cypress, California 90630 ("UEI") and Camille K. Jayne ("Optionee").

WHEREAS, UEI and Optionee are parties to that certain [Insert Name of Agreement] dated [Insert date of Agreement] (the "Stock Option Agreement"); and

WHEREAS, subsection 7(a) of the Stock Option Agreement provides for certain effects in the vesting and exercise rights granted to Optionee in the event of the termination of employment of Optionee without "Cause" or due to "Constructive Termination";

NOW, THEREFORE, for valuable consideration and intending to be legally bound, UEI and Optionee agree as follows:

1. The preamble set forth above is incorporated herein and by reference made a part of this First Amendment.

2. Subsection 7(a) of the Stock Option Agreement shall be amended by deleting the current subsection in its entirety and replacing it with the following:

" (a) If Optionee's employment with the Corporation is terminated by the Corporation without "Cause" (as such term is defined in subparagraph 7(b) below), by "Constructive Termination" (as such term is defined in subparagraph 7(c) below), or it terminates as the result of expiration of the term stated in her Executive Employment Agreement of even date, and, at such time, Optionee is not then a member of Corporation's Board of Directors because Optionee has not been nominated, or elected or re-elected, or appointed or reappointed to the Board of Directors, or Optionee resigns her employment as a result of not being nominated, or elected or re-elected, or appointed or reappointed to the Board of Directors, Optionee shall become immediately fully vested in the Option without further action by the parties hereto, and, to the extent not previously exercised, the Option shall be exercisable in whole or in part with respect to all remaining shares of Stock covered by the Option and may be exercised by Optionee (or Optionee's estate or representative, in the event of Optionee's death) at any time prior to the expiration of the Option Period. If the Optionee's employment with the Corporation is terminated by the Corporation without "Cause" (as such term is defined in subparagraph 7(b) below), by "Constructive Termination" (as such term is defined in subparagraph 7(c) below), or it terminates as the result of expiration of the term stated in her Executive Officer Employment Agreement of even date, and at such time Optionee is a member of Board of Directors, the Option will continue to vest as provided in the vesting schedule provided in the Stock Option Certificate attached hereto,

provided, however, at such time Optionee is no longer a member of the Corporation's Board of Directors because she has not been nominated, or elected or re-elected, or appointed or reappointed to the Board of Directors, Optionee shall become immediately vested in the Option without further action by the parties hereto, and, to the extent not previously exercised, the Option shall be exercisable at any time prior to the expiration of the Option Period in whole or in part with respect to all remaining shares of Stock."

3. All capitalized words used in this First Amendment, unless otherwise defined herein shall have the meaning ascribed to them in the Stock Option Agreement.

4. Except as specifically amended by this First Amendment, all of the provisions of the Stock Option Agreement shall remain in full force and effect and the Stock Option Agreement, as modified by this First Amendment, constitutes the entire agreement between UEI and Optionee with respect to the subject matter thereof and hereof.

IN WITNESS WHEREOF, UEI and Optionee have executed this First Amendment as of the date first above written.

OPTIONEE

UNIVERSAL ELECTRONICS INC.

By:

Camille K. Jayne

An Authorized Member of the
Compensation Committee of the
Board of Directors

EXECUTIVE OFFICER
EMPLOYMENT AGREEMENT

EXHIBIT A (10.5)

THIS EXECUTIVE OFFICER EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into this 27 day of October 2000 by and between UNIVERSAL ELECTRONICS INC. (the "Employer") and PAUL D. ARLING ("Executive").

RECITALS:

WHEREAS, the Employer is presently headquartered in Cypress, California, and is engaged in the business of developing and marketing easy to use, pre-programmed universal remote control products primarily for home video and audio entertainment equipment and home security and home automation devices; and

WHEREAS, on September 29, 1998, Executive and Employer entered into that certain Executive Officer Employment Agreement, which agreement was amended on April 22, 1999 by that certain First Amendment to Executive Officer Employment Agreement between Executive and Employer (collectively, the "Prior Executive Employment Agreement"), and the Prior Executive Employment Agreement is set to expire on September 30, 2000 and the parties wish to extend such date to September 2002; and

WHEREAS, Employer wishes to retain Executive as one of its key executives and avail itself of Executive's expertise, experience and capability in Employer's business, and in this connection, in exchange for Executive's agreement to perform his obligations as set forth in this Agreement, Employer hereby promotes and offers employment to Executive as Employer's President and Chief Executive Officer to perform those duties and assume those responsibilities as set forth in this Agreement and as identified and outlined in Employer's Amended and Restated By-Laws, and to undertake such other duties and to assume such other responsibilities commensurate with Executive's designated position(s) as may be reasonably assigned to Executive from time to time by the Board of Directors of Employer; and

WHEREAS, Executive hereby accepts such promotion and extension of term and desires to be employed by the Employer subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants contained herein, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. EMPLOYMENT

Subject to all of the terms and conditions of this Agreement, effective on October 1, 2000 (the "Effective Date of this Agreement"), Employer hereby promotes and employs Executive and Executive hereby accepts such promotion and employment with Employer.

