

The following items were the subject of a Form 12b-25 and are included herein: Item 6, Item 7, Item 8, Item 14(a)(1), Item 14(a)(2) and Exhibits 11.1, 23.1 and 27.1

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A
FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998 OR

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
COMMON STOCK, PAR VALUE \$.01 PER SHARE
(TITLE OF CLASS)

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 by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the Registrant's outstanding common stock held by non-affiliates of the Registrant on February 26, 1999, determined using the per share closing sale price thereof on the National Market of The Nasdaq Stock Market of \$12.125 on that date, was approximately \$78,364,154.

As of February 26, 1999, 6,514,502 shares of Common Stock, par value \$.01 per share, of the Registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's definitive Proxy Statement for its 1999 Annual Meeting of Stockholders to be held on June 8, 1999 are incorporated by reference into Part III of this Form 10-K.

Except as otherwise stated,
the information contained in this Form 10-K is as of December 31, 1998.

UNIVERSAL ELECTRONICS INC.
 ANNUAL REPORT ON FORM 10-K
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

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ITEM 1. BUSINESS

BUSINESS OF UNIVERSAL ELECTRONICS INC.

Universal Electronics Inc. was incorporated under the laws of Delaware in 1986 and began operations in 1987. The principal executive offices of the Company are located at 6101 Gateway Drive, Cypress, California 90630, and its telephone number is (714) 820-1000. As used herein, the terms "Universal" and the "Company" refer to Universal Electronics Inc. and its subsidiaries unless the context indicates to the contrary.

Universal develops and markets easy-to-use, preprogrammed universal remote controls principally for home video and audio entertainment equipment. The Company sells and licenses its remote control products and proprietary technologies to private label customers, original equipment manufacturers ("OEMs"), and companies involved in the subscription broadcast industry. The Company also sells its remote control products internationally under the One For All(R) brand name. In addition, the Company has licensed certain of its proprietary technology and its One For All brand name to third parties who in turn sell products directly to U.S. retailers. The Company also markets a line of home safety and automation products under the Eversafe(R) brand name. Sales of home safety and automation products have been primarily focused on the domestic retail hardware, food and drug, and mass marketing distribution channels.

GENERAL BUSINESS INFORMATION

Universal has developed a broad line of easy-to-use, preprogrammed universal remote control products which are marketed principally for home video and audio entertainment equipment through various channels of distribution, including international retailers, private label customers, OEMs, cable operators and others in the subscription broadcast industry. The Company believes that its universal remote controls can operate virtually all infrared remote controlled TV's, VCR's, cable converters, CD players, audio components and satellite receivers, as well as most other infrared remote controlled devices worldwide.

The Company believes its remote control products incorporate certain significant technological advantages. First, the Company has compiled an extensive library of over 74,000 infrared codes, which the Company believes is larger than any other existing library of infrared codes for the operation of home video and audio devices sold worldwide. The Company's library is updated on a daily basis to add infrared codes used in newly introduced video and audio devices. Second, the Company's proprietary software and know-how permit infrared codes to be compressed before being loaded into a Read Only Memory ("ROM"), Random Access Memory ("RAM") or an electronically erasable ROM ("E2") chip. This provides significant cost and space efficiencies that enable the Company to include more codes in the limited memory space of the chip than are included in similarly priced products of competitors. Third, the Company has developed a patented technology that provides the capability to easily upgrade the memory of the remote control by adding codes from its library that were not originally included. This technology utilizes both RAM and E2 chip technologies.

PRODUCTS

Universal Remote Controls

The Company's family of universal remote controls covers a broad spectrum of suggested prices and performance capabilities. The Company sells customized products to retailers, consumer electronic accessory suppliers, private label customers, OEMs, cable operators, and others in the subscription broadcast industry for resale under their respective brand names. Prior to its restructuring in 1997, the Company sold its

remote controls through a number of retailers and service centers under the One For All brand name and to cable operators under the Uniwand(R) brand name. The Company's products are capable of controlling from one to eight video and audio devices, including, but not limited to, TVs, VCRs, cable converters, CD players, satellite receivers, laser disc players, amplifiers, tuners, turntables, cassette players, digital audio tape players, and surround sound systems.

Each of the Company's remotes is designed to simplify the use of video and audio devices. To appeal to the mass market, the number of buttons is minimized to include only the most popular functions. The Company's universal remotes are also designed for ease of initial set-up. For most of the Company's products, the consumer simply inputs a four-digit code for each video or audio device to be controlled. Each remote contains either a RAM, a ROM, or a combination of ROM and E2 chips. The RAM and the ROM and E2 combination products allow the remote to be upgraded with additional codes.

The Company introduced its first product, the One For All, in 1987. In the International markets, One For All brand name products accounted for 23.1%, 18.4%, and 21.7% of the Company's sales for the years ended December 31, 1998, 1997 and 1996, respectively. The Company discontinued retail operations in North America in 1997 (see also discussion at "1997 RESTRUCTURING").

Many of the Company's products include its patented and highly proprietary "upgradable" feature. These products are capable of controlling five to eight video and audio devices. Each of these products utilizes the Company's E2 technology and, as a result of other improvements, retains memory while changing batteries which eliminates the inconvenience experienced by consumers of having to set-up the remote control each time the batteries are changed.

By providing its remote control technology in many forms, including finished remote control products, integrated circuits, or custom software packages, the Company can meet the needs of its customers, enabling those who manufacture or subcontract their manufacturing requirements to use existing sources of supply and more easily incorporate the Company's technology. In addition, the Company's products are easily customized to include the features important to cable operators. These may include electronic program guides that enable consumers to record programs for future viewing after identifying their selection in the electronic program guide, the customer's unique brand name and logos as well as special dedicated "tune-in" keys for selected premium channels such as HBO(R), Showtime(R) and Encore(R). Such keys provide the Company's customer with the added value of built-in advertising.

DISTRIBUTION AND CUSTOMERS

The Company's products are sold to a wide variety of customers in numerous distribution channels. In the United States, the Company principally sells its products and/or licenses its proprietary technology to subscription broadcasting companies, and to consumer electronics accessory manufacturers and selected retailers for resale under their respective brand names. In addition, the Company sells remote control products and licenses its proprietary technologies to OEMs for packaging with their products. Internationally, the Company sells remotes under the One For All brand name to retailers and to other customers under private labels through its foreign subsidiaries and distributors. The Company also sells its products to cable operators for sale or rental to their subscribers. Finally, as a result of its 1997 restructuring, the Company has licensed certain of its proprietary technology and its One For All brand name and Eversafe line of products to third parties who in turn sell the products directly to domestic retailers.

For the year ended December 31, 1998, sales to PrimeStar and Media One accounted for approximately 12.3% and 11.1%, respectively, of the Company's net sales for the year. While management considers the Company's relationships with each of its customers to be good, the loss of any one key customer could have a material adverse effect on the Company's results of operations.

North American Retail

In December 1997, the Company announced its decision to discontinue its North American Retail line of business. As the Company anticipated when it made its announcement, the discontinuation occurred primarily during the first half of 1998 and was completed during the third quarter of 1998. During this transition, the Company continued to support its retail customers by selling through its remaining inventory of North American Retail remote control products. Thereafter, in accordance with the Company's plan, the Company licensed certain of its proprietary technology and its One For All trademark to a third party and an overseas manufacturer, to enable them to supply several of these customers with a limited number of remote control products on a direct import basis. See also discussion at "1997 RESTRUCTURING."

International Retail

Throughout 1998, the Company continued its sales and marketing efforts in Europe, Australia, Mexico and selected countries in East Asia and South America. As part of these efforts, the Company has three foreign subsidiaries, One For All B.V., a Netherlands company, One For All GmbH, established in Germany, and One for All (UK) Ltd., in the United Kingdom. In the first quarter of 1998, the Company, through its Netherlands subsidiary, acquired substantially all of the remote control business of one of its distributors in the United Kingdom. In addition to these subsidiaries, the Company utilizes third party distributors in various European and South American countries and in Mexico. The Company's Canadian sales have been impacted by the discontinuation discussed previously.

Private Label

As a supplier of technology to private label customers, the Company is able to achieve greater distribution of its proprietary technology in the retail market, both by distributing to additional retail outlets and by obtaining further penetration in certain retail outlets also selling the Company's branded products. During 1998, the Company continued its efforts to improve product cycles and planning to better meet the needs of its customers.

Cable

During 1998, the Company continued to provide multiple system operators ("MSOs") with customized remote controls to complement services offered to their customers, such as the interactive electronic programming guide. The Company also sells its remotes to manufacturers of cable converters for resale with their products. The Company is continuing to expand its marketing efforts to other MSOs providing cable services in the United States, Canada, Australia and throughout Europe. In addition, the Company continues to improve on its manufacturing process to increase cost savings and to provide more timely delivery of its products to these cable customers.

The activities of the Company's existing customers can also provide additional opportunities for the future. The Company has an existing agreement to supply all the remotes, keyboards and other universal handheld devices to General Instrument Corp. ("GI"), which in turn contracts with cable providers and others to distribute these products along with its set-top boxes. The Company believes that in 1999, GI signed a major supplier agreement with Tele-Communications, Inc. ("TCI"), in which GI will exclusively supply remote controls, keyboards and other devices yet to be determined to TCI through the year 2004.

OEM

During 1998, the Company continued pursuing a further penetration of the OEM market in the Far East and Europe. Since 1993, the Company has been working with a major Japanese supplier of dedicated remote controls to large consumer electronics manufacturers, which the Company believes has enabled it to reach a much larger audience of OEM customers with whom the Company does business.

CONSUMER SERVICE AND SUPPORT

Throughout 1998, the Company continued its strategy to review its customer support program and modified its service "help line" such that the majority of calls received are directed through its automated "conversant" system. Live agent help is still available in certain circumstances. In 1999, the Company will continue to review these programs to determine their value in enhancing and improving the sales of the Company's products. As a result of this continued review, some or all of these programs may be modified or discontinued in the future and new programs may be added.

RAW MATERIALS AND DEPENDENCE ON SUPPLIERS

The Company utilizes third-party manufacturers in the Far East, Mexico and the United States to produce its remote control products. The number of third party suppliers that provided the Company in excess of 10% of the Company's remote control products were three, four and three for 1998, 1997 and 1996, respectively. As in the past, the Company will continue to evaluate alternative and additional sources of supply.

Commencing in 1996, the Company began a program of diversification of suppliers and maintenance of duplicate tooling for its products. This program has allowed the Company to stabilize its source for products and negotiate more favorable terms with its suppliers. In addition, the Company generally uses standard parts and components, which are available from multiple sources. The Company recently developed a reliable second source for integrated circuit chips, and as such has reduced the potential for manufacturing and shipping delays and the need to maintain additional inventory of these component parts as safety stock by purchasing some of its chips from a variety of sources.

PATENTS, TRADEMARKS AND COPYRIGHTS

The Company owns a number of United States and foreign patents relating to its products and technology and has filed applications for other patents that are pending and has obtained copyright registration for various of its proprietary software and libraries of infrared codes. The lives of the Company's patents range from eight to 17 years. While the Company follows the practice of obtaining patents or copyright registration on new developments whenever advisable, in certain cases, the Company has elected common law trade secret protection in lieu of obtaining such protection. In the Company's opinion, engineering and production skills and experience are of more importance to its market position than are patents and copyrights. The Company further believes that none of its business is dependent to any material extent upon any single patent or trade secret or group of patents or trade secrets. The names of most of the Company's products are registered or are being registered as trademarks in the United States Patent and Trademark Office and in most of the other countries in which such products are sold. These registrations are valid for a variety of terms ranging from ten to 20 years, which terms are renewable as long as the trademarks continue to be used. Management regularly renews those registrations deemed by them to be important to the Company's operations.

SEASONALITY

Prior to the discontinuation of the Company's North American Retail line, the majority of the Company's sales were to retailers either directly under its One For All brand name or indirectly through its private label and OEM customers. The Company has, accordingly, in the past, experienced stronger demand for its products in the third and fourth calendar quarters rather than in the first half of the year as retailers purchase remote controls prior to the holiday selling season. Retail, private label and to a lesser degree OEM customers generally commit to carry new and existing products for the year in the first and second quarters and initial manufacturing and deliveries take place in the second and third quarters. Generally, sales to private label customers peak in the third quarter and branded product sales to retailers peak in the fourth quarter.

With the discontinuation of the Company's North American Retail line and the increasing significance of the Company's other lines of business including subscription broadcasting and OEM, the seasonality effect on the Company's business has lessened. See "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA - NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - NOTE 17" for further details regarding the quarterly results of the Company.

BACKLOG

As of December 31, 1998, the Company had backlog orders representing approximately \$14.1 million in net sales compared to approximately \$14.8 million in net sales at December 31, 1997. Although the Company believes current orders are firm and expects that substantially all of the backlog will be shipped in 1999, there can be no assurance that such orders will be shipped. The Company believes that backlog is not a meaningful indicator of its future performance.

COMPETITION

The Company's principal competitors in the international retail and private label markets for universal remote controls are currently Philips, RCA and Sony. The Company's primary competitors in the OEM market are the original equipment manufacturers themselves. In the subscription broadcasting business, the Company competes with many companies including U.S. Electronics and ICX, two privately-held remote control manufacturers, and several of the larger set-top manufacturers, including General Instrument Corp. and Scientific-Atlanta Inc. The Company has a small share of the home safety and automation market, which consists of a few large and many small competitors operating in relatively small markets. The Company competes in its markets on the basis of product quality, product features, price, and customer and consumer support. The Company believes that it will need to continue to introduce new and innovative products to remain competitive and to obtain and retain competent personnel to successfully accomplish its future objectives. Certain of the Company's competitors have significantly larger financial, technical, marketing and manufacturing resources than the Company, and there can be no assurance that the Company will remain competitive in the future.

ENGINEERING, RESEARCH AND DEVELOPMENT

During 1998, the Company's engineering efforts focused on modifying existing products and technology to improve their features and lower their costs, and to develop measures to protect the Company's proprietary technology and general know-how. In addition to taking steps in an attempt to control costs by improving the efficiency of its activities and systematizing its operations, the Company continued to update its library of infrared codes daily to include codes for features and devices newly introduced both in the United States and internationally and for uncommon devices. New infrared codes are identified by the Company through many of its activities. The Company also continually explores ways to improve its software to preprogram more codes into its memory chips and to ease the upgrading of its remote control products.

Also during 1998, the Company's research and development efforts continued to focus on the development of new and innovative remotes with enhanced capabilities, as well as new applications of remote control technology. Work on new applications to be used in combination with personal computers and the internet continued as the Company increased the number of customers with whom it worked in this area.

The Company is also exploring various opportunities to supply remote controls for the operation of additional electronic and other devices in the home using infrared signals, as well as combinations of infrared signals, radio frequencies, household electrical circuits and telephone lines. Company personnel are actively involved with various industry organizations and bodies, which are in the process of setting standards for infrared, radio frequency, power line, telephone and cable communications and networking in the home. There can be no assurance that any of the Company's research and development projects will be successfully completed.

The Company's engineering, research and development departments, located in Cypress, California, had approximately 53 full-time employees at December 31, 1998. The Company's expenditures on engineering, research and development in 1998, 1997 and 1996 were \$4.0 million, \$5.1 million, and \$2.6 million, respectively, of which approximately \$1,230,000, \$1,072,000, and \$288,000, respectively, was for research and development.

ENVIRONMENTAL MATTERS

The Company believes it has materially complied with all currently existing federal, state and local statutes and regulations regarding environmental standards and occupational safety and health matters to which it is subject. During the years ended December 31, 1998, 1997 and 1996, the amounts incurred in complying with federal, state and local statutes and regulations pertaining to environmental standards and occupational safety and health laws and regulations did not materially affect the Company's earnings or financial condition. However, future events, such as changes in existing laws and regulations or enforcement policies, may give rise to additional compliance costs that could have a material adverse effect upon the capital expenditures, earnings or financial condition of the Company.

EMPLOYEES

At December 31, 1998, the Company employed approximately 179 employees, of whom 53 were in engineering, research and development, 34 in sales and marketing, 40 in consumer service and support, 28 in operations and warehousing and 24 in executive and administrative staff. None of the Company's employees is subject to a collective bargaining agreement or is represented by a union. The Company considers its employee relations to be good.

FOREIGN OPERATIONS

Financial information relating to the Company's foreign operations for the years ended December 31, 1998, 1997 and 1996, is included in "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA-NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-NOTE 14".

1997 RESTRUCTURING

In December 1997, the Company announced its decision to discontinue its North American One For All Retail line of business and the distribution channel supported by the operations in the Twinsburg, Ohio facility. The Company continues to supply a limited line of remote control products to several mass merchandisers on a direct import basis. The Company closed the Twinsburg, Ohio facility, with the exception of its customer service phone center, and moved its headquarters to its Technology Center in Cypress, California during the second quarter of 1998. The pre-tax restructuring charge of \$8,419,000 taken in the fourth quarter of fiscal year 1997 was composed of severance and employee benefit costs, the write-down of fixed assets to be disposed of to their estimated fair market value, the write-down of intangibles by the amount for which no future benefit existed, write-off of prepaid advertising and other prepaid assets to their estimated fair market value, certain of the Company's consumer service and support, and other costs related to the discontinuation of the North American Retail business. The restructuring was completed during 1998. See "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA - NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - NOTE 16."

In connection with the discontinuation of the North American Retail product line, the Company increased the allowance for doubtful accounts by \$2,500,000 in the fourth quarter of 1997. This increase primarily related to certain customer accounts of the Company that were deemed at risk due to the Company's exit from this business. See "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA - NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - NOTE 3."