2. TITLE, AUTHORITY AND DUTIES

(a) TITLE(S) AND POSITION(S). On the Effective Date of this Agreement, Executive shall be promoted to and employed in the position(s) of and shall have the title(s) of President and Chief Executive Officer of Employer. Until this Agreement is terminated as provided herein, Executive will continue to occupy such position(s) and hold such title(s) until Employer and Executive shall mutually agree in writing to change any such position(s) and title(s).

(b) AUTHORITY AND DUTIES. Executive will, during the term of this Agreement, and subject to Board of Director oversight, be responsible for all aspects of Employer's business, including, without limitation, the ultimate implementation of the Employer's overall strategic plan, and in all respects, Executive shall be the top ranking officer of Employer. In addition, Executive shall perform those duties and assume those responsibilities as set forth in this Agreement and as identified and outlined in Employer's Amended and Restated By-Laws, as amended as of the date of this Agreement, and to undertake such other duties and to assume such other responsibilities commensurate with Executive's designated position(s) as may be reasonably assigned to Executive from time to time by the Board of Directors of Employer.

(c) EXCLUSIVE SERVICES AND EFFORTS OF EXECUTIVE. During the term of this Agreement, Executive shall serve the Employer, under the direction of Board of Directors of Employer, and shall faithfully, diligently, competently and, to the best of his ability, exclusively devote his full time, energy and attention (unless otherwise agreed to by the parties) to the business of the Employer and to the promotion of its interest. Executive recognizes that Employer's organization, business and relationship with clients, prospective clients and others having business dealings with Employer are and will be the sole property of Employer and Executive shall have no separate interests or rights with respect thereto, except as an employee of Employer.

(d) OTHER ACTIVITIES AND INTERESTS. Employer shall be entitled to all of the benefits, emoluments, profits, discoveries or other issues arising from, incident to and related to any and all work, services and advice of Executive to Employer in carrying out his duties and responsibilities hereunder. Executive shall not, without the written consent of Employer, directly or indirectly, render services to or for any person, firm, corporation or other entity or organization, whether or not in exchange for compensation, regardless of the form in which such compensation, if any, is paid and whether or not it is paid directly or indirectly to him if the rendering of such service would interfere with the performance of his duties and

responsibilities to Employer hereunder. Notwithstanding the foregoing sentence, Executive may spend time and attention to personal investment and community activity matters and such other personal matters consistent with Employer's policies and procedures set forth within Employer's policy manual in effect from time to time which are equally applicable to all of Employer's executive employees, so long as the spending of such time and attention does not substantially interfere with the performance of his duties and responsibilities to Employer hereunder.

3. TERM OF EMPLOYMENT AND TERMINATION

(a) TERM. Unless earlier terminated as provided herein, the term of this Agreement shall commence at the start of business on the Effective Date of this Agreement and shall continue through the end of business on September 30, 2002 (the "Initial Term"). Unless terminated by either party by giving the other party written notice of an intent not to renew this Agreement at least one hundred twenty (120) days prior to the end of the Initial Term or any successive one (1) year term, this Agreement shall automatically extend for one (1) additional year after the Initial Term and then again for a one (1) year term after each successive year.

(b) TERMINATION.

(i) BY EMPLOYER FOR JUST CAUSE. Employer may terminate the employment of Executive under this Agreement for Just Cause (as defined herein) at any time upon delivery of written notice to him setting forth, in reasonable specificity, such Just Cause. For purposes of this Agreement, and particularly this subsection 3(b)(i), "Just Cause" shall mean:

(1) The continued failure by or refusal of Executive to substantially perform his duties and responsibilities as set forth herein; or

(2) Executive's indictment for, conviction of or a guilty plea to a felony or of any crime involving moral turpitude, whether or not affecting the Employer; or

(3) The engagement by Executive of personal illegal conduct which, in the reasonable judgment of Employer, by association with him, is materially and demonstrably injurious to the property and/or business of Employer; or

(4) Any material breach by Executive of the terms and conditions contained herein, including without limitation, those certain confidentiality provisions set forth in Section 16; or

(5) The commission of any act opposed to the best interests of Employer for which Executive would not be entitled to indemnification under Employer's Restated Certificate of Incorporation and Amended and Restated By-Laws, each as amended as of the date of this Agreement; or

(6) The failure by Executive to protect the best interests of Employer through Executive's gross neglect of duty.

(ii) BY EXECUTIVE FOR GOOD REASON. Executive may terminate his employment with Employer under this Agreement for Good Reason (as defined herein) at any time upon delivery of written notice to Employer setting forth, in reasonable specificity, such Good Reason(s). For purposes of this Agreement, and particularly this subsection 3(b)(ii), "Good Reason" shall mean:

(1) The attempted discontinuance or reduction in Executive's "Base Cash Salary" (as defined herein);

(2) The attempted discontinuance or reduction in Executive's bonuses and/or incentive compensation award opportunities under plans or programs applicable to him, unless such discontinuance or reduction is a result of Employer's policy applied equally to all executive employees of Employer; or

(3) The attempted discontinuance or reduction in Executive's stock option and/or stock award opportunities under plans or programs applicable to him, unless such discontinuance or reduction is a result of Employer's policy applied equally to all executive employees of Employer; or

(4) The attempted discontinuance or reduction in Executive's perquisites from those historically provided him during his tenure with the Employer and generally applicable to executive employees of Employer; or

(5) The relocation of Executive to an office (other than Employer's headquarters) located more than fifty (50) miles from his then current office location; or