In 1997, the North American Retail product inventories were written down by \$3,892,000 to a carrying value of approximately \$7.0 million from a carrying value prior to the write down of approximately \$10.9 million. The purpose of this write down was to carry this inventory at what management believed its estimated net realizable value was as a result of the discontinuation of this business. See "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA - NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - NOTE 4."

ITEM 2. PROPERTIES

The Company's headquarters are located in Cypress, California. The Company utilizes the following office and warehouse facilities:

Location - - - - -	Purpose or Use - - - - -	Square Feet - - - - -	Status - - - - -
Twinsburg, Ohio	Customer call center	8,509	Leased, expires July 17, 2002
Cypress, California	Corporate headquarters and warehouse Engineering, research and development	30,768	Leased, expires December 31, 2002
Enschede, Netherlands	European headquarters and consumer support	9,149	Leased, expires August 2002

The Company believes its existing facilities will be adequate to meet the Company's needs for the foreseeable future. See "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA - NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - NOTE 11" for additional information regarding the Company's obligations under leases.

ITEM 3. LEGAL PROCEEDINGS

On December 20, 1995, Jasco Products Co., Inc. filed a breach of contract action against the Company in the U.S. District Court for the Western District of Oklahoma, Jasco Products Co., Inc. v. Universal Electronics Inc., Case No. CIV-95-1988T, alleging that the Company was in breach of warranties with respect to product delivered by the Company, failed to return certain tooling and must continue providing telephonic customer support. On January 5, 1996, the Company filed a breach of contract action against Jasco Products Co., Inc. in the U.S. District Court for the Northern District of Ohio, Universal Electronics Inc. v. Jasco Products Co., Inc., Case No. 5:96CV0029, alleging that Jasco has failed to pay for product delivered to and received by them. In the first quarter of 1996, these two cases were consolidated, with the Ohio matter being transferred to Oklahoma. In January 1997, the Company amended its complaint against Jasco by adding allegations that Jasco defrauded the Company in connection with and in addition to breaching its agreement with the Company. Throughout this litigation, the Company vigorously denied liability. Jasco admitted owing monies to the Company, but it sought to offset these amounts against amounts which it believed it was owed by the Company. During the second quarter of 1998, the parties entered into a settlement agreement and these matters were dismissed with prejudice. Pursuant to the settlement agreement, the Company paid Jasco \$300,000 in cash and agreed to forgive a receivable owed by Jasco to the Company in the amount of approximately \$450,000, in exchange for the forgiveness of certain debts Jasco claimed were owed to Jasco by the Company.

On March 25, 1997, Furst Energy Incorporated and David A. Benoit filed an action against the Company in the U.S. District Court for the District of New Jersey, Furst Energy Incorporated, et.al. v. Universal Electronics Inc., Case No. 97CV1479 (JEI) alleging, among other things, that the Company's "The Finder J" and "Five Device Remote Control with Finder" products contain material which was misappropriated from Furst. At all times with respect to this matter and particularly in its answer, the Company denied these allegations. On October 12, 1998, the parties entered into a Settlement Agreement and, in the first quarter of 1999, this matter was dismissed with prejudice.

On June 23, 1998, Circuit Solutions, Inc. filed a suit against the Company in the Court of Common Pleas, Lorain County, Ohio, Circuit Solutions, Inc. v. Universal Electronics Inc., Case No. 98CV121418 alleging breach of contract and further alleging damages in the amount of \$110,000. On July 20, 1998, due to a motion by the Company, the suit was transferred to the United States District Court for the Northern District of Ohio,

Eastern Division, Circuit Solutions, Inc. v. Universal Electronics Inc., Case No. 1:98 CV 1647. In January 1999, this matter was dismissed with prejudice after the Company entered into a Release and Settlement Agreement with Circuit Solutions in which all claims made by Circuit Solutions against the Company were settled in exchange for the Company's payment of \$55,000.

On June 25, 1998, a former executive officer of the Company, Bruce V. Vereecken, filed suit against the Company in the Court of Common Pleas, Summit County, Ohio, Bruce V. Vereecken v. Universal Electronics Inc., Case No. CV 98 06 2506, alleging the Company has breached its Separation Agreement and General Release with the plaintiff and, in addition, claiming promissory estoppel, unjust enrichment and bad faith. The plaintiff is seeking damages in excess of \$25,000. This case is in the preliminary stages of pleading, with the Company filing its answer on August 13, 1998 denying plaintiff's allegations and claims and it intends to vigorously defend this action.

On November 8, 1998, SKR Resources, Inc. filed suit against the Company in the United States District Court for the Northern District of Ohio, Eastern Division, SKR Resources, Inc. v. Universal Electronics Inc., Case No. 1:98CV 2561, alleging the Company has breached a Sales Agreement alleged to have been made in December 1997 with the plaintiff. The plaintiff is seeking damages in excess of \$630,000 and is also seeking specific performance on the Agreement. On January 15, 1999, the Company filed its answer denying plaintiff's allegations. In addition, the Company has filed a counterclaim asserting that SKR breached a Sales Agreement entered into in April 1996 with the Company and in addition the Company has claimed that SKR was unjustly enriched. The Company is seeking damages in excess of \$1,600,000. As a result of the Company's counterclaim, SKR admitted its obligations under the April 1996 Sales Agreement, and the Company dismissed its counterclaim without prejudice. This case is in the preliminary stages of pleading and the Company intends to vigorously defend this action.

There are no other material pending legal proceedings, other than litigation that is incidental to the ordinary course of business, to which the Company or any of its subsidiaries is a party or of which any of their property is subject.

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 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. In the opinion of management, final judgments, if any, which might be rendered against the Company in potential or pending litigation, would not have a material adverse effect on the Company's financial condition or results of operations. Moreover, management believes that the Company's products do not infringe any third parties' patent or other intellectual property rights.

The Company maintains directors' and officers' liability insurance which insures individual directors and officers of the Company against certain claims such as those alleged in the above lawsuits, as well as attorney's fees and related expenses incurred in connection with the defense of such claims.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the Company's fiscal year through the solicitation of proxies or otherwise.

EXECUTIVE OFFICERS OF THE REGISTRANT*

The following table sets forth certain information concerning the executive officers of the Company as of February 28, 1999:

NAME ----	AGE ---	POSITION -----
Paul D. Arling	36	President, Chief Operating Officer, and Chief Financial Officer
Richard A. Firehammer, Jr.	41	Senior Vice President, General Counsel and Secretary
Camille Jayne	46	Chairman and Chief Executive Officer
Mark Belzowski	40	Vice President and Corporate Controller

*Included pursuant to Instruction 3 to Item 401(b) of Regulation S-K.

Paul D. Arling has been President, Chief Operating Officer, and Chief Financial Officer of the Company since being rehired by the Company in September 1998. He was the Company's Senior Vice President and Chief Financial Officer from May 1996 until August 1998. From 1993 through May 1996, he served in various capacities at LESCO, Inc. (a manufacturer and distributor of professional turf care products) with the most recent being Acting Chief Financial Officer. Prior to LESCO, he worked for Imperial Wallcoverings (a manufacturer and distributor of wallcovering products) as Director of Planning and The Michael Allen Company (a strategic management consulting company) where he was employed as a management consultant. He obtained a BS degree from the University of Pennsylvania in 1985 and an MBA from the Wharton School of the University of Pennsylvania in 1992.

Richard A. Firehammer, Jr., Esq. has been Senior Vice President of the Company since being rehired by the Company in February 1999. He has been the Company's General Counsel since October 1993 and Secretary since February 1994, positions he continued to hold after his employment with the Company ceased as part of the 1997 restructuring. He was the Company's Vice President from May 1997 until August 1998. From November 1992 to September 1993, he was associated with the Chicago, Illinois law firm, Shefsky & Froelich, Ltd. From 1987 to 1992, he was with the law firm, Vedder, Price, Kaufman & Kammholz in Chicago, Illinois. He is admitted to the Bars in the State of Illinois and the State of Ohio. Mr. Firehammer is also a certified public accountant. He received a BS degree from Indiana University and a JD degree from Whittier College School of Law.

Camille Jayne has been Chairman of the Company since December 1998 and has been the Company's Chief Executive Officer since August 1998. She was the Company's President and Chief Operating Officer of the Company since February 1998. Prior to that, she was President and CEO of The Jayne Group (a consulting firm specializing in the development, introduction and operation of digital cable TV products and services) and a Senior Partner at BHC Consulting (a business management and market research firm). Prior to The Jayne Group and BHC, Ms. Jayne was Senior Vice President in charge of the digital TV business unit at Tele-Communications, Inc (TCI). She holds both a BA and Masters degree from Stanford and an MBA from the University of Michigan.

Mark Belzowski has been Vice President and Corporate Controller of the Company since May 1998 when he joined the Company. From February 1997 through April 1998, he was a financial management consultant for various companies including a cellular reseller and a local area network switch manufacturer. From September

1994 through January 1997, he was Vice President Controller for three companies (two of which were start-up companies) in the Turner Entertainment Group, a division of Turner Broadcasting Systems, Inc. From September 1988 through August 1994, he served in various capacities at Orion Pictures Corporation with the most recent being Vice President Corporate Controller. Prior to that, Mr. Belzowski was a Senior Auditor with Ernst and Young, Certified Public Accountants. He is a certified public accountant in the State of California. Mr. Belzowski obtained a BS degree from California State University at Fullerton.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock trades on the National Market of The Nasdaq Stock Market under the symbol "UEIC".

The following table sets forth, for the periods indicated, the high and low last reported sale prices for the Company's common stock, as reported on the National Market of The Nasdaq Stock Market:

	1998		1997	
	High	Low	High	Low
First Quarter	\$11-7/8	\$9-5/8	\$6-1/8	\$4-1/2
Second Quarter	13-1/4	10-1/8	6-7/8	4-1/4
Third Quarter	14-1/2	10	8-11/16	6-3/16
Fourth Quarter	11-3/4	8-1/4	10-7/8	8-1/8

Stockholders of record on December 31, 1998 numbered approximately 175.

The Company has never paid cash dividends on its common stock and does not intend to pay cash dividends on its common stock in the foreseeable future. The Company intends to retain its earnings, if any, for the future operation and expansion of its business. In addition, the terms of the Company's revolving credit facility limit the Company's ability to pay cash dividends on its common stock. See "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS-LIQUIDITY AND CAPITAL RESOURCES" and "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA-NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-NOTE 6."

RECENT SALES OF UNREGISTERED SECURITIES

On September 1, 1998, in connection with the Company's acquisition of H&S Management Corp., the Company issued 84,211 shares of Common Stock, valued at \$10.375 per share, as well as \$1.5 million in cash to H & S Management Corp. as consideration for the purchase price. Registration under the Securities Act of 1933 was not effected with respect to the transaction described above in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act of 1933.

On November 9, 1998, the Company issued a warrant to purchase Company common stock to General Instrument Corporation as consideration for entering into an exclusive supply agreement with the Company. The warrant is contingent upon General Instrument Corporation purchasing a specified minimum number of units of products from the Company for each of the calendar years 1999, 2000 and 2001. Assuming such minimum purchase requirements are met, the warrant allows General Instrument Corporation to purchase up to 300,000 shares of Company common stock at an exercise price of \$12.625 per share. Registration under the Securities Act of 1933 was not effected with respect to the warrant in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act of 1933.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

	Year Ended December 31,				
	1998	1997	1996	1995	1994
	(in thousands, except per share data)				
Net sales	\$ 96,123	\$ 114,338	\$ 98,589	\$ 105,090	\$ 95,939
Operating income (loss)	\$ 9,505	\$ (9,289)	\$ (4,098)	\$ 1,179	\$ (18,232)
Net income (loss)	\$ 5,638	\$ (6,518)	\$ (2,295)	\$ 320	\$ (12,833)
Net income (loss) per share:					
Basic	\$ 0.88	\$ (1.04)	\$ (0.34)	\$ 0.05	\$ (1.91)
Diluted	\$ 0.85	\$ (1.04)	\$ (0.34)	\$ 0.05	\$ (1.91)
Weighted average common stock outstanding:					
Basic	6,386	6,282	6,661	6,744	6,708
Diluted	6,600	6,282	6,661	6,778	6,708
Gross margin	37.7%	27.7%	24.9%	29.3%	17.3%
Selling, general and administrative as a percent of sales	27.8%	26.3%	29.0%	27.3%	36.3%
Net income to sales	5.9%	(5.7%)	(2.3%)	0.3%	(13.4%)
Return on average assets	9.3%	(10.8%)	(3.5%)	0.4%	(17.1%)
Working capital	\$ 26,921	\$ 29,350	\$36,515	\$ 43,996	\$ 45,433
Ratio of current assets to liabilities	2.7	2.3	4.4	3.2	2.8
Total assets	\$ 60,677	\$ 61,138	\$59,451	\$ 70,105	\$ 75,270
Long-term debt	--	--	\$ 3,183	--	--
Stockholders' equity	\$ 44,532	\$ 38,887	\$45,627	\$ 50,238	\$ 49,803
Book value per share	\$ 6.96	\$ 6.16	\$ 7.16	\$ 7.44	\$ 7.39
Ratio of liabilities to liabilities and stockholders' equity	26.6%	36.4%	23.3%	28.3%	33.8%

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table sets forth the statement of operations data of the Company expressed as a percentage of net sales for the periods indicated.

	Year Ended December 31,		
	1998	1997	1996
Net sales			
On-going business	92.6%	74.5%	64.5%
Discontinued North American Retail business	7.4	25.5	35.5
Total net sales	100.0	100.0	100.0
Cost of sales			
On-going business	54.8	48.3	41.4
Discontinued North American Retail business	7.5	20.5	32.6
Inventory write-down	--	3.4	1.1
Total cost of sales	62.3	72.2	75.1
Gross profit	37.7	27.8	24.9
Selling, general and administrative expenses	27.8	26.3	29.0
Discontinued North American Retail business bad debt expenses	--	2.2	--
Restructuring expense	--	7.4	--
Operating income (loss)	9.9	(8.1)	(4.1)
Interest expense (income)	0.5	0.6	0.8
Other expense (income)	0.1	(0.1)	(0.3)
Income (loss) before income taxes	9.3	(8.6)	(4.6)
Provision (benefit) for income taxes	3.4	(2.9)	(2.3)
Net income (loss)	5.9%	(5.7%)	(2.3%)

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

Net sales in 1998 were \$96.1 million compared to \$114.3 million in 1997. Net sales in the Company's technology businesses (subscription broadcasting, OEM and private label) were approximately 65.3% of net sales in 1998 compared to 53.0% in 1997. Net sales from the continuing retail businesses (One For All international, Eversafe and direct import) accounted for approximately 27.3% of total 1998 net sales compared to 21.5% in 1997. Net sales in 1998 from the discontinued North American Retail business (One For All US and Canada) were approximately 7.4% of overall net sales compared to 25.5% in 1997.

Net sales in the Company's technology businesses for 1998 increased by approximately 3.6% from \$60.6 million in 1997 to \$62.8 million in 1998. Revenues from subscription broadcasting (the largest component of the technology group) increased by 14.1% to \$46.4 million in 1998 compared to \$40.7 million in 1997. The increase in sales of subscription broadcasting products was primarily due to continued strong demand in new remote control business with the providers of satellite broadcast services. Delayed customer orders in anticipation of a new line of remotes in combination with increased competition resulted in reduced shipments in the private label business and accounted for a 39.5% decrease in revenues from \$11.2 million in 1997 to \$6.8 million in 1998. OEM sales were flat at \$8.8 million in both 1998 and 1997.

The Company's net sales from its continuing retail businesses increased by 6.5% in 1998 from \$24.6 million in 1997 to \$26.2 million in 1998. One For All international revenues (the largest component of the continuing retail business group) increased 5.8% in 1998 from \$21.0 million in 1997 to \$22.2 million in 1998. The change can be attributed to the growth in universal remote control business in Europe. Net sales of Eversafe products decreased 49.7% to \$1.8 million from \$3.7 million primarily due to weaker demand.

Net sales in 1998 of the Company's discontinued North American Retail product line decreased 75.7% from \$29.1 million to \$7.1 million as the Company sold off its remaining inventory for this business line at an amount just below its carrying value.

The Company's overall gross profit margin in 1998 was 37.7% compared to a gross margin of 27.7% in 1997. In the Company's continuing businesses, the gross margin increased to 40.8% in 1998 compared to 35.2% in 1997. This increase can be attributed to improved margins in the Company's subscription broadcasting and One For All international businesses due primarily to reduced product costs. In the Company's discontinued North American Retail business, the gross margin decreased from \$5.7 million or 19.4% in 1997 to a negative gross margin of \$75,000 in 1998 as the Company sold the remaining product in this line at average selling prices just below its carrying value. In 1997, the North American Retail product inventories were written down by \$3,892,000 to a carrying value of approximately \$7.0 million from a carrying value prior to the write down of approximately \$10.9 million. The purpose of this write down was to carry this inventory at what management believed its estimated net realizable value was as a result of the discontinuation of this business. In addition to the factors discussed here, gross profit margin is affected by many factors including, among other things, competitive market pressures, shifts in product mix, fluctuations in manufacturing and freight costs, changes in customer mix and aggressive consumer promotions.

As a percentage of net sales, selling, general and administrative expenses increased to 27.8% in 1998 from 26.3% in 1997. In dollars, the Company's selling, general and administrative expenses decreased 11.1% during 1998 to \$26,738,845 from \$30,089,673 in 1997. Advertising and payroll expenses decreased during 1998 by approximately \$2.0 and \$1.3 million, respectively, which were partially

offset by an increase in amortization expense of \$.6 million. The reductions in advertising costs were attributable to the elimination of retail-related advertising programs for the Company's discontinued North American Retail product line. The payroll decreases were a result of headcount reductions associated with the discontinuation of the North American Retail product line. The increase in amortization expense was due to the amortization of additional goodwill from businesses acquired and non-compete covenants entered into in 1998.

In connection with the discontinuation of the North American Retail product line, the Company increased the allowance for doubtful accounts by \$2,500,000 in the fourth quarter of 1997. This increase primarily related to certain customer accounts of the Company that were deemed at risk due to the Company's exit from this business.

In December 1997, the Company announced its decision to discontinue its North American One For All Retail business. As part of that announcement, the Company advised its employees, stockholders and the investment community generally that it would recognize a pre-tax charge of \$8,419,000 during the fourth quarter of 1997 (see discussion in Year Ended December 31, 1997 Compared to Year Ended December 31, 1996).

As the Company anticipated when it made its December 1997 announcement, the discontinuation occurred primarily during the first half of 1998 and was completed during the 1998 third quarter. During this transition, the Company continued to support its retail customers by selling through its remaining inventory of North American Retail remote control products. Thereafter, in accordance with the Company's plan, the Company licensed certain of its technology and its One For All trademark to a third party and an overseas manufacturer, to enable them to supply several of these customers with a limited number of remote control products on a direct import basis.

During the first half of 1998, the Company relocated its headquarters from its Twinsburg, Ohio facility to its Technology Center in Cypress, California. In connection with this move, all of the Company's operations and administrative functions were moved to its new headquarters, with the exception of its customer service phone center, which remained in the Company's Twinsburg facility. In the third quarter of 1998, the Company sold its Twinsburg facility to a third party at a price of \$1,695,000 and leased back a portion of it to house its customer service phone center on terms which the Company believed to be competitive. The carrying value of the building at the time of the sale was approximately \$1,729,000 and the Company recognized a loss on the sale of the building of approximately \$34,000.

A reserve of \$3,929,000 was established as part of the Company's 1997 fourth quarter restructuring (see discussion in Year Ended December 31, 1997 Compared to Year Ended December 31, 1996). During 1998, the Company completed this restructuring and used the reserve in its entirety. The restructuring proceeded according to the Company's plan and was completed without any significant changes to the plan. The following table details the type and amount of costs charged against the reserve during 1998.

Type of Cost -----	Amount -----
Severance and related employee benefit costs	\$3,180,000
Consumer support and service	393,000
Other retail business exit costs	356,000

	\$3,929,000
	=====

Interest expense decreased by \$171,918 in 1998 to \$455,577 from \$627,495 in 1997 due to reduced borrowing under the Company's revolving letter agreement and lower average borrowing costs. Other expense increased to \$100,355 in 1998 from \$587 in 1997. This occurred as a result of higher net

currency exchange losses from the Company's international operations.

The Company had an effective income tax rate for 1998 of 37% as compared to 34.3% in 1997. The difference in the 1998 rate as compared to the 1997 rate was primarily due to differences in NOL carryforward limitations in California versus Ohio due to the relocation of the Company's headquarters from Ohio to California.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

Net sales in 1997 were \$114.3 compared to \$98.6 million in 1996. During 1997, net sales of the North American Retail product line accounted for approximately 25.5% of net sales compared to 35.5% in 1996. Net sales of subscription broadcasting and OEM products accounted for approximately 43.2% of total net sales for 1997, compared to 29.5% in 1996. International One For All net sales accounted for approximately 18.4% of the total 1997 net sales compared to 21.7% in 1996. Private label net sales during 1997 were approximately 9.8% compared to 10.7% in 1996. Net sales of Eversafe products accounted for approximately 3.2% of total 1997 net sales compared to 2.6% in 1996.

The decrease in the North American Retail product line sales in 1997 was principally due to unit volume decreasing by approximately 27.5% from the 1996 level. Private label unit volume and revenues in 1997 increased as compared to 1996, but decreased as a percent of total sales due to the strong growth in the other components of the Company's technology businesses. The increase in net sales of subscription broadcasting and OEM products as a percentage of total net sales was primarily due to the new remote control business with satellite broadcast service providers that the Company had expected and the acceptance of the new line of cable remotes that were introduced during the fourth quarter of 1996.

Unit sales during 1997 were up by 25% over 1996 and 1997 revenues increased by 65% compared to 1996 in the subscription broadcasting and OEM businesses. Total international revenues during 1997 remained flat as compared to 1996, however, as a percent of total sales, international revenues decreased. During 1997, Eversafe sales showed an improvement due to strong sales of the garage door product line.

The Company's gross profit margin in 1997 was 27.7% compared to a gross margin of 24.9% in 1996. The improvement in margin was principally due to improved margins for the Company's subscription broadcasting and OEM products. Product cost savings and a new line of lower cost and more efficient integrated circuits added to the margin improvements. These margin improvements were partially offset by a 1997 write-down of the North American Retail product inventories to their estimated net realizable value as a result of the discontinuation of the North American Retail business (see discussion in Year Ended December 31, 1998 Compared to Year Ended December 31, 1997). In addition to the factors discussed here, gross profit margin is affected by many factors including, among other things, competitive market pressures, shifts in product mix, fluctuations in manufacturing and freight costs, changes in customer mix and aggressive consumer promotions.

In December 1997, the Company announced its decision to discontinue its North American One For All Retail business. As part of that announcement, the Company advised its employees, stockholders and the investment community generally that it would recognize a pre-tax charge of \$8,419,000 during the fourth quarter of 1997. The table below depicts the costs associated with this action.

Type of Cost -----	Amount -----
Severance and related employee benefit costs	\$3,260,000
Prepaid advertising for retail products	2,129,000
Fixed assets	1,738,000
Intangible assets - trademarks	460,000
Consumer support and service	393,000
Prepaid assets	163,000
Other retail business exit costs	276,000

	\$8,419,000
	=====

Severance and related employee benefits were determined by adding such estimated amounts for each of the 105 employees of the Company that were terminated in the restructuring. Charges for prepaid advertising, prepaid assets and fixed assets were determined by comparing net book values to estimated fair market values. The unamortized value of the trademarks used solely on products that were discontinued and determined by the Company to not be usable in its on-going businesses were written off in their entirety. Consumer support and service costs relate to ongoing contractual obligations of the Company to provide telephonic support for certain of its products that were discontinued as part of this restructuring.

Under the Company's plan, the Company anticipated that the discontinuation would (i) reduce its annual overhead by approximately \$5.0 million as a result of significantly reducing the advertising associated with the retail business, eliminating the costs associated with owning and operating the Twinsburg facility, terminating 105 employees during the first half of 1998, reducing the Company's amortization expense as a result of writing off certain of the Company's trademarks used solely on products that were discontinued and determined by the Company to not be usable in its on-going businesses, and eliminating costs associated with obtaining and holding an inventory of products for sale to its retail customers; and (ii) create a profitable new marketing and distribution channel for certain of its technology and trademarks by licensing them to third party distributors and manufacturers for their use in the domestic retail markets.

In 1996, the Company incurred a pre-tax charge of \$1.1 million associated with the write-down of certain microprocessors used in its One For All branded products. The Company began ordering these chips in late 1993 in anticipation of future orders for the Company's products and certain of these chips remained on the Company's books in 1996 at their original cost or carrying value of \$3.5 million. After this write down, the carrying value of this inventory was approximately \$2.4 million. This charge was recorded following a December 1996 announcement by one of the Company's key integrated circuit suppliers about the planned introduction of a new line of lower cost, more efficient chips expected to occur sometime during the third or fourth quarter of 1997. The Company had hoped that it would be able to use these chips without incurring a loss, however, when many of its customers indicated a willingness to delay product orders until the new line of chips were available, the Company determined that it would not be able to use these chips in its remote control products. During 1997, however, as a result of an unanticipated order from one of its customers, the Company was able to use the bulk of these computer chips as a component in a new product although at a reduced price. By using these chips, the Company was able to remove them from its inventory without incurring any additional losses and with no significant effect on the Company's gross margin.

Selling, general and administrative expenses during 1997, excluding the fourth quarter pre-tax restructuring charge of \$8,419,000, decreased compared to 1996 as a percentage of sales to 28.5% in 1997 from 29.0% in 1996. The decrease as a percent of sales is principally due to the increased net sales for the year. Advertising and telephone expenses decreased by approximately \$1.5 and \$0.5

million, respectively, which were offset by cost increases for bad debt, payroll and depreciation expense. The reduction in the advertising costs was the result of the decision to eliminate certain fourth quarter planned advertising programs for the Company's North American Retail product line when the decision was made to discontinue this line of business. The telephone expenses were reduced through the negotiation of a more favorable contract with the Company's long distance carrier and the conversion to an automated attendant for a portion of the calls to the Company's customer service phone center. In connection with the discontinuation of the North American Retail product line, the Company increased the allowance for doubtful accounts by \$2.5 million in the fourth quarter of 1997. This increase primarily related to certain customer accounts of the Company that were deemed at risk due to the Company's exit from this business. The payroll increases were primarily due to additions to the Company's technology and engineering departments. Depreciation expense increased due to the reduction in the useful life for tooling from five to three years.

Interest expense decreased by \$95,872 in 1997 to \$627,495 compared to \$723,367 in 1996. This decrease is due to reduced borrowing under the Company's revolving letter agreement. Other expense (income) was a net loss of \$587 in 1997 as compared to a net gain of \$234,486 in 1996 due primarily to lower net currency exchange gains in 1997.

The Company had an effective income tax rate for 1997 of 34.3% as compared to 50% in 1996. The difference in the rates is primarily due to a reduction in state income taxes and federal income tax credits.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of funds are its operations and bank credit facilities. Cash provided by operating activities for 1998 was \$9.7 million as compared to cash used for operating activities during 1997 of \$186,000 and cash provided by operating activities during 1996 of \$8.6 million. The improvement in 1998 cash flow from operating activities is principally due to the significant increase in income before taxes in 1998, offset by cash payments incurred during 1998 to complete the discontinuation of the North American Retail product line and restructuring announced in late 1997.

On October 23, 1998, the Company paid off its outstanding credit line with The Provident Bank and entered into a new \$15 million revolving credit agreement with Bank of America National Trust and Savings Association ("B of A"). Under the revolving credit agreement with B of A, the Company can choose from several interest rate options at its discretion. The interest rate option selected by the Company as of December 31, 1998 was the Fixed Rate option as defined in the agreement (7.375% at December 31, 1998), which is intended to approximate B of A's cost of funds, plus an applicable margin. 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 December 31, 1998, the applicable margin for the Company was two percent. The revolving credit facility, which expires 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 revolving credit 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 which 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 54,500 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 December 31, 1998, the Company had utilized approximately \$4.8 million of the credit facility for business acquisitions, payments to acquire fixed assets, treasury stock purchases and other working capital needs. The Company had no outstanding import letters of credit as of

December 31, 1998. The Company's borrowing under this revolving credit facility and outstanding import letters of credit fluctuates due to, among other things, seasonality of the business, the timing of supplier shipments, customer orders and payments, and vendor payments.

Open market purchases of the Company's common stock under a program first announced in 1996 and continued each year thereafter amounted to approximately \$3.5 million in 1998, \$700,000 during 1997 and \$2.6 million in 1996. The Company holds all of these shares 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 1998, the Company received approximately \$1.5 million of proceeds from the exercise of stock options granted to the Company's current and former employees, as compared to approximately \$264,000 in 1997 and \$143,000 in 1996. The primary reason for the significant increase in stock option exercises during 1998 was that the Company's stock began to trade at relatively high levels towards the second half of 1998 and many employees who were terminated during 1998 as part of the Company's restructuring (principally the Company's former Chairman of the Board) elected to exercise their options.

Capital expenditures in 1998, 1997 and 1996 were approximately \$2.4 million, \$2.7 million, and \$3.4 million, respectively. These expenditures related primarily to acquiring product tooling and relocating the Company's headquarters from Twinsburg, Ohio to Cypress, California during 1998. The Company has currently budgeted approximately \$2.0 million in capital expenditures for 1999 primarily for 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 and the remaining \$1.3 million will be paid in 1999. During the third quarter of 1998, the Company acquired a remote control company, for \$1.5 million in cash and 84,211 shares of newly issued Company common stock valued at \$874,000.

Historically, the Company's working capital needs have typically been greatest during the third and fourth quarters when accounts receivable and inventories increase in connection with the fourth quarter holiday selling season. However, due to the discontinuation of the Company's North American Retail line and the increasing significance of the Company's other lines of business including subscription broadcasting and OEM, the Company expects that some of this historical need will be lessened. At December 31, 1998, the Company had \$26.9 million of working capital compared to \$29.4 million at December 31, 1997. The reduction in working capital is principally due to the decreases discussed above.

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 1999, however, there can be no assurances that this will occur.

YEAR 2000 READINESS DISCLOSURES

In connection with the Year 2000 Information and Readiness Disclosure Act which was signed by President Clinton on October 19, 1998 and its eventual passage into law on December 3, 1998, the Company makes these Year 2000 readiness disclosures in connection with addressing the universal problem commonly referred to as "Year 2000 Compliance," which relates to the ability of computer programs and systems to properly recognize and process date sensitive information before and after January 1, 2000. Many existing computer systems and software programs currently in use are coded to accept only two digit entries in the date code field. These systems and programs were designed

and developed without considering the impact of the upcoming change in the century. If not corrected, many computer applications could fail or create erroneous results by or at the Year 2000.

The Company has continually evaluated the potential impact of the Year 2000 issue on its information technology systems and on its non-information technology systems and products. In this connection, the Company has fully tested and has recently upgraded the software it uses for all of its internal information technology systems to a new version that is Year 2000 compliant. At the same time, the Company also replaced its main computer hardware with Year 2000 compliant equipment. These program and information technology system changes and the acquisition of new Year 2000 compliant computer equipment were also made to increase functionality. Expenditures associated with completing these changes totaled approximately \$150,000 in 1998. The Company now believes that its internal information technology systems are Year 2000 compliant.

In addition, the Company has performed a full internal evaluation of its non-information technology systems and products. Based upon that evaluation and certain ongoing tests that the Company performs from time to time, it believes that its non-information technology systems and products are Year 2000 compliant. Because of these ongoing evaluations, the Company sells its products with Year 2000 compliance warranties. Although the Company strongly believes that its products are Year 2000 compliant and provides Year 2000 compliance warranties with its products, there can be no assurance that the Company has identified all possible Year 2000 product issues and that any such issues would not have an adverse financial impact on the Company.

The Company also requests its customers and suppliers to make similar Year 2000 compliance representations regarding their information technology and non-information technology. As a result of this request, the Company is not aware that any of its suppliers and customers are not addressing the Year 2000 issue and, where appropriate, taking corrective action in connection with any Year 2000 problems they may have discovered. Moreover, the Company will increase the amount of monitoring it performs with respect to its customers and suppliers to help ensure that their performance is not delayed or withheld.

Although the Company believes that it has taken and will continue to take appropriate precautions against disruptions of its information technology and non-information technology systems and products due to the Year 2000 issue, there can be no assurance that the Company will identify all Year 2000 problems in advance of their occurrence, or that the Company will be able to successfully remedy any problems that are discovered. Furthermore, there can be no assurance that the Company's suppliers and customers will not be adversely affected by the Year 2000 issue. Although the Company believes that its information technology and non-information technology systems and products are Year 2000 compliant, the Company believes that the reasonable worst case scenario may involve the failure of its customers to pay for the Company's product in a timely manner or the failure of its suppliers to deliver products timely. However, the Company believes that due to its state of readiness with respect to the Year 2000 issue, that any such delays should not have a material adverse effect on the Company's business, financial and operating results, as its systems should serve as adequate backup to help ensure that its customers and suppliers perform their obligations to the Company in a timely and adequate fashion. The Company cautions, however, that until it enters the year 2000, the actual impact of the Year 2000 issue will not be known and that such actual results may differ materially from those anticipated by the Company resulting in a material adverse effect on the Company's business, financial and operating results. The Company will, however, continue to monitor its customers and suppliers, and take timely steps to correct any system or product failures or interruptions that the Company or any its suppliers or customers develop or that have been discovered.

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 Annual Report of the Form 10-K, 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 Annual Report on Form 10-K 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 remote control products, and certain other components used in the Company's products, from one main source, which provides in excess of ten percent (10%) of the Company's microprocessors for use in its products. The Company has recently 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 or termination in the supply of any of the components used in the Company's products, or a reduction in their quality or reliability, 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 substantially all of the Company's remote 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, 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 affect 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. In addition, the Company's business historically 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 affected.

Although the restructuring of the Company has been completed, the Company may continue to 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, 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 products sold, component pricing, mix of international and North American 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 affected.

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.

Dependence Upon Timely Product Introduction

The Company's ability to remain competitive in the remote 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 remote control products and proprietary technologies to private label customers, original equipment manufacturers ("OEMs"), and companies involved in the subscription broadcast 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 the United Kingdom, Europe, and Australia currently representing the Company's principal foreign markets. During 1998, 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 may have an adverse effect on the Company's financial condition or results of operations.

Competition

The remote 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.

1997 Restructuring Efforts

The Company believes that the discontinuation of its North American Retail business and its subsequent restructuring favorably impacted the Company's ongoing operations due to (i) reductions in the Company's annual overhead which were a result of closing the Company's Twinsburg, Ohio facility, (ii) eliminating employee and other costs associated with operating this business, and (iii) generating revenues from licensing certain of its technology and trademarks. There can be no assurance that any such cost savings or revenues will continue to occur and if they do, that they will be significant or maintained.