(6) The significant reduction in Executive's responsibilities and status within the Employer or change in his title(s) or position(s); or

(7) The attempted discontinuance of Executive's participation in any benefit plans maintained by Employer unless such plans are discontinued by reason of law or loss of tax deductibility to the Employer with respect to

the contributions to or payments under such plans, or are discontinued as a matter of the Employer's policy applied equally to all participants; or

(8) The attempted reduction of Executive's paid vacation to less than that as provided in this Agreement; or

(9) The failure by Employer to obtain an assumption of Employer's obligations under this Agreement by any assignee of or successor to Employer, regardless of whether such entity becomes a successor to Employer as a result of merger, consolidation, sale of assets of Employer or other form of reorganization; or

(10) The occurrence of any of the items set forth in paragraphs (1) through (9) of this subsection 3(b)(ii), if, in the reasonable determination by the Executive, such occurrence happens as a result of and within the shorter of six (6) months or the remaining term of this Agreement following a "Change in Control" (as such term is defined below). For the purposes of this Agreement, a "Change in Control" shall be deemed to occur when and only when the first of the following events occurs:

a. Any "person" or "group" (as such terms are used in Sections 3(a), 3(d), and 14(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "1934 Act"), other than (i) a trustee or other fiduciary holding securities under any employee benefit plan of the Corporation or any of its subsidiaries or (ii) a corporation owned directly or indirectly by the stockholders of the Corporation in substantially the same proportions as their ownership of stock in the Corporation, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of securities of the Corporation representing 20% or more of the total voting power of the then outstanding securities of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"); or

b. Individuals who are members of the Incumbent Board, cease to constitute a majority of the Board of Directors of the Corporation. The term "Incumbent Board" shall mean (i) the members of the Board of Directors on the effective date of this Agreement, and (ii) any individual who becomes a member of the Board of Directors after the effective date of this Agreement, if his or her election or nomination for election as a director was approved by the affirmative vote of a majority of the then Incumbent Board; or

c. (i) The merger or consolidation of the Corporation with any other corporation or entity, other than a merger or consolidation which would result in the Voting Stock outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the total voting power represented by the Voting Stock or the voting securities of such surviving entity outstanding immediately after such merger or consolidation, (ii) the sale, transfer or disposition of all or substantially all of the Corporation's assets to any other corporation or entity, or (iii) the dissolution or liquidation of the Corporation.

(iii) AUTOMATICALLY IN ACCORDANCE WITH SUBSECTION 3(a). In addition to the rights to terminate this Agreement as set forth in subsections 3(b)(i) and 3(b)(ii), this Agreement may also terminate automatically in accordance with subsection 3(a).

(iv) DISAGREEMENTS. Any disagreement concerning whether there has been Just Cause for termination by Employer or Good Reason for termination by Executive will be resolved by binding arbitration in accordance with the provisions of Section 18 of this Agreement.

(c) EFFECT OF TERMINATION. Upon termination of Executive's employment with Employer:

(i) BY EMPLOYER FOR JUST CAUSE. Executive shall not be entitled to receive payment of any salary, bonus, expenses, or other benefits beyond the date of termination and, subject to this subsection 3(c)(i), Section 17, and Executive's agreement to repay, without set off, all amounts due Employer for monies loaned Executive as set forth in Section 19, this Agreement shall become null and void effective as of the date of termination and Employer and Executive shall have no further obligation hereunder toward the other except for the payment of salary, bonus, expenses and benefits, if any, which have accrued but remain unpaid prior to and as of the termination date.

(ii) BY EXECUTIVE FOR GOOD REASON.

(1) Executive shall be paid by Employer in a lump sum within twenty (20) business days of such termination, an amount that is equal to the sum of the following:

(A) The amount equivalent to eighteen (18) months (twenty-four (24) months if such termination is pursuant to subsection 3(b)(ii)(10)), Base Cash Salary at the salary rate in effect for Executive immediately prior to the effective date of such termination (without regard to any attempted reduction or discontinuance of such salary); and

(B) The amount equivalent to eighteen (18) months (twenty-four (24) months if such termination is pursuant to subsection 3(b)(ii)(10)), multiplied by the greater of (i) the monthly rate of the bonus payment for the bonus period in the year immediately prior to Executive's termination date or (ii) the estimated amount of the bonus for the period which includes Executive's termination date (without regard to any attempted reduction or discontinuance of such bonus).

(2) In addition to such amount under subsection 3(c)(ii)(1) above, Executive shall also receive, (i) in cash, the value of the incentive compensation (including, but not limited to, employer contributions to the Universal Electronics Inc. 401(k) and Profit Sharing Plan) and (ii) the rights to receive grants of stock options and stock awards to which he would have been entitled under all incentive compensation and stock option and stock award plans maintained by Employer if Executive had remained in the employ of Employer for eighteen (18) months (twenty-four (24) months if such termination is pursuant to subsection 3(b)(ii)(10)), (without regard to any attempted reduction or discontinuance of such incentive compensation). The amount of such payment and/or grants shall be determined as of the date of termination and shall be paid and/or issued as promptly as practicable and in no event later than 30 days after such termination.