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 affect on the Company's international operations, and consequently on the Company's business, operating results and financial condition.

OUTLOOK

The Company's focus in 1999 is to 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 increase 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 1999 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.

In addition, during 1999, 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.

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 Annual Report on Form 10-K and the Company's other filings with the Securities and Exchange Commission.

ITEM 7A: 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 therefore, affected by changes in market interest rates. At December 31, 1998, approximately \$4.8 million was outstanding on the credit line. The interest rate as of December 31, 1998 was 7.375%. The Company has wholly-owned subsidiaries in the Netherlands, United Kingdom and Germany. Sales from these operations are typically denominated in local currencies including Dutch Guilders, British Pounds, and German Marks, thereby creating exposures to changes in exchange rates. Changes in 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 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 appropriate 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 December 31, 1998, movements in foreign currency rates would not materially affect the financial position of the Company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
Universal Electronics Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Universal Electronics Inc. and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Costa Mesa, California
January 22, 1999

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	1998	1997
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,488,672	\$ 1,096,611
Accounts receivable	23,639,054	26,049,309
Inventories	14,834,058	16,639,394
Prepaid expenses and other current assets	1,835,035	1,060,205
Assets held for sale	--	1,729,000
Deferred income taxes	1,268,924	5,026,924
Total current assets	43,065,743	51,601,443
Equipment, furniture and fixtures	4,439,947	3,950,220
Goodwill and other intangible assets	6,158,135	459,673
Other assets	1,547,641	474,708
Deferred income taxes	5,465,424	4,652,372
Total assets	\$ 60,676,890	\$ 61,138,416
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Revolving credit facility	\$ 4,786,293	\$ 7,236,766
Accounts payable	7,756,515	7,775,133
Accrued income taxes	331,395	100,629
Accrued compensation	1,090,149	713,942
Accrued restructuring expenses	--	3,928,933
Other accrued expenses	2,180,064	2,495,779
Total current liabilities	16,144,416	22,251,182
Commitments and contingencies (note 15)		
Stockholders' equity:		
Preferred stock, \$.01 par value, 624,512 shares authorized; none issued or outstanding	--	--
Common stock, \$.01 par value, 20,000,000 shares authorized; 7,226,607 and 6,854,410 shares issued at December 31, 1998 and 1997, respectively	72,266	68,544
Paid-in capital	57,971,439	54,454,040
Currency translation adjustment	(121,753)	(73,261)
Accumulated deficit	(6,653,322)	(12,290,972)
Total stockholders' equity	51,268,630	42,158,351
Less cost of common stock in treasury, 829,605 and 542,211 shares in 1998 and 1997, respectively	6,736,156	3,271,117
Total stockholders' equity	44,532,474	38,887,234
Total liabilities and stockholders' equity	\$ 60,676,890	\$ 61,138,416

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

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	1998	1997	1996
	-----	-----	-----
Net sales			
On-going business	\$ 89,035,707	\$ 85,231,450	\$ 63,560,027
Discontinued North American Retail business	7,086,912	29,106,970	35,028,711
	-----	-----	-----
	96,122,619	114,338,420	98,588,738
Cost of sales			
On-going business	52,717,177	55,275,357	40,806,244
Discontinued North American Retail business	7,161,912	23,451,789	32,137,099
Inventory write-down	--	3,892,215	1,112,041
	-----	-----	-----
	59,879,089	82,619,361	74,055,384
Gross profit	36,243,530	31,719,059	24,533,354
Selling, general and administrative expenses	26,738,845	30,089,673	28,631,064
Discontinued North American Retail business bad debt expenses	--	2,500,000	--
Restructuring expense	--	8,418,742	--
	-----	-----	-----
Operating income (loss)	9,504,685	(9,289,356)	(4,097,710)
Interest expense	455,577	627,495	723,367
Other expense (income)	100,355	587	(234,486)
	-----	-----	-----
Income (loss) before income taxes	8,948,753	(9,917,438)	(4,586,591)
Provision (benefit) for income taxes	3,311,103	(3,399,076)	(2,291,844)
	-----	-----	-----
Net income (loss)	\$ 5,637,650	\$ (6,518,362)	\$ (2,294,747)
	=====	=====	=====
Net income (loss) per share:			
Basic	\$ 0.88	\$ (1.04)	\$ (0.34)
	=====	=====	=====
Diluted	\$ 0.85	\$ (1.04)	\$ (0.34)
	=====	=====	=====
Weighted average common stock outstanding:			
Basic	6,386,398	6,282,031	6,661,285
	=====	=====	=====
Diluted	6,599,907	6,282,031	6,661,285
	=====	=====	=====

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

UNIVERSAL ELECTRONICS INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK ISSUED		COMMON STOCK IN TREASURY	
	SHARES	AMOUNT	SHARES	AMOUNT
Balance at December 31, 1995	6,750,898	\$67,509	--	\$ --
Stock options exercised	23,391	234	--	--
Purchase of treasury shares	--	--	(415,000)	(2,593,750)
Additional shares issued for employee retirement plan	12,736	127	--	--
Repayment of loans by employees for purchases of Common Stock	--	--	--	--
Net loss	--	--	--	--
Currency translation adjustment	--	--	--	--
Balance at December 31, 1996	6,787,025	67,870	(415,000)	(2,593,750)
Additional shares issued for employee retirement plan	20,760	208	--	--
Stock options exercised	46,625	466	--	--
Purchase of treasury shares	--	--	(136,600)	(736,048)
Shares issued to Directors	--	--	9,389	58,681
Repayment of loans by employees for purchases of Common Stock	--	--	--	--
Net loss	--	--	--	--
Currency translation adjustment	--	--	--	--
Balance at December 31, 1997	6,854,410	68,544	(542,211)	(3,271,117)
Additional shares issued for employee retirement plan	8,137	81	--	--
Issuance of warrant to customer	--	--	--	--
Stock options exercised	279,849	2,799	--	--
	PAID-IN CAPITAL	CURRENCY TRANSLATION ADJUSTMENT	ACCUMULATED DEFICIT	TOTAL STOCK-HOLDERS' EQUITY
Balance at December 31, 1995	\$53,623,341	\$ 25,020	\$ (3,477,863)	\$ 50,238,007
Stock options exercised	142,518	--	--	142,752
Purchase of treasury shares	--	--	--	(2,593,750)
Additional shares issued for employee retirement plan	109,189	--	--	109,316
Repayment of loans by employees for purchases of Common Stock	75,382	--	--	75,382
Net loss	--	--	(2,294,747)	(2,294,747)
Currency translation adjustment	--	(50,104)	--	(50,104)
Balance at December 31, 1996	53,950,430	(25,084)	(5,772,610)	45,626,856
Additional shares issued for employee retirement plan	129,033	--	--	129,241
Stock options exercised	264,023	--	--	264,489
Purchase of treasury shares	--	--	--	(736,048)
Shares issued to Directors	1,319	--	--	60,000
Repayment of loans by employees for purchases of Common Stock	109,235	--	--	109,235
Net loss	--	--	(6,518,362)	(6,518,362)

Currency translation adjustment	--	(48,177)	--	(48,177)
	-----	-----	-----	-----
Balance at December 31, 1997	54,454,040	(73,261)	(12,290,972)	38,887,234
Additional shares issued for employee retirement plan	88,602	--	--	88,683
Issuance of warrant to customer	1,006,000	--	--	1,006,000
Stock options exercised	1,527,618	--	--	1,530,417

	COMMON STOCK ISSUED		COMMON STOCK IN TREASURY	
	SHARES	AMOUNT	SHARES	AMOUNT
Purchase of treasury shares	--	--	(291,800)	(3,492,576)
Shares issued to Directors	--	--	4,406	27,537
Net income	--	--	--	--
Shares issued in connection with business acquired	84,211	842	--	--
Currency translation adjustment	--	--	--	--
Balance at December 31, 1998	<u>7,226,607</u>	<u>\$72,266</u>	<u>(829,605)</u>	<u>\$(6,736,156)</u>

	PAID-IN CAPITAL	CURRENCY TRANSLATION ADJUSTMENT	ACCUMULATED DEFICIT	TOTAL STOCK-HOLDERS' EQUITY
	-----	-----	-----	-----
Purchase of treasury shares	--	--	--	(3,492,576)
Shares issued to Directors	22,332	--	--	49,869
Net income	--	--	5,637,650	5,637,650
Shares issued in connection with business acquired	872,847	--	--	873,689
Currency translation adjustment	--	(48,492)	--	(48,492)
Balance at December 31, 1998	<u>\$57,971,439</u>	<u>\$(121,753)</u>	<u>\$ (6,653,322)</u>	<u>\$ 44,532,474</u>

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

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Cash provided by (used for) operating activities:			
Net income (loss)	\$ 5,637,650	\$ (6,518,362)	\$ (2,294,747)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	2,600,514	2,131,179	1,646,766
Provision for doubtful accounts	342,661	2,850,000	232,769
Inventory write-down	--	3,892,215	1,112,041
Restructuring expense	--	8,418,742	--
Deferred income taxes	2,944,948	(3,531,008)	(2,452,028)
Other	138,552	189,242	109,316
Changes in operating assets and liabilities:			
Accounts receivable	2,067,594	(8,736,334)	6,193,730
Inventory	1,805,336	676,397	7,935,572
Prepaid expenses and other assets	(841,762)	(3,660)	(1,336,298)
Accounts payable and accrued expenses	(1,258,126)	541,938	(3,260,796)
Accrued restructuring expense	(3,928,933)	--	--
Accrued income taxes	230,766	(96,648)	722,891
Net cash provided by (used for) operating activities	9,739,200	(186,299)	8,609,216
Cash provided by (used for) investing activities:			
Acquisition of fixed assets	(2,395,498)	(2,739,028)	(3,436,951)
Sale of building and other assets	1,862,711	--	--
Payments for businesses acquired	(3,200,000)	--	--
Employee loan repayments for common stock	--	109,235	75,382
Acquisition of intangible assets	(1,153,228)	(131,322)	(211,373)
Net cash used for investing activities	(4,886,015)	(2,761,115)	(3,572,942)
Cash provided by (used for) financing activities:			
Short-term bank borrowing	49,931,280	46,766,476	58,506,665
Short-term bank payments	(52,381,753)	(42,713,186)	(64,626,839)
Long-term debt borrowing	--	--	4,593,751
Long-term debt repayments	--	--	(1,410,275)
Proceeds from stock options exercised	1,530,417	264,489	142,752
Treasury stock purchased	(3,492,576)	(736,048)	(2,593,750)
Net cash provided by (used for) financing activities	(4,412,632)	3,581,731	(5,387,696)
Effect of exchange rate changes on cash	(48,492)	(48,177)	(10,350)
Net increase (decrease) in cash and cash equivalents	392,061	586,140	(361,772)
Cash and cash equivalents at beginning of year	1,096,611	510,471	872,243
Cash and cash equivalents at end of year	\$ 1,488,672	\$ 1,096,611	\$ 510,471

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

UNIVERSAL ELECTRONICS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS

Business

Universal Electronics develops and markets easy-to-use, pre-programmed universal remote controls principally for home video and audio entertainment equipment. The Company sells its remote control products and proprietary technologies to private label customers, original equipment manufacturers ("OEMs"), retail businesses, and companies involved in the subscription broadcast industry. In December 1997, the Company decided to discontinue its North American One For All retail business. During 1998, the Company continued to sell its remote control products internationally under the One for All(R) brand name. The Company also markets a line of home automation products under the Eversafe(R) brand name, principally a universal garage door opener.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and significant transactions have been eliminated in the consolidated financial statements.

Revenue Recognition

Product revenues are recognized upon product shipment. The Company provides allowances for estimated returns of defective or damaged product and other sales promotions and discounts at the time of product shipment.

Foreign Currency Translation

The assets and liabilities of foreign subsidiaries are translated to U.S. dollars using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rates during the period. Resulting translation adjustments are recorded in a separate component of stockholders' equity, "Currency Translation Adjustment".

Cash and Cash Equivalents

Cash and cash equivalents include cash accounts and all investments purchased with initial maturities of three months or less.

Inventories

Inventories consist of remote control devices, home safety and automation devices and related spare parts and are valued at the lower of cost or market. Cost is determined using the first-in, first-out method.

Equipment, Furniture and Fixtures

Fixed assets are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Annual rates of depreciation range from 15% for furniture, fixtures and office equipment to 50% for engineering equipment. Leasehold improvements are amortized over the terms of the related leases. When fixed assets are retired or otherwise disposed

of, the cost and accumulated depreciation are removed from the appropriate accounts and any gain or loss is included in current income.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets are stated on the basis of cost and are amortized on a straight-line basis over the estimated future periods to be benefited. The amortization periods range from five to ten years. Goodwill and other intangible assets are periodically reviewed for impairment based on an assessment of undiscounted future cash flows to ensure that they are appropriately valued. At December 31, 1998, 1997 and 1996, accumulated amortization was \$962,178, \$225,331 and \$321,980, respectively. Amortization expense was \$737,497, \$128,805 and \$112,481 for the years ended December 31, 1998, 1997 and 1996, respectively.

Income Taxes

Income taxes are recognized during the year in which transactions enter into the determination of financial statement income. Deferred income taxes are provided utilizing an asset and liability method that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that all, or some portion, of the deferred tax assets will not be realized.

Research and Development

Research and development expenditures are expensed as incurred. Research and development expense was \$1,230,091, \$1,072,392 and \$287,665 for the years ended December 31, 1998, 1997 and 1996, respectively.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$1,511,065, \$3,536,835, and \$5,087,865 for the years ended December 31, 1998, 1997 and 1996, respectively.

Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted net income (loss) per share is computed by dividing net income (loss) 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.

New Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income". This statement establishes standards for reporting and display of comprehensive income and its components in the Company's consolidated financial statements. Comprehensive income consists of net income and other gains and losses affecting stockholders' equity that, under generally accepted accounting principles, are excluded from net income. SFAS No. 130 did not have a material effect on the Company's consolidated financial statements.

In June 1997, the FASB issued

SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information", which amends the disclosure requirements of SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise". The Company adopted the provisions of SFAS No. 131 in the year ended December 31, 1998 and has restated certain disclosure amounts for all periods presented.

In June 1998, the FASB issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities". The statement is effective for fiscal years beginning after June 15, 1999. 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 December 31, 1998.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform with the presentation utilized in the year ended December 31, 1998.

NOTE 2 - ACQUISITIONS

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 and the remaining \$1.3 million, which is included in accounts payable in the accompanying consolidated balance sheet, will be paid in 1999.

On September 1, 1998, the Company acquired a domestic remote control company for approximately \$2.4 million. The acquisition was funded by \$1.5 million in cash and 84,211 shares of the Company's newly issued common stock valued at \$874,000.

The excess of the aggregate purchase prices for these acquisitions over the fair market value of net assets acquired is recorded as goodwill and is being amortized over periods ranging from 5 to 10 years.

Pro forma results for 1998, assuming the acquisitions had occurred at the beginning of the period, would not have been materially different from the Company's historical results for the period presented.

On October 12, 1998, the Company entered into a covenant not to compete agreement with a former officer of the Company at a cost of \$949,000 in cash, which is recorded as an intangible asset and is being amortized over the five year duration of the contract.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable are expected to be collected within one year and consist of the following:

	DECEMBER 31,	
	1998	1997
Accounts receivable, gross	\$ 25,250,522	\$ 28,999,857
Allowance for doubtful accounts	(1,611,468)	(2,950,548)
	\$ 23,639,054	\$ 26,049,309
	=====	=====

In connection with the discontinuation of the Company's North American Retail business as discussed in Note 16, the Company increased the allowance for doubtful accounts by \$2,500,000 in 1997. This increase primarily related to certain customer accounts of the Company that were deemed at risk due to the Company's exit from the North American Retail business.

NOTE 4 - INVENTORIES

Inventories consist of the following:

	DECEMBER 31,	
	1998	1997
Components	\$ 5,993,160	\$ 6,479,069
Finished goods	8,840,898	10,160,325
	\$14,834,058	\$16,639,394
	=====	=====

The Company carries significant amounts of inventory in order to satisfy certain of its customers' inventory requirements on a timely basis. New product innovations and technological advances may shorten a given product's life cycle, which may require special programs to reduce inventory to desired levels. Management continually monitors the inventory status and has developed programs, when necessary, to control inventory levels and dispose of any excess or obsolete inventories on hand. Management believes an adequate provision has been made in the financial statements for any loss on disposition of inventory.

In 1997, the North American Retail product inventories were written down by \$3,892,000 to their estimated net realizable value as a result of the discontinuation of the Company's North American Retail business as discussed in Note 16.

NOTE 5 - EQUIPMENT, FURNITURE AND FIXTURES

Fixed assets consist of the following:

	DECEMBER 31,	
	1998	1997
Equipment	\$ 7,431,760	\$ 5,888,306
Furniture and fixtures	779,126	601,111
Leasehold improvements	858,040	463,953
Construction in progress	--	15,300
	9,068,926	6,968,670
Accumulated depreciation	(4,628,979)	(3,018,450)
	\$ 4,439,947	\$ 3,950,220
	=====	=====

Depreciation expense was \$1,863,667, \$2,018,979 and \$1,531,520 for the years ended December 31, 1998, 1997 and 1996, respectively.