(3) Employer shall also maintain in full force and effect for the Executive's continued benefit (and, to the extent applicable, the continued benefit of her dependents) all of the employee benefits (including, not limited to, coverage under any medical and insurance plans, programs or arrangements) to which he would have been entitled under all employee benefit plans, programs or arrangements maintained by Employer if Executive had remained in the employ of Employer for eighteen (18) months (twenty-four (24) months if such termination is pursuant to subsection 3(b)(ii)(10)), (without regard to any attempted reduction or discontinuance of such benefits), or if such continuation is not possible under the terms and provisions of such plans, programs or arrangements, Employer shall arrange to provide benefits substantially similar to those which Executive (and, to the extent applicable, his dependents) would have been entitled to receive if he had remained a participant in such plans, programs or for such eighteen (18)

month (twenty-four (24) months, if such termination is pursuant to subsection 3(b)(ii)(10)) period.

(4) Subject to this subsection 3(c)(ii), Section 17, and Executive's agreement to repay, without set off, all amounts due Employer for monies loaned Executive as set forth in Section 19, this Agreement shall become null and void effective as of the date of termination and Employer and Executive shall have no further obligation hereunder toward the other.

(iii) PURSUANT TO SUBSECTION 3(b)(iii). Executive acknowledges and agrees that in the event that this Agreement terminates in accordance with subsection 3(b)(iii), that Employer and Executive shall have no further obligation hereunder toward the other except (1) for the payment of salary, bonus, expenses and benefits, if any, which have accrued but remain unpaid prior to and as of the termination date, (2) as set forth in Section 17, and (3) for Executive's agreement to repay, without set off, all amounts due Employer for monies loaned Executive as set forth in Section 19.

(iv) SUBMISSION OF RESIGNATIONS BY EXECUTIVE. Upon termination of this Agreement by either Employer or Executive as set forth herein and the receipt by Executive of (1) all cash amounts due him as set forth herein and (2) a written representation signed by an authorized representative of Employer that all non-cash obligations of Employer as set forth herein have been fulfilled or, as the case may be, have been commenced, Executive shall immediately submit Executive's resignation for any and all offices or directorships of Employer and/or any and all subsidiaries and affiliates of Employer which resignation shall have retroactive application and effect to such termination date; provided however that during such time period from the effective date of such termination to the date Executive submits his resignation, Executive acknowledges and agrees that he does not have authority to bind Employer to any contracts or commitments and agrees not to create any obligation for Employer or bind or attempt to bind Employer in any manner whatsoever. Executive also acknowledges that he shall have no supervisory or managerial responsibility or authority from and after the effective date of his termination, regardless of whether he submits the resignation or not, and agrees not to involve himself in any activities of Employer, except as may be requested by the an authorized officer of Employer.

4. TOTAL COMPENSATION

While employed under this Agreement and in consideration of the services to be rendered by Executive pursuant hereto, Executive shall receive the following amounts/benefits as the sole and total compensation for the performance of his duties and obligations under this Agreement:

(a) BASE CASH SALARY. A salary at the rate of Three Hundred Thousand Dollars (US\$300,000) per annum (the "Base Cash Salary"), which shall be deemed to accrue from day to day, payable in accordance with Employer's standard payroll practices and procedures;

(b) BONUS. A bonus calculated in accordance with the plans or programs established by Employer from time to time payable in accordance with Employer's standard payroll practices and procedures; provided that any such bonuses whenever earned and paid shall be determined without regard to any material gains and losses which occur outside of the scope of Employer's ordinary operating business unless any such plans or programs explicitly include such material gains and losses within the determination of any such bonuses;

(c) STOCK OPTIONS. Stock options granted or stock awards in accordance with the plans or programs established by Employer from time to time;

(d) INCENTIVE COMPENSATION. Participation in Employer's incentive compensation plans and/or programs, including, but not limited to, receipt of employer contributions to the Universal Electronics Inc. 401(k) and Profit Sharing Plan and the right to receive stock awards and to exercise stock options under Employer's various stock option plans and/or such other plans and/or programs which are established from time to time;

(e) BENEFITS. The benefits provided by Employer to its executive employees generally, including without limitation, the benefits and perquisites included under the Universal Electronics Inc. group family health insurance program, which includes comprehensive medical insurance, dental insurance, group disability, group life insurance, and executive bonus (supplemental life); provided that the benefits provided to Executive shall be no less extensive than that provided him immediately prior to the date of this Agreement;

(f) VACATION. Four (4) weeks (twenty (20) working days) vacation with pay, determined and carried over in accordance with the policies and procedures set forth within Employer's policy manual in effect from time to time which are equally applicable to all of Employer's executive employees;

(g) OTHER PERQUISITES. Such other employee benefits and perquisites that are provided by Employer to executives generally, provided that the other perquisites provided to Executive shall be no less extensive than the most extensive perquisites provided to any other executive employee of the Employer;

(h) D&O INSURANCE. Director and Officer Liability insurance in a reasonably sufficient amount;

(i) DISCRETIONARY BONUS. Such other amounts of compensation and/or bonus which is determined by Employer from time to time;

(j) REVIEWS. The total amount of compensation to be paid and/or provided to Executive shall be reviewed by the Board of Directors, or such committee thereof, of Employer as of the first day of each calendar year while this Agreement is in force and effect. In no event shall such review result in a reduction of the amount of Base Cash Salary paid and/or provided to Executive hereunder.

5. ADJUSTMENTS IN CASE OF EXCESS PARACHUTE PAYMENTS

In the event that the aggregate present value (determined in accordance with applicable federal, state and local income tax law, rules and regulations) of all payments to be made and benefits to be provided to Executive under this Agreement and/or under any other plan, program or arrangement maintained or entered into by Employer or any of its subsidiaries shall result in "excess parachute payments" to him within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), or any comparable provision of successor legislation, which subject him to the Excise Tax under Section 4999 of the Code or any comparable provision of successor legislation, Employer shall pay to Executive an additional amount (the "gross-up payment") calculated so that the net amount received by him after deduction of the Excise Tax and of all federal, state and local income taxes upon the gross-up payment shall equal the payments to be made and the benefits to be provided to him under this Agreement. For purposes of determining the amount of the gross-up payment, Executive shall be deemed to pay federal, state and local income taxes at the highest marginal rates thereof in the calendar year in which the gross-up payment is to be made, net of the maximum reduction in federal income taxes obtainable from deduction of such state and local taxes. The computations required by this Section 5 shall be made by the independent public accountants then regularly retained by Employer, in consultation with tax counsel selected by and acceptable to Executive. Employer shall pay all of its accountants' fees and the lesser of (i) one-half of Executive's tax counsel's fees or (ii) \$2,500.

6. REIMBURSEMENT FOR BUSINESS RELATED EXPENSES

Employer shall reimburse Executive for all reasonable expenses incurred and paid by him in connection with Employer's business in accordance with Employer's policy manual in effect from time to time.

7. INTEREST

In the event any payment to Executive under this Agreement is not paid within five (5) business days after it is due, such payment shall thereafter bear interest at the prime rate from time to time in effect at Bank of America, Los Angeles, California; provided however, that this provision shall not excuse the timely payment of such sums required by this Agreement.

8. NOTICES

Written notices to be given under this Agreement shall be personally delivered or sent by overnight courier (such as Federal Express, DHL or UPS and the like) or by registered or certified mail, return receipt requested, to the addresses set forth below:

To Employer:
Universal Electronics Inc.
6101 Gateway Drive
Cypress, California 90630
Attn.: Corporate Secretary

With a required copy to:
Universal Electronics Inc.
6101 Gateway Drive
Cypress, California 90630
Attn: The Board of Directors

To Executive:
Mr. Paul D. Arling
At his last known address as reflected in Employer's records

9. SEVERABILITY

If any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect under applicable law, the validity, legality and enforceability of the remaining provisions contained herein shall not, in any way, be ineffective or impaired thereby.

10. GOVERNING LAW

This Agreement shall be governed by the law of the state of California without regard to the conflicts of laws provisions of the state of California.

11. WAIVER

The failure of either party to insist in any one or more instances on strict performance of any of this Agreement's provisions, or to exercise or enforce any right, remedy or obligation under this Agreement, shall not be construed as a waiver or relinquishment of any right, remedy or obligation, and the right, remedy or obligation shall continue in full force and affect.

12. ENTIRE AGREEMENT AND MODIFICATION

This Agreement, together with that certain Nonrecourse Secured Promissory Note described more fully in Section 19 of this Agreement, sets forth the entire agreement of the parties concerning the employment of Executive by the Employer and any oral or written statements, representations, agreements or understandings made or entered into prior to or contemporaneously with the execution of this Agreement, including without limitation the Prior Executive Employment Agreement, are hereby rescinded, revoked, and rendered null and void by the parties. This Agreement may be modified only by a written instrument duly executed by each party hereto.

13. ASSIGNMENT

This Agreement shall be binding upon the parties hereto, their respective heirs, personal representatives, executors, administrators, successors and assigns. Any such assignee or successor of Employer shall, within ten (10) business days after receipt of a written request by Executive, send to Executive its acknowledgment and agreement that such assignee or successor expressly assumes all of Employer's obligations under this Agreement as if such assignee or successor was the original employer and the term "Employer" as used herein as include any such assignee or successor.

14. INTERPRETATION OF AGREEMENT

The parties have cooperated in the drafting and preparation of this Agreement. Therefore, the parties hereto agree that, in any construction to be made of the Agreement the same shall not be construed against any of the parties. Each of the parties hereto has carefully read this Agreement and has been given the opportunity to have it reviewed by legal counsel and negotiate its terms.

15. SPECIFIC OBLIGATIONS OF THE EXECUTIVE

In addition to the general duties set forth herein, Executive shall use his reasonable efforts for the benefit of Employer by whatever activities Employer finds reasonably appropriate to maintain and improve Employer's standing in the community generally and among current and prospective customers, including such entertainment for professional purposes as Executive and Employer mutually consider appropriate. Executive shall undertake business development endeavors as reasonably directed by Employer.