In 1997, all fixed assets related to the North American Retail business to be disposed of in connection with the discontinuation discussed in Note 16 (including the Company's Twinsburg, Ohio facility), were written down to their estimated fair market value. The Company's Twinsburg, Ohio building was classified as held for sale in the accompanying consolidated balance sheet as of December 31, 1997. In August 1998, the Company sold the building for \$1,695,000, a price approximating the book value.

NOTE 6 - REVOLVING CREDIT LINE

On October 23, 1998, the Company paid off its outstanding credit line with The Provident Bank and entered into a new \$15 million revolving credit agreement with Bank of America National Trust and Savings Association ("B of A"). Under the revolving credit agreement with B of A, the Company can choose from several interest rate options at its discretion. The interest rate option selected by the Company as of December 31, 1998 was the Fixed Rate option as defined in the agreement (7.375%

at December 31, 1998), which is intended to approximate B of A's cost of funds, plus an applicable margin. 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 December 31, 1998, the applicable margin for the Company was two percent. The revolving credit facility, which expires 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 revolving credit 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. 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 54,500 shares of stock which it holds as treasury shares and are available for reissue by the Company. Amounts available for borrowing under the credit facility are reduced by the outstanding balance of the Company's import letters of credit.

On November 22, 1995, the Company entered into a \$22 million revolving credit agreement with The Provident Bank that expired on April 30, 1998. The interest rate on the borrowing was modified periodically based on formulas specified in the agreement and was based on the bank's prime rate (8.50% at December 31, 1997) plus one-quarter percent. Effective in January 1997, the agreement was amended to modify certain of the financial covenants and adjust the interest rate to be equal to the bank's prime rate plus one-quarter of one percent. Under the terms of this revolving credit facility, the Company's ability to pay cash dividends on its common stock was restricted and the Company was subject to certain financial covenants with limits on its ability to repurchase its stock and other restrictions. Further, amounts available for borrowing under this credit facility were reduced by the outstanding balance of the Company's import letters of credit. The Company paid a commitment fee of a maximum rate of 1/8 of 1% per year on the unused portion of the credit line. The revolving credit facility was secured by a first priority security interest in the accounts receivable, inventory, equipment and general intangibles of the Company.

The Company had approximately \$4.8, \$7.2 and \$3.2 million at December 31, 1998, 1997 and 1996, respectively, outstanding under the revolving credit facilities and approximately \$0, \$0.5, and \$0.5 million of import letters of credit outstanding at December 31, 1998, 1997 and 1996, respectively. The weighted average interest rate was 8.07%, 8.30% and 7.47% for the years ended December 31, 1998, 1997 and 1996, respectively. Interest paid on the revolving credit facilities amounted to \$488,144, \$616,239 and \$780,411 for the years ended December 31, 1998, 1997 and 1996, respectively.

NOTE 7 - FINANCIAL INSTRUMENTS

The Company's financial instruments consist primarily of investments in cash and cash equivalents, accounts receivable and accounts payable, as well as obligations under the credit facility described above. The carrying values of these instruments approximate fair value because of their short maturity.

The Company enters into forward exchange contracts to hedge foreign currency transactions on a continuing basis for periods consistent with its committed exposures. These contracts are with major financial institutions and the risk of loss due to the financial institutions' nonperformance is considered remote. The gains and losses on these forward contracts are recognized in net income when the underlying foreign currency gain and loss is recognized. The Company had a number of forward exchange contracts outstanding at December 31, 1998 with an aggregate notional value of approximately \$5.6 million.

NOTE 8 - STOCKHOLDERS' EQUITY

Loans to Employees for Common Stock Purchases

During 1994, the Company loaned \$484,989 to certain of its officers and key employees to enable them to purchase 74,409 shares of the Company's Common Stock on the open market. The principal amount of the loans is due in five years from the inception date, with interest on the loans accruing at the minimum rate required per annum by the Internal Revenue Code and payable at maturity. These loans are reflected as a reduction of Stockholders' Equity and are secured by the Common Stock purchased in accordance with the corresponding Stock Pledge Agreement. The Stock Pledge Agreement in certain instances accelerates debt repayment and provides for the forgiveness of the debt. During 1998, 1997 and 1996, \$42,875, \$109,235 and \$5,600, respectively, in loan principal was forgiven under the terms of these agreements.

Fair Price Provisions and Other Anti-Takeover Measures

The Company's Restated Certificate of Incorporation, as amended, contains certain provisions restricting business combinations with interested stockholders under certain circumstances and imposing higher voting requirements for the approval of certain transactions ("fair price" provision). Any of these provisions could delay or prevent a change in control of the Company.

The "fair price" provisions require that holders of at least two-thirds of the outstanding shares of voting stock approve certain business combinations and significant transactions with interested stockholders.

Treasury Stock

During 1998, 291,800 shares of common stock were purchased by the Company on the open market at a cost of approximately \$3.5 million. During 1997, 136,600 shares were purchased for an approximate cost of \$0.7 million. In September 1996, 415,000 shares were purchased at a cost of approximately \$2.6 million. These shares are recorded as shares held in treasury at cost. The shares will generally be held by the Company, however, some of these shares will be used by the Company to compensate the outside directors of the Company. During 1998 and 1997, 4,406 and 9,389 shares, respectively, were issued to the outside directors. No shares were issued to outside directors in 1996.

Warrant Issued to Customer

On November 9, 1998, the Company entered into an exclusive supply agreement with a customer. As a result of this agreement, the Company issued a warrant to the customer to purchase up to 300,000 shares of the Company's common stock at \$12.625 per share. Based on the expected number of shares to be issued, the fair value of this warrant of \$1,006,000 has been recorded as additional paid in capital of the Company with a corresponding increase in other assets. This asset will be amortized on a straight-line basis over the 5 year term of the agreement. Subject to achieving the minimum purchase requirements of the Warrant, the warrant will vest 50% on January 1, 2003 and the remaining 50% will vest on January 1, 2004.

NOTE 9 - STOCK OPTIONS

1993 Stock Incentive Plan

On January 19, 1993, the Company's stockholders approved the 1993 Stock Incentive Plan ("1993 Plan"). Under the 1993 Plan, 200,000 shares of Common Stock are reserved for the granting of incentive and other stock options to officers, key employees and non-affiliated directors. The 1993 Plan provides for the granting of incentive and other stock options through January 19, 2003. All options outstanding at the time of termination of the 1993 Plan shall continue in full force and effect in accordance with their terms. The option price for incentive stock options and non-qualified stock options will not be less than the fair market value at the date of grant. The Compensation Committee shall determine when each option is to expire, but no option shall be exercisable more than ten years after the date the option is granted. The 1993 Plan also provides for the award of stock appreciation rights subject to terms and conditions specified by the Compensation Committee. No stock appreciation rights have been awarded under this 1993 Plan.

1995 Stock Incentive Plan

On May 19, 1995, the Company's stockholders approved the 1995 Stock Incentive Plan ("1995 Plan"). Under the 1995 Plan, 400,000 shares of Common Stock are available for distribution to the Company's key officers, employees and non-affiliated directors. The 1995 Plan provides for the issuance of stock options, stock appreciation rights, performance stock units, or any combination thereof through May 19, 2005, unless otherwise terminated by resolution of the Board of Directors. The option price for the stock options will be equal to the fair market value at the date of grant. The Compensation Committee shall determine when each option is to expire, but no option shall be exercisable more than ten years after the date the option is granted. No stock appreciation rights or performance stock units have been awarded under this 1995 Plan.

1996 Stock Incentive Plan

On December 1, 1996, the Company's Board of Directors approved the 1996 Stock Incentive Plan ("1996 Plan"). Under the 1996 Plan, 400,000 shares of Common Stock are available for distribution to the Company's key officers and employees. The 1996 Plan provides for the issuance of stock options, stock appreciation rights, performance stock units, or any combination thereof through November 30, 2007, unless otherwise terminated by the resolution of the Company's Board of Directors. The option price for the stock options will be equal to the fair market value at the date of grant. The Compensation Committee shall determine when each option is to expire, but no option shall be exercisable more than ten years after the date the option is granted. No stock appreciation rights or performance stock units have been awarded under this 1996 Plan.

1998 Stock Incentive Plan

On May 27, 1998, the Company's stockholders approved the 1998 Stock Incentive Plan ("1998 Plan"). Under the 1998 Plan, 315,000 shares of Common Stock are available for distribution to the Company's key officers and employees. The 1998 Plan provides for the issuance of stock options, stock appreciation rights, performance stock units, or any combination thereof through May 27, 2008, unless otherwise terminated by resolution of the Company's board of directors. The option price for the stock options will not be less than the fair market value at the date of grant. The Compensation Committee shall determine when each option is to expire, but no option shall be exercisable more than ten years after the date the option is granted. No stock appreciation rights or performance stock units have been awarded under this 1998 Plan.

The Company applies the provisions of APB Opinion No. 25 in accounting for stock-based employee compensation; therefore, no compensation expense has been recognized for its fixed stock option plan

as options generally are granted at fair market value on the date of the grant. In October 1995, Statement of Financial Accounting No. 123 "Accounting for Stock-Based Compensation" ("SFAS No. 123"), was issued. The Company adopted the disclosure requirements of this Statement in 1996 and accordingly, had compensation expense been determined consistent with SFAS No. 123, the Company's 1998 net income and basic and diluted income per share would have been \$5,080,578, \$0.80 and \$0.77, respectively. The Company's 1997 and 1996 net loss and basic and diluted loss per share would have been \$6,904,381 and \$2,658,136, and \$1.10 and \$0.40, respectively.

The fair value of options at date of grant was estimated using the Black-Scholes model. The following assumptions were used for the grants in 1998, 1997 and 1996, respectively: risk-free interest rate of approximately 5.28%, 6.38% and 5.86%; expected volatility of approximately 45.26%, 49.38% and 46.95%; expected life of five years for 1998, 1997 and 1996; and the common stock will pay no dividends. The weighted average grant date fair value of the options granted in 1998, 1997 and 1996 was \$4.97, \$2.74 and \$2.61.

The following table summarizes the changes in the number of shares of Common Stock under option:

	1996		1997		1998	
	Shares (000)	Weighted- Average Exercise Price	Shares (000)	Weighted- Average Exercise Price	Shares (000)	Weighted- Average Exercise Price
Outstanding at beginning of year	455	7.26	803	6.47	726	6.35
Granted	447	6.26	95	6.00	402	10.43
Exercised	(23)	6.22	(46)	5.73	(280)	5.47
Expired and/or forfeited	(76)	10.05	(126)	7.05	(4)	6.94
Outstanding at end of year	803	6.47	726	6.35	844	8.59
Options exercisable at year-end	262		365		394	

Significant option groups outstanding at December 31, 1998 and related weighted average price and life information follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at 12/31/98	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 12/31/98	Weighted-Average Exercise Price
\$ 4.19 to 6.375	279,067	7.64	\$ 5.60	234,067	\$ 5.61
6.938 to 10.63	412,500	8.57	9.22	134,750	7.81
11.47 to 13.00	152,880	8.63	11.98	25,380	13.00
	-----			-----	
\$ 4.19 to 13.00	844,447	8.27	8.52	394,197	6.84
	=====			=====	

NOTE 10 - SIGNIFICANT CUSTOMERS AND SUPPLIERS

The Company had annual sales to two customers in 1998, one customer in 1997, and two customers in 1996 that individually exceeded 10% of total Company sales in the years ended December 31, 1998, 1997 and 1996. The sales amounted to \$11.8 million and \$10.6 million in 1998, \$14.8 million in 1997, \$12.3 million and \$10.5 million in 1996. Trade receivables with the previously mentioned customers amounted to \$5.3 million, \$3.3 million and \$3.0 million at December 31, 1998, 1997 and 1996, respectively.

Trade receivables subject the Company to a concentration of credit risk. The risk is limited due to the large number of customers comprising the Company's customer base, the relative size and strength of the Company's customers and the Company's performance of ongoing credit evaluations.

The Company utilizes third-party manufacturers in the Far East, Mexico and the United States to produce its remote control products and home automation products. Commencing in 1996, the Company began a program to reduce its dependence on any one supplier of its remote control and home automation products in an attempt to stabilize its sources for products and negotiate more favorable terms with its suppliers. The number of third party suppliers that provided the Company in excess of 10% of the Company's remote control and home automation products were three, four and three for 1998, 1997 and 1996, respectively.

The Company currently purchases a significant portion of its integrated circuit chips from one vendor. Although there are a limited number of manufacturers of this component part, management believes that other suppliers could provide similar parts on comparable terms. A change in suppliers, however,

could cause a delay in manufacturing and a possible loss of sales, which would affect operating results adversely.

NOTE 11 - LEASES

The Company leases office and warehouse space and certain office equipment under operating leases. Rental expense under operating leases was \$837,976, \$914,712 and \$793,779, for the years ended December 31, 1998, 1997 and 1996, respectively.

The following summarizes future minimum noncancellable operating lease payments at December 31, 1998:

Year ending December 31:	AMOUNT

1999	\$ 892,606
2000	517,403
2001	404,828
2002	309,672
2003 & beyond	--

Total lease commitments	\$2,124,509
	=====

NOTE 12 - EMPLOYEE BENEFIT PLANS

The Company maintains a retirement and profit sharing plan under Section 401(k) of the Internal Revenue Code for all of its domestic employees that meet certain qualifications. Participants in the plan may elect to contribute from 1% to 15% of their annual salary to the plan. The Company may, at its discretion, make contributions to the plan. The Company's match was 25% of participants' contributions for the years ended December 31, 1998, 1997 and 1996 and the expense recorded amounted to \$123,332, \$123,911 and \$134,899, respectively. The Company's match in 1998, 1997 and 1996 was in the form of shares of common stock of the Company.

NOTE 13 - INCOME TAXES

In 1998, 1997 and 1996, pretax income (loss) was attributed to the following jurisdictions:

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	-----	-----	-----
Domestic operations	\$ 8,210,501	\$(10,174,279)	\$ (4,867,074)
Foreign operations	738,252	256,841	280,483
	-----	-----	-----
Total	\$ 8,948,753	\$ (9,917,438)	\$ (4,586,591)
	=====	=====	=====

The provision (benefit) for income taxes charged to operations was as follows:

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Current tax expense (benefit):			
U.S. federal	\$ --	\$ --	\$ (49,797)
State and local	114,999	72,720	93,900
Foreign	251,156	59,531	118,082
Total current	366,155	132,251	162,185
Deferred tax expense (benefit):			
U.S. federal	2,521,779	(3,406,385)	(2,286,243)
State and local	423,169	(124,942)	(167,786)
Foreign	--	--	--
Total deferred	2,944,948	(3,531,327)	(2,454,029)
Total provision (benefit)	\$ 3,311,103	\$(3,399,076)	\$(2,291,844)

Deferred tax assets were comprised of the following at December 31:

	1998	1997	1996
Depreciation	\$ 723,604	\$ 591,825	\$ 636,189
Gross deferred tax liabilities	723,604	591,825	636,189
Capitalized packaging costs	(72,365)	(68,897)	(93,979)
Advertising allowance	(41,570)	(256,447)	(228,739)
Inventory reserves	(256,441)	(317,573)	(489,398)
Allowance for doubtful accounts	(256,440)	(984,244)	(109,832)
Sales return reserve	(57,885)	(128,216)	(175,685)
Capitalized inventory costs	(259,983)	(255,304)	(136,540)
NOL and credit carry forwards	(6,278,675)	(5,265,390)	(5,353,650)
Promotional rebate reserve	--	(4,147)	(12,444)
Discontinuation reserves	--	(2,324,297)	--
Other	(234,593)	(840,805)	(362,315)
Gross deferred tax assets	(7,457,952)	(10,445,320)	(6,962,582)
Valuation allowance	--	174,199	174,199
	\$ (6,734,348)	\$(9,679,296)	\$(6,152,194)

In management's opinion, future taxable income will be sufficient to utilize the tax benefit recognized as deferred tax assets. The decrease in the valuation allowance in 1998 was due to the Company's assessment that benefits from alternative minimum tax and other credit carryforwards will more likely than not be realized prior to their expiration.

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pre-tax income from operations as a result of the following:

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Tax provision (benefit) at statutory U.S. rate	\$ 3,042,704	\$(3,371,235)	\$(1,559,441)
Increase (decrease) in tax provision resulting from:			
State and local taxes, net	423,169	(76,947)	(304,177)
Foreign tax rate differential	--	(27,795)	22,718
Nondeductible items	28,763	35,908	24,501
Research and development credit	--	--	(349,797)
Reduction in valuation allowance	(174,199)	--	--
Other	(9,334)	40,993	(125,648)
Tax provision (benefit), as above	<u>\$ 3,311,103</u>	<u>\$(3,399,076)</u>	<u>\$(2,291,844)</u>

Income taxes refunded were \$30,829, \$0 and \$48,897, for the years ended December 31, 1998, 1997 and 1996, respectively. The Company has an alternative minimum tax credit carryforward of \$278,365 and a federal net operating loss carryforward of \$15,159,074 that begins to expire in 2010. The Company also has a research and development credit carryforward of \$744,207 that begins to expire in 2006. No income taxes have been provided on the undistributed earnings of foreign subsidiaries as the earnings are expected to be permanently reinvested in the foreign operations.

NOTE 14 - BUSINESS SEGMENTS AND FOREIGN OPERATIONS

The Company operates in a single industry segment and is engaged in the development, manufacturing and marketing of universal remote controls and related products principally for home video and audio entertainment equipment. In 1997 and 1996, the Company's customers consisted primarily of domestic and international retailers, private label customers, original equipment manufacturers and subscription broadcasting operators. In 1998 the Company's customers remained the same although the number of domestic retail customers decreased as the Company exited its North American Retail business line.