16. NONDISCLOSURE AND NONAPPROPRIATION OF INFORMATION AND NONCOMPETITION

(a) Executive recognizes and acknowledges that while employed by Employer, he has and will have access to, learn, be provided with and, in some cases, prepare and create certain confidential, proprietary business information and/or trade secrets for Employer, including, but not limited to, lists, files and forms, (hereinafter collectively referred to as the "trade secrets"), all of which are of substantial value to Employer and its

business. In this connection, Executive expressly covenants and agrees, during his employment with Employer, to:

(i) Hold in a fiduciary capacity and not reveal, communicate, use or cause to be used for his own benefit or divulge any trade secrets, or other proprietary right now or hereafter owned by the Employer;

(ii) Not sell, exchange or give away, or otherwise dispose of any trade secrets now or hereafter owned by Employer, whether the same shall or may have been originated or discovered by Employer or otherwise;

(iii) Not reveal, divulge or make known to any person, firm, corporation or other entity any trade secrets of Employer; and

(iv) Not reveal, divulge or make known to any person (other than his spouse, attorney and/or accountant), firm, company or corporation any of the terms of this Agreement.

(b) To protect the legitimate business interests of Employer from unfair competition by Employee and to protect its trade secrets, Employee expressly covenants and agrees that during his employment with Employer and continuing thereafter for a period of two (2) years, Employee shall not, directly or indirectly:

(i) Solicit or endeavor to entice away from Employer through the use of Employer's proprietary business information and/or trade secrets, any person, firm, company or corporation that, at the time Employee's employment with Employer ceased, was doing business with Employer and accounted for ten percent (10%) or more of Employer's gross revenue as determined by Employer's book and records; or

(ii) Solicit for hire or hire as a result of such solicitation, any key employee of Employer, except that Executive may hire any such key employee so long as such hiring was made as a result of a general solicitation of employment through typical solicitation means, such as advertisements and the like, or such solicitation was initiated by such key employee.

(c) Executive further covenants and agrees to return to Employer either before or immediately upon his termination of employment with Employer any and all written information, material or equipment that constitutes, contains or relates to Employer's proprietary information trade secrets and which relate to Employer's business which are in Executive's possession, custody and control, whether confidential or not, including any and all copies thereof which may have been made by or for Executive. Executive shall maintain no copies thereof after termination of his employment.

17. SURVIVAL OF OBLIGATIONS

In addition to those specific provisions of Section 3, which by their express terms survive the termination of this Agreement under certain circumstances, the terms and conditions and obligations of the parties as contained or described in Sections 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 16, 17, 18, 19, and 20 shall survive the termination of this Agreement and, notwithstanding such termination, shall remain fully binding on the parties hereto.

18. ARBITRATION

Except for any claim or dispute in which equitable relief under this Agreement is sought, any disagreement, dispute or controversy concerning whether there has been Just Cause, Good Reason or breach of any of the terms of this Agreement shall be settled exclusively and finally by arbitration. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association in effect from time to time (the "AAA Rules"). The arbitration shall be conducted in Los Angeles, California, or in such other city as the parties to the dispute may designate by mutual consent. The arbitral tribunal shall consist of three arbitrators (or such lesser number as may be agreed upon by the parties) selected according to the procedure set forth in the AAA Rules, with the chairman of the arbitral tribunal selected in accordance with the AAA Rules. Except as otherwise set forth in this Agreement, the fees and expenses of the arbitral tribunal in connection with such arbitration shall be borne by the parties to the dispute as shall be determined by the arbitral tribunal.

19. RELOCATION LOAN MADE TO EXECUTIVE

On or about April 22, 1999, Employer loaned the principal sum of \$200,000 to Executive, which loan is evidenced by that certain Nonrecourse Secured Promissory Note signed by Executive in favor of Employer dated April 22, 1999 and notarized on April 28, 1999 (the "Note"), together with that certain Deed of Trust with Assignment of Rents (Short Form) signed by Executive and Executive's spouse for the benefit of Employer and notarized on April 28, 1999 (the "Deed"), copies of which are attached hereto as Exhibit A. Executive represents and warrants that immediately prior to the execution of this Agreement, he was not in default or in any other way in breach of any of the terms of the Note or the Deed. Executive hereby agrees, acknowledges and reaffirms (i) his obligations to Employer pursuant to the Note and the Deed, (ii) that any reference made within the Note and/or the Deed to the "Executive Employment Agreement" shall mean this Agreement and not the Prior Executive Employment Agreement, and (iii) that except as specifically modified by this Agreement, the Note and the Deed shall be and remain in full force and effect in accordance with their respective terms and Executive shall fully perform all of his obligations under the Note and the Deed. So long as Executive is not in default or in any other way in breach of any of the terms of the Note or the Deed, Employer shall, on each December 15 during the term of such Note and on the payment of principal of the Note, pay to Executive an amount equal to 1.045 times the amount of interest due by Executive under the Note as of each of such dates (the "Interest Compensation"), regardless of whether Executive is employed by Employer on such dates. Such loan and such Interest Compensation is in addition to all amounts to be paid and/or reimbursed to Executive pursuant to Employer's Executive Relocation Policy

20. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, the parties have executed the Agreement as of this ___ day of October, 2000

Signed and acknowledged in the presence of:

UNIVERSAL ELECTRONICS INC.

By:

Corporate Secretary

An Authorized Member of the
Compensation Committee of the
Board of Directors

PAUL D. ARLING

Signature

EXHIBIT A

COPY OF NONRECOURSE SECURED PROMISSORY NOTE
AND
DEED OF TRUST WITH ASSIGNMENT OF RENTS (SHORT FORM)
PURSUANT TO SECTION 19

EXHIBIT A

NONRECOURSE SECURED PROMISSORY NOTE

AMOUNT: \$200,000

APRIL 22, 1999
CYPRESS, CALIFORNIA

FOR VALUE RECEIVED, the undersigned, Paul D. Arling, (hereinafter referred to as "Maker"), promises to pay to the order of Universal Electronics Inc., a Delaware corporation, 6101 Gateway Drive, Cypress, California 90630 (hereinafter referred to as "Payee"), the principal sum of Two Hundred Thousand Dollars (\$200,000), together with interest at the rate of 5.28% per annum from the date hereof, payable as follows: (a) accrued interest shall be paid on each December 15 during the term of this Note and at the time of full payment of this Note (to the extent accrued from the last interest payment); and (b) the entire principal balance is due on the earlier of (i) December 15, 2007, (ii) within twelve (12) months following a demand from Payee, which demand may only be made by Payee in the event that Maker shall cease (for whatever reason) being an employee of Payee or upon the occurrence of an Event of Default or (iii) on the closing of a sale or transfer by Maker or Maker's spouse of all or any part of his and/or her primary residence in Southern California that secures this Note (the "Property"), including without limitation any sale or transfer of any interest therein (including any beneficial interest therein) without Payee's prior written consent, which consent shall not be unreasonably withheld. An Event of Default shall occur hereunder if Maker (1) fails to render payment of principal (or, if applicable, interest under this Note) when said payment is due and payable, or (2) breaches any material provision of this Note or any material provision of the Executive Employment Agreement.

This Note is secured by a deed of trust of even date herewith ("Deed of Trust").

In the event Maker fails to make any payments under this Note, a late payment charge equal to 5% of the amount due and owing will be assessed from the date such payment was due. All amounts of interest not paid when due, shall accrue and be added to and considered principal of this Note.

This Note shall be nonrecourse. In the event of a default by Maker under the terms of this Note, Payee's recourse shall be limited to the Property. In no event shall Payee have any recourse against, nor shall Payee be able to recover from, any of Maker's assets other than the Property.

Maker hereby agrees to be bound by all the terms contained in this Note.

This Note is given to Payee by Maker to evidence a loan from Payee to Maker made for the reason set forth in Section 19 of that certain Executive Employment Agreement dated September 29, 1998, as amended on April 22, 1999 (the "Executive Employment Agreement"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Executive Employment Agreement.

Payment upon this Note shall be made by check or checks payable to Payee at the address set forth herein, or such other place as Payee or a subsequent holder of this Note shall designate to Maker in writing, in lawful money of the United States of America.

This Note may be prepaid by the Maker, in whole or in part, at any time without premium or penalty.

Maker hereby waives any defenses based upon, and specifically assents to, any and all extensions and postponements of the time of payment and all other indulgences or forbearances which may be granted to any party liable hereon by Payee or any subsequent holder of this Note.

Maker hereby waives presentment, demand for payment, notice of protest, notice of nonpayment, protest, and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note.

No delay or omission on the part of Payee or any subsequent holder of this Note in exercising any right hereunder shall operate as a waiver of such right or of any other right of Payee or such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or any other right on any other occasion.

No single or partial exercise by Payee or any subsequent holder hereof of any power hereunder shall preclude any other or future exercise thereof or the exercise of any other power.

Maker shall pay on demand of Payee or any subsequent holder of this Note all costs of collection, including reasonable attorneys' fees incurred by Payee or such holder in enforcing collection of this Note on default.

No provision of this Note shall be modified except by a written instrument executed by Maker and by Payee or a subsequent holder hereof expressly referring to this Note and to the provision modified.

THE MAKER IRREVOCABLY CONSENTS THAT ANY LEGAL ACTION OR PROCEEDING AGAINST IT UNDER, ARISING OUT OF OR IN ANY MANNER RELATING TO THIS AGREEMENT, THE NOTES, OR ANY OF THE OTHER LOAN DOCUMENTS MAY BE BROUGHT IN ANY COURT OF THE STATE OF CALIFORNIA OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF CALIFORNIA - LOS ANGELES. THE MAKER EXPRESSLY AND IRREVOCABLY ASSENTS AND SUBMITS TO THE PERSONAL JURISDICTION OF ANY OF SUCH COURTS IN ANY SUCH ACTION OR PROCEEDING. THE MAKER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF ANY COMPLAINT, SUMMONS, NOTICE OR OTHER PROCESS RELATING TO ANY SUCH ACTION OR PROCEEDING BY DELIVERY THEREOF TO IT BY HAND OR BY MAIL IN THE MANNER PROVIDED FOR IN SECTION 8 OF THE EXECUTIVE EMPLOYMENT AGREEMENT. THE MAKER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES ANY CLAIM OR DEFENSE IN ANY SUCH ACTION OR PROCEEDING BASED ON ANY ALLEGED LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS OR ANY SIMILAR BASIS. THE MAKER SHALL NOT BE ENTITLED IN ANY SUCH ACTION OR PROCEEDING TO ASSERT ANY DEFENSE GIVEN OR ALLOWED UNDER THE LAWS OF ANY STATE OTHER THAN THE STATE OF CALIFORNIA UNLESS SUCH DEFENSE IS ALSO GIVEN OR ALLOWED BY THE LAWS OF THE STATE OF CALIFORNIA. NOTHING IN THIS PARAGRAPH SHALL AFFECT OR IMPAIR IN ANY MANNER OR TO ANY EXTENT THE RIGHT OF THE PAYEE TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE MAKER IN ANY JURISDICTION OR TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW.