The Company's operations by geographic area are presented below:

	1998	1997	1996
Net Sales			
United States	\$ 73,272,673	\$ 92,149,517	\$ 75,904,960
United Kingdom	8,807,684	5,818,232	2,175,834
Germany	5,865,240	4,958,049	3,457,901
All Other	8,177,022	11,412,622	17,050,043
Total Net Sales	<u>96,122,619</u>	<u>114,338,420</u>	<u>98,588,738</u>
Identifiable Assets			
United States	8,344,489	4,236,717	7,950,615
All Other Countries	3,801,234	647,884	135,267
Total Identifiable Assets	<u>12,145,723</u>	<u>4,884,601</u>	<u>8,085,882</u>

Specific identification was the basis used for attributing revenues from external customers to individual countries. In addition to the operations of the foreign subsidiaries, the Company had export sales in

1998, 1997 and 1996 of \$7,717,208, \$12,351,530, \$11,231,679, respectively. Foreign currency exchange gains (losses) of \$(97,066), \$(27,364) and \$42,586, were included in the determination of net income for the years ended December 31, 1998, 1997 and 1996, respectively.

NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES

The Company is a party to several lawsuits and claims arising in the normal course of its business. In the opinion of management, the Company's liability or recovery, if any, under pending litigation and claims would not materially adversely affect its results of operations, cash flows, or financial condition.

NOTE 16 - RESTRUCTURING

In December 1997, the Company announced its decision to discontinue its North American One For All Retail line of business and the distribution channel supported by the operations in the Twinsburg, Ohio facility. The Company continues to supply a limited line of remote control products to several mass merchandisers on a direct import basis. The Company closed the Twinsburg, Ohio facility, with the exception of its customer service phone center, and moved its headquarters to its Technology Center in Cypress, California during the second quarter of 1998. The pre-tax restructuring charge of \$8,419,000 taken in the fourth quarter of fiscal year 1997 primarily related to severance and employee benefit costs (\$3,260,000), the write-down of fixed assets to be disposed of to their estimated fair market value (\$1,738,000), the write-down of intangibles by the amount for which no future benefit existed (\$460,000), consumer support and service costs relating to contractual obligations of the Company to provide telephonic support for certain of its products that were discontinued as part of the restructuring (\$393,000), write-off of prepaid advertising and other prepaid assets to their estimated fair market value (\$2,129,000 and \$163,000, respectively), and other costs related to the discontinuation of the North American Retail business (\$276,000). Severance and related employee benefit costs were determined by estimating such amounts for each of the 105 employees of the Company that were terminated in the restructuring. Charges for prepaid advertising, other prepaid assets and fixed assets were determined by comparing net book values to the estimated fair market values. Intangibles consisting of trademark costs were evaluated for future benefits and an estimate was made of the amount for which no future benefits existed. Other costs related to the disposition of assets were primarily related to operating expenses associated with the liquidation of the North American Retail business. After an income tax benefit of \$2,863,000, the restructuring charge reduced fiscal year 1997 earnings by \$5,556,000 or \$0.88 per share. See also Note 3 - Accounts Receivable and Note 4 - Inventories for explanation of additional expenses related to the restructuring. The restructuring was completed during 1998.

NOTE 17 - QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for the years ended December 31, 1998, 1997, and 1996.

	1998			
	MARCH 31,	JUNE 30,	SEPTEMBER 31,	DECEMBER 31,
Net sales				
On-going business	\$ 18,575,778	\$ 22,272,821	\$ 23,731,761	\$ 24,455,346
Discontinued North American Retail business	4,356,540	2,446,099	284,274	--
	22,932,318	24,718,920	24,016,035	24,455,346
Gross profit (loss)				
On-going business	7,249,639	9,073,208	9,567,461	10,428,222
Discontinued North American Retail business	--	--	(75,000)	--
	7,249,639	9,073,208	9,492,461	10,428,222
Operating income (loss)	2,116,671	2,655,658	4,085,481	646,875
Net income (loss)	\$ 343,903	\$ 1,313,777	\$ 1,609,322	\$ 2,370,648
Net income (loss) per share:				
Basic	\$ 0.05	\$ 0.21	\$ 0.25	\$ 0.37
Diluted	\$ 0.05	\$ 0.20	\$ 0.24	\$ 0.36
Weighted average common stock outstanding:				
Basic	6,338,000	6,366,000	6,438,000	6,418,000
Diluted	6,650,000	6,723,000	6,692,000	6,581,000

	1997			
	MARCH 31,	JUNE 30,	SEPTEMBER 31,	DECEMBER 31,
Net sales				
On-going business	\$ 16,538,559	\$ 17,152,545	\$ 26,095,641	\$ 25,444,705
Discontinued North American Retail business	5,841,691	6,778,502	7,403,283	9,083,494
	22,380,250	23,931,047	33,498,924	34,528,199
Gross profit (loss)				
On-going business	5,606,265	5,662,342	8,527,383	10,163,271
Discontinued North American Retail business Inventory write-down	1,151,149	1,620,637	1,763,268	1,116,959
	--	--	--	(3,892,215)
	6,757,414	7,282,979	10,290,651	7,388,015
Operating income (loss)	(313,909)	548,511	1,958,168	(11,482,127)
Net income (loss)	(280,786)	288,488	1,187,387	(7,713,452)
Net income (loss) per share:				
Basic	\$ (0.04)	\$ 0.05	\$ 0.19	\$ (1.23)

Diluted	\$ (0.04)	\$ 0.05	\$ 0.19	\$ (1.23)
Weighted average common stock outstanding:				
Basic	6,313,000	6,266,000	6,261,000	6,296,000
Diluted	6,313,000	6,299,000	6,359,000	6,296,000

	1996			
	MARCH 31,	JUNE 30,	SEPTEMBER 31,	DECEMBER 31,
Net sales				
On-going business	\$ 9,852,790	\$ 12,965,913	\$ 18,249,261	\$ 22,492,063
Discontinued North American Retail business	12,052,176	8,560,328	7,391,891	7,024,316
	21,904,966	21,526,241	25,641,152	29,516,379
Gross profit (loss)				
On-going business	6,450,131	5,315,024	5,303,355	5,685,273
Discontinued North American Retail business	(608,111)	1,309,491	1,467,610	722,622
Inventory write-down	--	--	--	(1,112,041)
	5,842,020	6,624,515	6,770,965	5,295,854
Operating income (loss)	(1,279,314)	373,874	165,462	(3,667,232)
Net income (loss)	(570,152)	247,656	112,183	(2,084,434)
Net income (loss) per share:				
Basic	\$ (0.08)	\$ 0.04	\$ 0.02	\$ (0.33)
Diluted	\$ (0.08)	\$ 0.04	\$ 0.02	\$ (0.33)
Weighted average common stock outstanding:				
Basic	6,758,000	6,772,000	6,749,000	6,369,000
Diluted	6,758,000	6,945,000	6,855,000	6,369,000

The Company has restated the presentation of certain information for the first three quarters of 1998. The net effect of the restatement was to reclassify 1998 sales and cost of sales associated with the discontinued North American Retail business from accrued restructuring expenses to net sales and cost of sales. In 1997, the North American Retail product inventories were written down by \$3,892,000 to their estimated net realizable value as a result of the discontinuation discussed in Note 16. The 1997 write down amounted to \$0.62 per share for the full year on a pretax basis. During the fourth quarter of 1996, the Company wrote down a portion of its inventory of microprocessors after one of its major suppliers announced a new line of lower cost chips would be available in the second half of 1997. The write down amounted to \$1,112,000 on a pretax basis or \$0.11 per share for the full year.

UNIVERSAL ELECTRONICS INC.
 SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
 FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

DESCRIPTION -----	BALANCE AT BEGINNING OF PERIOD -----	ADDITIONS CHARGED TO COSTS AND EXPENSES -----	WRITE-OFFS AND DEDUCTIONS -----	BALANCE AT END OF PERIOD -----
Valuation account for accounts receivable:				
Year Ended December 31, 1998	\$2,950,548	\$ 342,662	\$1,681,742	\$1,611,468
Year Ended December 31, 1997	\$ 359,480	\$2,850,000	\$ 258,932	\$2,950,548
Year Ended December 31, 1996	\$ 342,450	\$ 232,625	\$ 215,595	\$ 359,480

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND
 FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by Item 401 of Regulation S-K with respect to the directors of the Company will be contained in and is hereby incorporated by reference to the Company's definitive Proxy Statement for its 1999 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934. Information regarding executive officers of the Company is set forth in Part I of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information required by Item 402 of Regulation S-K will be contained in and is hereby incorporated by reference to the Company's definitive Proxy Statement for its 1999 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by Item 403 of Regulation S-K will be contained in and is hereby incorporated by reference to the Company's definitive Proxy Statement for its 1999 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by Item 404 of Regulation S-K will be contained in and is hereby incorporated by reference to the Company's definitive Proxy Statement for its 1999 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) LIST OF FINANCIAL STATEMENTS

See "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA-INDEX TO CONSOLIDATED FINANCIAL STATEMENTS" for a list of the consolidated financial statements included herein.

(a)(2) LIST OF FINANCIAL STATEMENT SCHEDULES

See "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA-INDEX TO CONSOLIDATED FINANCIAL STATEMENTS" for a list of the consolidated financial statement schedules included herein.

(a)(3) LIST OF EXHIBITS REQUIRED TO BE FILED BY ITEM 601(a) OF THE

REGULATION S-K ARE INCLUDED AS EXHIBITS TO THIS REPORT:
See EXHIBIT INDEX at page 51 to Item 601(a) of this Regulation S-K.

(b) No reports on Form 8-K were filed by the Company during the quarter ended December 31, 1998.

SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Cypress, State of California on the 8th day of April, 1999.

UNIVERSAL ELECTRONICS INC.

By: /s/ Camille Jayne

 Camille Jayne
 Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 8th day of April, 1999, by the following persons in the capacities indicated.

NAME & TITLE -----	SIGNATURE -----
Paul D. Arling President and Chief Operating Officer, Chief Financial Officer and Director (Principal Financial Officer)	/s/ Paul D. Arling* -----
Camille Jayne Chairman and Chief Executive Officer and Director (Principal Executive Officer)	/s/ Camille Jayne -----
Mark Belzowski Vice President and Corporate Controller (Principal Accounting Officer)	/s/ Mark Belzowski* -----
Peter L. Gartman Director	/s/ Peter L. Gartman* -----
Bruce A. Henderson Director	/s/ Bruce A. Henderson* -----
William C. Mulligan Director	/s/ William C. Mulligan* -----
J. C. Sparkman Director	/s/ J.C. Sparkman* -----
F. Rush McKnight Director	/s/ F. Rush McKnight* -----

* The undersigned, by signing her name hereto, does sign this Report on behalf of the above Directors and Officers of Universal Electronics Inc. pursuant to a Power of Attorney executed on behalf of each such Director and Officer and which has been filed with the Securities and Exchange Commission.

By: /s/ Camille Jayne

 Camille Jayne
 As Attorney-In-Fact

EXHIBIT INDEX

EXHIBIT NUMBER -----	DOCUMENT DESCRIPTION -----
2.1	Asset Purchase Agreement dated September 1, 1998 by and among Universal Electronics Inc., H & S Management Corp., J.C. Sparkman and Steven Helbig (filed herewith)
3.1	Restated Certificate of Incorporation of Universal Electronics Inc., as amended (Incorporated by reference to Exhibit 3.1 to the Company's Form S-1 Registration filed on or about December 24, 1992 (File No. 33-56358))
3.2	Amended and Restated By-laws of Universal Electronics Inc. (Incorporated by reference to Exhibit 3.2 to the Company's Form S-1 Registration filed on or about December 24, 1992 (File No. 33-56358))
3.3	Certificate of Amendment to Restated Certificate of Incorporation of Universal Electronics Inc. (Incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995 filed on April 1, 1996 (File No. 0-21044))
*10.1	Form of Universal Electronics Inc. 1993 Stock Incentive Plan (Incorporated by reference to Exhibit 10.13 to Amendment No. 1 to the Company's Form S-1 Registration filed on or about January 21, 1993 (File No. 33-56358))
10.2	Standard Industrial Lease dated January 24, 1992 by and between Universal Electronics Inc. and RREEF USA Fund II, Inc. (Incorporated by reference to Exhibit 10.24 to the Company's Form S-1 Registration filed on or about June 25, 1993 (File No. 33-65082))
10.3	Form of Secured Promissory Note by and between Universal Electronics Inc. and certain employees used in connection with loans made to the employee to enable them to make open market purchases of shares of Universal Electronics Inc. Common Stock (Incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994 (File No. 0-21044))
10.4	Form of Stock Pledge Agreement by and between Universal Electronics Inc. and certain employees used in connection with loans made to the employees to enable them to make open market purchases of shares of Universal Electronics Inc. Common Stock (Incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994 (File No. 0-21044))
10.5	Loan and Security Agreement dated November 21, 1995 by and between Universal Electronics Inc. and The Provident Bank (Incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995 filed on April 1, 1996 (File No. 0-21044))
10.6	Copy of Promissory Note dated November 21, 1995 by and between Universal Electronics Inc. and The Provident Bank (Incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995 filed on April 1, 1996 (File No. 0-21044))
10.7	Commercial Letters of Credit Master Agreement dated November 21, 1995 by and between Universal Electronics Inc. and The Provident Bank (Incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995 filed on April 1, 1996 (File No. 0-21044))
10.8	Intercreditor Agreement dated November 21, 1995 by and between The Provident Bank and Society National Bank and acknowledged and agreed to by Universal Electronics Inc. (Incorporated by reference to Exhibit 10.23 to the

EXHIBIT
NUMBER
-----DOCUMENT DESCRIPTION

Company's Annual Report on Form 10-K for the year ended December 31, 1995 filed on April 1, 1996 (File No. 0-21044)

- 10.9 Lockbox Service Contract dated November 10, 1995 by and between Universal Electronics Inc. and The Provident Bank (Incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995 filed on April 1, 1996 (File No. 0-21044))
- *10.10 Form of Universal Electronics Inc. 1995 Stock Incentive Plan (Incorporated by reference to Exhibit B to the Company's Definitive Proxy Materials for the 1995 Annual Meeting of Stockholders of Universal Electronics Inc. filed on May 1, 1995 (File No. 0-21044))
- *10.11 Form of Stock Option Agreement by and between Universal Electronics Inc. and certain employees used in connection with options granted to the employees pursuant to the Universal Electronics Inc. 1995 Stock Incentive Plan (Incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 filed on March 28, 1997 (File No. 0-21044))
- *10.12 Form of Stock Option Agreement by and between Universal Electronics Inc. and certain non-affiliated directors used in connection with options granted to the non-affiliated directors pursuant to the Universal Electronics Inc. 1995 Stock Incentive Plan (Incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 filed on March 28, 1997 (File No. 0-21044))
- 10.13 First Amendment to Loan and Security Agreement dated July 31, 1996 by and between Universal Electronics Inc. and The Provident Bank (Incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 filed on March 28, 1997 (File No. 0-21044))
- *10.14 Form of Universal Electronics Inc. 1996 Stock Incentive Plan (Incorporated by reference to Exhibit 4.5 to the Company's Form S-8 Registration Statement filed on March 26, 1997 (File No. 333-23985))
- *10.15 Form of Stock Option Agreement by and between Universal Electronics Inc. and certain employers used in connection with options granted to the employees pursuant to the Universal Electronics Inc. 1996 Stock Incentive Plan (Incorporated by reference to Exhibit 4.6 to the Company's Form S-8 Registration Statement filed on March 26, 1997 (File No. 333-23985))
- 10.16 Sublease dated January 10, 1997 by and between Universal Electronics Inc. and Edgemont Sales Company, a division of IKON Office Solutions, Inc. (Incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 filed on March 28, 1997 (File No. 0-21044))
- *10.17 Form of Salary Continuation Agreement by and between Universal Electronics Inc. and certain employees (Incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, filed on March 30, 1998 (File No. 0-21044))
- *10.18 Form of Amendment to Salary Continuation Agreement by and between Universal Electronics Inc. and certain employees (Incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K for the year ended

EXHIBIT
NUMBER
-----DOCUMENT DESCRIPTION

December 31, 1997, filed on March 30, 1998 (File No. 0-21044))

- 10.19 Second Amendment to Loan and Security Agreement dated January 24, 1997 by and between Universal Electronics Inc. and The Provident Bank (Incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, filed on March 30, 1998 (File No. 0-21044))
- 10.20 Lease dated November 1, 1997 by and between Universal Electronics Inc. and Warland Investments Company (Incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, filed on March 30, 1998 (File No. 0-21044))
- 10.21 Letter Agreement in Principal dated March 18, 1998 by and between Universal Electronics Inc. and The Provident Bank further amending that certain Loan and Security Agreement (Incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, filed on March 30, 1998 (File No. 0-21044))
- *10.22 Executive Officer Employment Agreement dated January 29, 1998 by and between Universal Electronics Inc. and Camille Jayne (filed herewith)
- *10.23 Form of Universal Electronics Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit A to the Company's Definitive Proxy Materials for the 1998 Annual Meeting of Stockholders of Universal Electronics Inc. filed on April 20, 1998 (File No. 0-21044))
- *10.24 Form of Stock Option Agreement by and between Universal Electronics Inc. and certain employees used in connection with options granted to the employees pursuant to the Universal Electronics Inc. 1998 Stock Incentive Plan (filed herewith)
- 10.25 Agreement for Purchase and Sale of Property dated May 29, 1998 by and between Universal Electronics Inc. and Duke Realty Limited Partnership (filed herewith)
- 10.26 Agreement dated August 12, 1998 by and between Universal Electronics Inc., and David M. Gabrielsen (filed herewith)
- 10.27 Stock Acquisition Representations and Covenants Certificate dated September 1, 1998 from H & S Management Corp., J.C. Sparkman and Steven Helbig (filed herewith)
- 10.28 Non-Compete Agreement dated September 1, 1998 by and among Universal Electronics Inc., H & S Management Corp., J.C. Sparkman and Steven Helbig (filed herewith)
- 10.29 Consulting Agreement dated September 1, 1998 by and between Universal Electronics Inc. and J.C. Sparkman (filed herewith)
- *10.30 Form of Executive Officer Employment Agreement dated September 29, 1998 by and between Universal Electronics Inc. and Paul D. Arling (filed herewith)
- 10.31 Revolving Loan and Security Agreement dated October 2, 1998 by and between Universal Electronics Inc. and Bank of America National Trust and

EXHIBIT
NUMBER

DOCUMENT DESCRIPTION

EXHIBIT NUMBER	DOCUMENT DESCRIPTION
	Savings Association (filed herewith)
10.32	Copy of Revolving Note dated October 2, 1998 by and between Universal Electronics Inc. and Bank of America National Trust and Savings Association (filed herewith)
10.33	Patent and Trademark Collateral Assignment dated October 2, 1998 by and between Universal Electronics Inc. and Bank of America National Trust and Savings Association (filed herewith)
10.34	Purchase Agreement dated November 8, 1998 by and between Universal Electronics Inc. and General Instrument Corporation (filed herewith)
10.35	Warrant dated November 9, 1998 by and between Universal Electronics Inc. and General Instrument Corporation (filed herewith)
10.36	Agreement dated January 30, 1998, as amended on December 30, 1998 by and among Universal Electronics BV, a wholly owned subsidiary of Universal Electronics Inc., and Euro Quality Assurance Ltd. and T. Maeizumi (filed herewith)
10.37	Agreement dated February 3, 1998, as amended on December 30, 1998 by and among Universal Electronics BV, a wholly owned subsidiary of Universal Electronics Inc., Strand Europe Ltd. and Ashok Suri (filed herewith)
11.1	Statement re: computation of per share earnings (filed herewith)
21.1	List of Subsidiaries of the Registrant (filed herewith)
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith)
24.1	Power of Attorney (previously filed)
27.1	Financial Data Schedule (filed herewith)

* Management contract or compensation plan or arrangement identified pursuant to Item 14(c) of the Form 10-K.

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") is made and entered into as of September 1, 1998, by and among UNIVERSAL ELECTRONICS INC., a Delaware corporation ("Buyer"), H & S MANAGEMENT CORP., an Colorado corporation ("Seller"), and J. C. SPARKMAN ("Sparkman") and Steven Helbig ("Helbig").

WITNESSETH:

WHEREAS, Buyer is engaged in the business of developing and manufacturing and/or maintaining (a) certain electronic products that emit, via infra-red and other methods, pulse codes which can be used to operate original equipment manufacturer ("OEM") device(s) (such as televisions, video cassette recorders, cable and satellite set-top boxes, home theater systems, and the like), including, without limitation, a battery-operated, hand-held remote control (the "Remote Control"), (b) software to operate the Remote Control which can be used to operate OEM device(s), electronic device(s) for the "home bus" market (as defined by the Electronics Industry Association) and integrated system digital networks ("ISDN"), electronic device(s) for use in the receipt and/or transmission of data and/or software over multiple media, and other derivations of such device(s) (the "Software"), and (c) a library of the devices' pulse codes and such updates, enhancements and new releases of such library as Buyer may from time to time develop (the "Database"); and

WHEREAS, Seller is engaged in the business of designing, developing, manufacturing, selling and distributing a battery-operated, hand-held remote control similar to the Remote Control (the "H&S Remote Control") (the business shall hereinafter be referred to as the "H&S Remote Control Business"); and

WHEREAS, Seller is willing to sell to Buyer and Buyer is willing to acquire from Seller, all of the assets which are used and useful in Seller's H&S Remote Control Business, including without limitation the H&S Remote Control, all upon the terms and conditions as more fully set forth in this Agreement; and

WHEREAS, Buyer's acquisition of such assets is further conditioned upon Sparkman's and Helbig's agreements to not compete with Buyer, all as more fully set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises contained herein and for other good and valuable consideration, the undersigned parties agree as follows;

1. SALE OF ASSETS. Subject to the terms and conditions of this Agreement, Seller shall, on the Closing Date referred to below, sell, transfer, assign, convey and deliver to Buyer, and Buyer agrees to purchase from Seller and take possession of the following assets of the H&S Remote

Control Business, wherever located, each of which are owned by Seller as of the Closing Date and are used and/or useful in the H&S Remote Control Business (all of the assets referred to below are referred to herein as the "H&S Remote Control Assets"):

(a) INVENTORY. All inventory, including, without limitation, that inventory listed or referred to on Schedule 1(a) attached hereto and incorporated herein by reference (the "Inventory").

(b) ORDERS/WORK IN PROCESS. All unfilled or partly filled orders on hand and all work in process, transferable insurance policies, and customer contracts each of which is listed or referred to in Schedule 1(b) attached hereto and incorporated herein by reference, provided that Buyer has prior to Closing Date, approved and accepted each of the foregoing. In the event Buyer, in its discretion, elects not to accept any of the foregoing, Seller shall retain them for disposition outside the terms this Agreement.

(c) TOOLING. All of the tooling, without limitation, those tooling listed or referred to on Schedule 1(c) attached hereto and incorporated herein by reference (the "Tooling").

(d) EQUIPMENT. All of the equipment listed or referred to on Schedule 1(d) attached hereto and incorporated herein by reference (the "Equipment").

(e) ARTWORK. All original artwork used or useful in the creation, development, or printing of pamphlets, brochures, catalogues, or similar items, including without limitation, all paste-ups, separations, and similar such items, (the "Artwork").

(f) SUPPLIES. All supplies including, without limitation, paper, envelopes, boxes, invoices, purchase orders, pamphlets, brochures, catalogues, and other supplies and sales materials (the "Supplies").

(g) CONTRACT RIGHTS. All the right, title and interest of Seller in and to all contracts of Seller, including, without limitation, the contract rights listed or referred to in Schedule 1(g) attached hereto and incorporated herein by reference (the "Contract Rights").

(h) LICENSES AND PERMITS. All licenses, franchises, rights and governmental or other permits, authorizations, consents and approvals necessary to own and to operate the H&S Remote Control Assets and the H&S Remote Control Business to the extent that the same are assignable (the "Permits").

(i) RECORDS. All records and files attributable to the H&S Remote Control Assets and the H&S Remote Control Business, including, without limitation, records relating to customers and suppliers, payment records and correspondence, except, however, records and files attributable to the Excluded Assets (as defined below) and such records and files

as are required by applicable laws to be kept by Seller. Copies of all such documents retained by Seller shall be made available to Buyer upon request.

(j) INTANGIBLE/GOODWILL. All of the intangible assets and intellectual property, including, without limitation, (i) all trade secrets, proprietary or other trade rights of Seller pertaining to ownership of the H&S Remote Control Assets and the operation of the H&S Remote Control Business, (ii) all customer lists, (iii) all telephone numbers to the extent assignment is permissible and yellow page listings, and (iv) all of the goodwill of Seller in the H&S Remote Control Business (the "Intangibles/Goodwill").

1.1 EXCLUDED ASSETS. Notwithstanding the foregoing, the right, title and interest of Seller in and to the following properties and assets (collectively, the "Excluded Assets") shall not be sold, transferred, conveyed or assigned hereunder and shall not be deemed a part of the H&S Remote Control Assets:

(a) NON H&S REMOTE CONTROL ASSETS. The assets, including inventory, equipment and supplies, wherever located which are not used or useful in the H&S Remote Control Business and which are listed or referred to in Schedule 1.1(a) attached hereto and incorporated herein by reference; and

(b) CORPORATE RECORDS. The minute books, corporate seal and stock and organizational records of Seller; and

(c) PURCHASE PRICE. The Purchase Price (as hereinafter defined) and Seller's other rights under this Agreement.

1.2 NON-COMPETE AGREEMENT. Subject to the terms and conditions of this Agreement, each of Seller, Sparkman and Helbig agree to deliver to Buyer and Buyer agrees to purchase from each of them the Non-Compete Agreement in the form attached hereto as Exhibit 1.2 and incorporated herein by reference (the "Non-Compete Agreement").

2. PURCHASE PRICE. Subject to the adjustments described in Section 5 below, as consideration for sale by Seller of the H&S Remote Control Assets, the Consulting/Non-Compete Agreement and the other terms and conditions set forth herein, Buyer agrees to and shall pay to Seller and Sparkman the aggregate amount of Two Million Three Hundred Seventy-Three Thousand Six Hundred Eighty-Nine and 13/100 Dollars (\$2,373,689.13), to be paid in accordance with Section 3 below, (the "Purchase Price"). The Purchase Price shall be allocated as provided in Section 8 below.

3. PAYMENT OF PURCHASE PRICE. The Purchase Price shall be payable as follows:

(a) CASH PORTION AT CLOSING. One Million Five Hundred Thousand Dollars (\$1,500,000) cash paid by Seller on the Closing Date; and

(b) STOCK PORTION POST CLOSING. Eighty Four Thousand Two Hundred and Eleven (84,211) shares of Buyer's common stock, par value \$.01 per share which had a value of Eight Hundred Seventy-Three Thousand Six Hundred Eighty-Nine and 13/100 Dollars (\$873,689.13) at the close of the markets on August 31, 1998, a certificate of which shall be delivered to Buyer within ten (10) business days of the Closing (the "UEI Common Stock").

4. LIABILITIES.

4.1 ASSUMPTION OF CERTAIN LIABILITIES. In further consideration of the sale, transfer and assignment of the H&S Remote Control Assets, and except to the extent excluded under Section 4.2 below or otherwise provided herein, Buyer shall assume on the Closing Date, and agree to pay and discharge when due, and to hold Seller harmless from, the obligations and liabilities of Seller arising from the assignment by Seller and acceptance by Buyer of unfilled or partly filled orders on hand and all work in process in accordance with Section 1(b) and of the Contract Rights.

4.2 EXCLUDED LIABILITIES. Buyer does not agree to assume or be liable for, and each of Seller, Sparkman, and Helbig agrees to remain liable for and to fully and timely discharge, and to hold Buyer harmless from, the following debts, expenses, liabilities, obligations, contracts, commitments, and claims (collectively, "Liabilities") of or against Seller or the H&S Remote Control Assets, including but not limited to the following:

(a) Liabilities the existence of which, or the failure to disclose which, constitute a breach of any representation, warranty, covenant or agreement of Seller, Sparkman, or Helbig set forth in this Agreement;

(b) Legal, accounting, brokerage, finder's fees, taxes or other expenses incurred by Seller, Sparkman, Helbig, or any of Seller's shareholders in connection with this Agreement or the consummation of the transactions contemplated hereby;

(c) Liabilities of any nature to any past or present shareholder of Seller;

(d) Federal, state, local and foreign tax Liabilities of any type (including interest and penalties) imposed on Seller, Sparkman, or Helbig;

(e) Liabilities with which any of the H&S Remote Control Assets may be charged and which are attributable to any act or omission of Seller, Sparkman, or Helbig prior to, on or after the Closing Date, including without limitation any Liabilities arising

under the bulk sales provisions of the Uniform Commercial Code or similar law in any other jurisdiction;

(f) Liabilities relating to claims for injury to or disease, sickness or death of any person or damage to property based upon or arising out of the manufacture, sale or distribution of products or the provision of services by Seller or for any action taken or omitted by Seller, Sparkman, or Helbig prior to, on or after the Closing Date;

(g) Liabilities of Seller, Sparkman, or Helbig arising by reason of any violation or alleged violation of any federal, state, local or foreign law, including without limitation any Environmental Law (as hereinafter defined), or any requirement of any governmental authority or by reason of any breach or alleged breach of any agreement, contract, lease, commitment, instrument, judgment, order or decree (regardless of when any such violation or breach is asserted); and

(h) Liabilities under any contract, agreement or commitment which are not specifically assumed by Buyer hereunder.

4.3 EFFECTUATION. To the extent that any of the contracts, rights, franchises, licenses, instruments or commitments for which assignment to Buyer is provided herein are not assignable or may not be transferred without the consent of the other party, this Agreement shall not constitute an assignment or an attempted assignment if such assignment or attempted assignment would constitute a breach thereof. Each of Seller, Sparkman, and Helbig will, both before and after the Closing Date, upon the request of Buyer, use its and his best efforts to obtain the consent of the other party to the assignment to Buyer of any contract, right, franchise, license, instrument or commitment in cases in which such consent is required. Whether a consent is requested or not, each of Seller, Sparkman, and Helbig will cooperate with Buyer in any reasonable arrangements designed to provide for Buyer the benefits under any such contract, right, instrument or commitment, including enforcement at the cost and for the account of Seller, Sparkman, or Helbig of any and all rights of Seller, Sparkman, or Helbig against the other party thereto arising out of the cancellation by such other party or otherwise. If and to the extent that such consent is required but is not obtained, the parties agree that as between Buyer and each of Seller, Sparkman, and Helbig, Buyer shall nevertheless assume all of Seller's, Sparkman's, and Helbig's responsibilities and be entitled to all of Seller's, Sparkman's, and Helbig's benefits under any such contract, right, instrument or commitment as if such contract, right, instrument or commitment had in fact been assigned to Buyer. The parties hereby agree to cooperate in any reasonable arrangement to effectuate the foregoing provision.

5. THIS SECTION INTENTIONALLY OMITTED.

6. CLOSING. Subject to the terms and conditions contained herein, the closing ("Closing") shall take place at the office of the Buyer, 6101 Gateway Drive, Cypress, California on September 1, 1998, or such other date and place as Seller and Buyer shall agree in writing. The date on which closing shall take place is referred to herein as the "Closing Date."

7. DELIVERIES

7.1 DELIVERIES BY SELLER, SPARKMAN, AND HELBIG. Seller, Sparkman, and/or Helbig as the case may be, shall deliver to Buyer at the Closing the following:

(a) Bills of sale, assignments of copyrights, trade names and trademarks, patents and other instruments of transfer sufficient to convey, sell, assign and transfer to and vest in Buyer good and marketable title to all of the H&S Remote Control Assets and all rights and interest thereto and therein, in each case free and clear of all liens, encumbrances, charges and other exceptions (or claims thereof) to title except the Permitted Exceptions (as hereinafter defined), such instruments to be in form and substance satisfactory to counsel for Buyer.

(b) A certificate of accuracy of representations and warranties and compliance with covenants, executed by the President of Seller and each of Sparkman and Helbig, in form and substance reasonably satisfactory to Buyer.

(c) Opinion of counsel of Seller, Sparkman, and Helbig in the form of Exhibit 7.1(c).

(d) Non-Compete Agreement duly executed by each of Seller, Sparkman, and Helbig.

(e) All clearance certificates or similar types of documents which may be required by any state taxing authority in order to relieve Buyer of any obligation to withhold any portion of the Purchase Price.

(f) Completed and signed declarations and other forms required to comply with any applicable stamp, transfer or transaction tax law or ordinance.

(g) Copy, certified by the Secretary of Seller as of the Closing Date, of the resolutions adopted by the Board of Directors and the shareholders of Seller authorizing the transactions with Buyer set forth herein and approving this Agreement.

(h) Any required consents to the assignment of any of the H&S Remote Control Assets.

(i) All contracts, files, purchase orders, sales orders and other data and documents pertaining to the H&S Remote Control Assets and the H&S Remote Control Business.

(j) Such other documents as Buyer may reasonably request.

7.2 DELIVERIES BY BUYER. At the Closing, Buyer will deliver to Seller, Sparkman, and/or Helbig as the case may be, the following:

(a) The Purchase Price pursuant to Section 3(a) of this Agreement.

(b) A certificate of accuracy of representations and warranties and compliance with covenants, executed by the President or Chief Financial Officer of Buyer, in form and substance reasonably satisfactory to Seller.

(c) Copies of resolutions adopted by the Board of Directors of Buyer approving the transactions contemplated hereby, certified by the secretary or assistant secretary of Buyer.

(d) Such other documents as Seller may reasonably request.

7.3 BEST EFFORTS. Buyer and each of Seller, Sparkman, and Helbig will use their respective best efforts to cause their respective representations and warranties hereunder to be true and correct on and as of the Closing Date, to obtain promptly all consents, approvals and agreements of other parties or governmental authorities which are required in connection with the consummation of the transactions provided for herein, and to close such transactions no later than October 31, 1998.

7.4 POSSESSION. At the Closing, Seller shall deliver to Buyer possession all of the H&S Remote Control Assets, which, in the case of all tangible assets, shall be in the same condition in which they were on July 19, 1998, ordinary wear and tear excepted.

8. ALLOCATIONS. The parties acknowledge and agree that the allocation of Buyer's Purchase Price among the H&S Remote Control Assets, and the Non-Compete Agreements shall be as set forth on Schedule 8 attached hereto, which allocation shall be made in accordance with Section 1060 of Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder (collectively, the "Code"). Except as required by law, neither party shall make any claims or treat any items on their respective federal, state, or other tax returns in a manner which is inconsistent with the agreed-upon allocations. The parties further agree to cooperate in connection with any reporting requirements under the Code, including, but not limited to the attachment of an asset allocation statement on IRS Form 8594 to the respective federal income tax returns for the tax year in which the Closing occurs and compliance with any and all other requirements relating to filings or information to be furnished to the Internal Revenue Service under the Code. Each party shall furnish to the other party, on request, a copy of IRS Form 8594 being filed and with copies of any other tax forms necessary to evidence compliance with this Section 8.