MAKER WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN MAKER, PAYEE, OR ANY OTHER PARTY HERETO ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THE PARTIES HERETO IN CONNECTION WITH THIS LOAN OR ANY OTHER AGREEMENT AMONG THEM.

THIS NOTE SHALL BE INTERPRETED, AND THE RIGHTS AND LIABILITIES OF MAKER AND PAYEE DETERMINED, IN ACCORDANCE WITH THE LAWS AND DECISIONS OF THE STATE OF CALIFORNIA.

This Note and the provisions hereof are to be binding on the assigns or successors of Maker and Payee.

If from any circumstances whatsoever, fulfillment of any obligation of this Note or of any other instrument evidencing or securing the indebtedness evidenced hereby, at the time performance of such obligation shall be due, shall violate the lawful limit of any applicable usury statute or any other applicable law with regard to obligations of like character and amount, then the obligation to be fulfilled shall be reduced to such lawful limit, so that in no event shall there occur,

under this Note or under any other instrument evidencing or securing the indebtedness evidenced hereby any violation of such lawful limit, but such obligation shall be fulfilled to the lawful limit. If any sum is collected in excess of the lawful limit, such excess shall first be applied to reduce the principal debt, and then to the extent any such excess exceeds the principal debt such excess shall be returned to Maker.

The provisions of this Note are hereby declared to be severable, and if any clause or provision or the application of any clause or provision to any entity or in any circumstances shall be held to be invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision in this Note in any jurisdiction. Each of the covenants, agreements, and conditions contained in this Note is independent and compliance by the Maker with any of them shall not excuse non-compliance by the Maker within the other. Maker shall not take any action, the affect of which shall constitute a breach or violation of any clause or provision of this Note.

IN WITNESS WHEREOF, this Note has been duly executed by Maker as of the date first above written.

By: _____
Paul D. Arling, Individually

STATE OF CALIFORNIA)
) SS.
COUNTY OF ORANGE)

I, _____, a Notary Public in and for the State and County aforesaid, do hereby certify that before me this day personally appeared Paul D. Arling, an individual, known to me and he acknowledged to me that he executed and delivered the above and foregoing Nonrecourse Secured Promissory Note as his free and voluntary act in his individual capacity for the uses and purposes set forth herein.

GIVEN under my hand and notarial seal this ____ day of April, 1999.

Notary Public

My Commission Expires:

WHEN RECORDED MAIL TO:

Universal Electronics Inc.
6101 Gateway Drive
Cypress, California 90630

SPACE ABOVE THIS LINE FOR RECORDER'S USE

DEED OF TRUST WITH ASSIGNMENT OF RENTS
(SHORT FORM)

This DEED OF TRUST, made this ___ day of April, 1999, between PAUL D. ARLING AND JEANNETTE DELL ARLING, husband and wife, herein collectively called TRUSTOR, whose address is 71 New Dawn, Irvine, CA 92620,

FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, herein called TRUSTEE, and Universal Electronics Inc., a Delaware corporation herein called BENEFICIARY.

WITNESSETH: That Trustor grants to Trustee in trust, with power of sale, that property described as:

See Exhibit A attached hereto and incorporated herein by this reference.

together with the rents, issues and profits thereof, subject, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits for the purpose of securing (1) payment of the sum of \$200,000.00 with interest thereon according to the terms of a promissory note or notes of even date herewith made by Trustor, payable to order of Beneficiary, and extensions of renewals thereof, (2) the performance of each agreement of Trustor incorporated by reference or contained herein and (3) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or his successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

To protect the security of this Deed of Trust, and with respect to the property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in Orange County August 17, 1964, and in all other counties August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

(CONTINUED ON NEXT PAGE)

EXHIBIT A
TO
DEED OF TRUST

[Insert legal description]

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

(1) To keep said property in good condition and repair, not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon, not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

(2) To provide, maintain and deliver to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

(4) To pay; at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defeat any action purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

(5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

(1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

(2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

(3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said not for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

(4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the

person or persons legally entitled thereto".

(5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting of such rents,

issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(6) That upon default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of said having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of trustee and of this Trust, including costs of evidence of title in connection with sale, Trustee shall apply to proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

(7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

(8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

(9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

DO NOT RECORD

REQUEST FOR FULL RECONVEYANCE

TO FIRST AMERICAN TITLE INSURANCE COMPANY, TRUSTEE:

The under signed is the legal owner and holder of the note and of all indebtedness secured by the foregoing Deed of Trust. Said note, together with all other indebtedness secured by said Deed of Trust, have been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note above mentioned, on all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you under the same.

Dated

PLEASE MAIL DEED OF TRUST,
NOTE AND RECONVEYANCE TO

DO NOT LOSE OR DESTROY THIS DEED OF TRUST OR THE NOTE WHICH IT SECURES. BOTH MUST BE DELIVERED TO THE TRUSTEE FOR CANCELLATION BEFORE RECONVEYANCE WILL BE MADE.

9-MOS

DEC-31-2000
JAN-01-2000
SEP-30-2000
15,567
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31,627
(1,847)
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