9. COVENANTS OF SELLER, SPARKMAN, AND HELBIG.

9.1 INFORMATION AND ACCESS. From and after the date of this Agreement and to the Closing, Seller, Sparkman, and Helbig will, within three (3) days of receiving a request (whether oral or written), furnish to Buyer and its duly authorized representatives and agents any requested information about Seller and will give Buyer and its duly authorized representatives and agents, complete access to Seller's officers, employees, accountants, attorneys, auditors, books, records, tax returns, physical facilities, assets and agreements for purposes of a complete investigation. The exercise of any rights of access or inspection by or on behalf of Buyer under this Section 9.1 shall not affect or mitigate the covenants, representations and warranties of Seller, Sparkman, and Helbig or Buyer's rights to indemnity under this Agreement.

9.2 CONDUCT OF H&S REMOTE CONTROL BUSINESS. From the date hereof through the Closing, each of Seller, Sparkman, and Helbig will conduct the H&S Remote Control Business diligently and in the usual and ordinary course as heretofore conducted. Each of Seller, Sparkman, and Helbig will use their respective best efforts to preserve the H&S Remote Control Assets and the H&S Remote Control Business intact and to preserve for Buyer the goodwill and relationship of Seller with its suppliers, customers and others having business relations with Seller. From the date hereof through the Closing, Seller, Sparkman, and Helbig will not in connection with the use of the H&S Remote Control Assets and the operation of the H&S Remote Control Business, except with the consent of Buyer incur any obligation or liability, engage in any activity or transaction, or enter into any contract or commitment with respect to the H&S Remote Control Assets or the operation of the H&S Remote Control Business extending beyond the Closing, other than sales or purchases made in the ordinary course of the H&S Remote Control Business as heretofore conducted. Without limiting the generality of the foregoing, neither Seller, Sparkman, nor Helbig will, without obtaining the prior written consent of Buyer:

- (a) make any change in Seller's Articles of Incorporation or By-laws;
- (b) make any changes in Seller's capital stock or grant any option, warrant or call with respect thereto;
- (c) declare or pay any dividend on Seller's capital stock nor make any other distribution to Seller's shareholders;
- (d) incur any indebtedness in excess of \$1,000 in the aggregate except for trade payables and other indebtedness in the ordinary course of business as heretofore conducted;
- (e) authorize, or engage in, any merger, consolidation, or sale of assets outside the ordinary course of business as heretofore conducted;
- (f) make any significant organizational or personnel changes;
- (g) pay any bonus, make any loan or grant any salary or wage increase;

(h) make any capital expenditures in excess of \$1,000 per expenditure or \$5,000 in the aggregate;

(i) create any security interest in or any lien or encumbrance on any property or interest of Seller or cancel or compromise any debt or claim; or

(j) fail to record promptly, accurately and fully on the books and records of Seller all transactions of Seller.

9.3 RISK OF LOSS/INSURANCE COVERAGE. Seller shall bear the risk of loss on the H&S Remote Control Assets through the Closing Date. Seller, Sparkman, and Helbig each covenant and agree that the H&S Remote Control Business and the H&S Remote Control Assets to be purchased by Buyer hereunder will each be adequately insured by Seller against fire and casualty and any other claims or losses whatsoever, to the Closing Date, and will use their best efforts to maintain in full force and effect until Closing at the same level of coverage the insurance policies which were in effect immediately prior to Closing and that such policies will continue after the Closing to cover and respond to all claims made in respect of insured occurrences prior to the Closing.

9.4 ACCOUNTS RECEIVABLE. Buyer shall be entitled to all accounts receivable arising out of business transacted in the H&S Remote Control Business subsequent to the Closing Date. Seller shall apply collections it receives from customers to the receivables owed it by such customer unless otherwise directed by the customer. In the event that Seller is instructed by the customer to remit a portion of the collection to Buyer or the amount collected is in excess of the amount owed to Seller, Seller shall immediately comply with the instructions of the customer or ascertain from Buyer that the customer owes amounts to Buyer and remit the amount so instructed by the customer or the excess of the amount so collected to Buyer.

9.5 LITIGATION, CLAIMS AND CONTINGENT LIABILITIES. Each of Seller, Sparkman, and Helbig agree to indemnify Buyer and hold it harmless from all Damages (as defined in Section 21 below) resulting from, relating to or arising out of, all existing litigation and all claims and contingent, undisclosed or unknown liabilities of Seller, including those required to be listed on Schedule 10(e), which relate to any condition existing, product produced or sold, or action taken or omitted by Seller, Sparkman, or Helbig, whether prior to, on or after the Closing Date, including but not limited to all such litigation, claims and liabilities resulting from, related to or arising out of (a) injury to or sickness, disease or death of any person who was at any time an employee or former employee of Seller which is caused by any condition existing, product produced or sold, or action taken or omitted by Seller, and (b) any injury to or sickness, disease or death of any person or persons or any damage to any property or the environment which arises from the manufacture, handling, sale or use of any product manufactured, sold or shipped by Seller. At Buyer's election, Buyer may choose to compromise or defend by its own counsel, at the expense of Seller, such matters referred to in the preceding sentence or may tender such matters to Seller, in which event Seller shall have the obligation to compromise and defend, at its expense and by its own counsel, any such matters.

9.6 EXCLUSIVITY. Each of Seller, Sparkman, and Helbig agree not to conduct negotiations or discussions with anyone other than Buyer with respect to the sale of any of the business, assets or capital stock of Seller.

10. REPRESENTATIONS AND WARRANTIES OF SELLER, SPARKMAN, AND HELBIG. Each of Seller, Sparkman, and Helbig represents and warrants that as of the date hereof, and as of the Closing Date:

(a) CORPORATE STATUS AND VALIDITY. Seller is a corporation duly organized, validly existing, and in good standing under the laws of the State of Colorado, and is duly qualified to do business, and is in good standing in those states listed on Schedule 10(a), which comprise all of the states in which Seller is legally required to be so qualified, with full corporate power and authority to own, lease and operate its business and properties as now owned and conducted. Seller has the corporate power and authority to enter into and perform the transactions contemplated by this Agreement, and all other instruments, agreements, and other documents contemplated hereby. All necessary corporate and shareholder action and other proceedings required to be taken by or on behalf of Seller to authorize Seller to execute and deliver this Agreement and to consummate the transactions contemplated herein, have been duly authorized and properly taken. This Agreement constitutes, and all instruments, agreements, and other documents to be delivered in connection herewith, when executed and delivered by Seller, will constitute the legal, valid and binding obligation of Seller, enforceable in accordance with their respective terms.

(b) NO CONFLICT WITH OTHER INSTRUMENTS OR AGREEMENTS. Neither the execution, delivery or performance of this Agreement and all other instruments, agreements, and other documents in connection herewith, nor the consummation of the transactions contemplated hereby or thereby will violate, conflict with, or result in a breach of or constitute a default under any contract, instrument, article of incorporation, bylaw, agreement, indenture, or license to which either Seller, Sparkman, Helbig, the H&S Remote Control Assets, or the H&S Remote Control Business is or are a party or is bound or affected, or under any law, judgment, order, decree, rule or regulation to which either Seller, Sparkman, Helbig, the H&S Remote Control Assets, or the H&S Remote Control Business is or are subject. No governmental, public authority, or other agency authorization, approval, order, license, permit, or consent, and no registration, declaration or filing with any governmental, public authority or agency is required for the execution, delivery or performance of this Agreement or the other instruments, agreements, or other documents by Seller or the consummation of the transactions hereby or thereby.

(c) TITLE TO ASSETS, ABSENCE OF LIENS. Seller has and at the Closing will have, and the same pursuant hereto will vest in Buyer, good and marketable title and merchantable ownership, right, title and interest in and to all of the H&S Remote Control Assets, in each case free and clear of all liens, encumbrances, charges, and other exceptions (or claims

thereof) except for the Permitted Exceptions. Seller owns, and has the right to sell and convey to Buyer without interference from Seller or others, all rights in and to the H&S Remote Control Assets, and has not previously entered into any agreement concerning the use, sale, or license of, or the granting of any right to or interest in, any of the H&S Remote Control Assets.

(d) FINANCIAL RECORDS AND STATEMENTS OF SELLER. The books of account and financial records of Seller fairly and consistently reflect the income, expenses, assets and liabilities (i) of Seller taken as a whole and (ii) of the H&S Remote Control Business. Attached hereto as Schedule 10(d) is a copy of the balance sheets and related income statements (i) of Seller taken as a whole and (ii) of the H&S Remote Control Business as of and for the year ended , 1997 and for each quarter ended thereafter through the Closing Date (the "Seller Financial Statements"). Except as described in the notes to the Seller Financial Statements, the Seller Financial Statements (a) were prepared in accordance with GAAP applied on a basis consistent with prior periods, (b) present fairly the financial condition (i) of Seller taken as a whole and (ii) of the H&S Remote Control Business and the related results of operations as of and for the periods then ended for each of Seller and the H&S Remote Control Business, and (c) reflect all material liabilities and commitments of each of Seller and the H&S Remote Control Business, direct or contingent, as of said dates which under GAAP are required to be reflected in such Financial Statements or any related notes.

(e) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES. Except as described on Schedule 10(e), (i) there is no action, suit, arbitration or administrative or judicial proceeding, government investigation, judgment, order, writ, injunction or decree outstanding, pending or threatened against Seller, Sparkman, Helbig, any person in his capacity as an employee or agent of Seller or the assets, business or goodwill of Seller, or any such matter to which Seller, Sparkman, Helbig, or any such person is a party, (ii) there is no contingent liability of, and no claim made by any party against, Seller, Sparkman, Helbig, any person in his capacity as an employee or agent of Seller, or the assets, business or goodwill of Seller, (iii) there is no pending or threatened labor dispute or attempt by any union to organize or be certified as the representative of any of Seller's employees, and (iv) to the best knowledge of each of Seller, Sparkman, and Helbig, there is or has been no event or occurrence which is likely to give rise to any of the foregoing.

(f) EMPLOYEE AND RELATED CONTRACTS AND AGREEMENTS. With regard to the H&S Remote Control Assets and the H&S Remote Control Business sold to Buyer hereunder, Seller is not a party to any written or oral, express or implied, (i) contract or commitment for the employment or continued employment of any employee or agent of Seller; (ii) contract with any labor union or other collective bargaining agreement; (iii) any other material contract or commitment involving employees or independent contractors, where the existence of or the absence of (i), (ii), or (iii) above would materially and adversely

affect Buyer's purchase of the H&S Remote Control Assets and the operation of the H&S Remote Control Business.

(g) **AUTHORITY FOR AND CONDUCT OF BUSINESS.** Seller presently has all licenses, permits, approvals, orders, and other authorizations from governmental and regulatory offices and authorities necessary for the conduct of its H&S Remote Control Business as now being conducted, to own or hold under lease the properties and assets it owns or holds under lease, and to perform the obligations under the agreements to which it is a party, and no proceeding is pending or threatened which seeks to revoke, limit or suspend any such authorization, approval, license, permit or order. Seller is in compliance with all applicable laws, contractual or legal restrictions, regulations and administrative and executive orders of any country, state, or municipality or of any subdivisions thereof to which its business and employment of labor or use or occupancy of properties or any part thereof are subject, and Seller has not received notice of any violation thereof. The laws, regulations and administrative and executive orders referred to above include, but are not limited to, those relating to labor relations, employment practices, worker's compensation, communications, zoning, building codes, copyright and patent protection, protection of the environment, waste disposal, toxic substances, product liability, health, occupational and other safety, transportation, employment benefits, exports, antitrust, consumer protection, the processing, production, advertising, sale or labeling of products, and other similar matters.

(h) **NO MATERIAL ADVERSE CONDITIONS.** There are no conditions, matters or events, which materially adversely affect, or might reasonably be expected to materially adversely affect Seller's business taken as a whole, the H&S Remote Control Assets, or the financial condition, business or results of operations from that referenced on the Financial Statements or the H&S Remote Control Business or its prospects which are to be carried on by Buyer.

(i) **TAXES AND TAX RETURNS OF SELLER.** All taxes imposed by the United States or by any other country or by any state, province, municipality or subdivision thereof which are due or payable or which become due or payable by Seller with respect to any period or portion thereof up to and including the date of the Closing have been (or will have been) paid in full. Seller has filed or will file in a timely manner all required returns and reports with respect to income taxes and all other taxes of any kind, such returns and reports have been prepared accurately and in accordance with the law, and all taxes, interest and penalties due thereon have been paid. There are no actions, suits, proceedings, claims, or investigations or assessments now pending or threatened against Seller in respect of taxes or governmental charges, or any matters under discussion with any governmental authority relating to taxes or governmental charges and there are no waivers or extensions of any statutes of limitations in effect with respect thereto. The Federal tax returns for Seller have been audited through

(k) EMPLOYEE BENEFIT PLANS OF SELLER. Seller does not have any employee benefit plans of any kind, including but not limited to, group life insurance, medical, long-term disability, pension and profit sharing plans.

(l) REAL ESTATE LEASES. All leases related to the operation of the H&S Remote Control Business are in full force and effect and Seller holds valid leasehold interests under such leases. Each of Seller, Sparkman, Helbig have made available to Buyer complete and accurate copies of said leases and all such leases have not been modified, except to the extent that such modifications are disclosed by the copies delivered to Buyer. Seller is not in default under, nor is there any default by Landlord under, nor does either party have the right to terminate, accelerate performance under or otherwise modify (including upon the giving of notice or the passage of time) any such leases. Seller does not lease any other real estate other than the leased properties to which Seller, Sparkman, and Helbig have delivered or to Buyer. No notice has been received by Seller of any building code, fire code or zoning violation or problem with respect to the leased properties.

(m) THIS SECTION INTENTIONALLY OMITTED.

(n) EXTRAORDINARY TRANSACTIONS; CAPITAL EXPENDITURES. Except as stated in this Agreement, since May 1, 1998 (i) Seller has not entered into any transactions or incurred any obligations or liabilities outside of the usual and ordinary course of business, and (ii) there has been no capital expenditure over \$1,000.

(o) OWNERSHIP AND CONDITION OF PROPERTY. Seller has good and marketable title to all of the H&S Remote Control Assets and all of the assets reflected as owned by Seller in the Seller Financial Statements, free and clear of any and all liens, charges and encumbrances, except Permitted Exceptions.

(p) OTHER CONTRACTS AND COMMITMENTS. Except as described in this Agreement or on Schedule 10(p), Seller is not currently a party to or bound by any:

(i) written or oral contracts not made in the ordinary course of its business;

(ii) contracts with licensors, licensees, distributors, dealers, or sales agents or representatives;

(iii) contracts with officers, directors, managers, legal counsel, accountants, tax advisors, advertising or public relations agencies, or associated or affiliated companies, except such as are terminable at will and without liability, cost or expense;

(iv) leases for personal property;

(v) commitments for capital expenditures or other written or oral contracts wherein the total liability exceeds One Thousand Dollars (\$1,000.00);

(vi) contracts continuing for a period of three (3) months or more from their date, other than ordinary course of business commitments with suppliers or customers;

(vii) contracts with any labor union or organization;

(viii) contracts of guaranty or indemnity;

(ix) contracts for chemical waste disposal;

(x) government contracts subject to price renegotiation;

(xi) contracts or commitments for employee benefits;

(xii) contracts restricting the right to engage in any business or to compete with any person;

(xiii) loans, mortgages, pledges, financing or similar contracts or agreements under which Seller may have any liability (contingent or otherwise); or

(xiv) any other material contract, whether or not made in the ordinary course of business.

Copies of all written contracts, leases, commitments and agreements listed on Schedule 10(p) have been made available to Buyer, and such copies are true and correct copies of such documents. All such contracts, leases, commitments and agreements are valid and binding obligations of the parties thereto, enforceable in accordance with their respective terms, are in full force and effect and are assignable except as described on Schedule 10(p). Summaries of oral contracts listed on Schedule 10(p) are correct and do not omit to state any fact necessary to make the statements therein not incomplete or misleading. Except as otherwise provided herein, to the knowledge of Seller and Sparkman, no party with whom Seller has a contractual relationship is in default in the payment of any obligation under, or in the performance of any covenant or obligation to be performed by it pursuant to, any such contract.

(q) INSURANCE. The assets of Seller are adequately insured against loss or damage and Seller is adequately insured against those forms of legal liability and losses described on Schedule 9.3. The insurance of Seller currently in force is listed on Schedule 9.3 and Seller shall use its best efforts to continue such insurance coverage in full force and effect to and including the Closing Date.

(r) NO DEFAULT. Neither Seller, Sparkman, nor Helbig is in default or breach of any contract or agreement, written or oral, indenture or other instrument or obligation, including, without limitation the agreements assumed by Buyer hereunder, to which it is or they are a party or to which it or they are its property is subject, and to the best knowledge of Seller or Sparkman or Helbig, there exists no state of facts which after notice or lapse of time or both would constitute such a default or breach, and all such contracts, agreements, indentures or other instruments are in good standing and in full force and effect, enforceable in accordance with their respective terms.

(s) INVENTORY. The inventory reflected on the Seller Financial Statements consists, and the Inventory to be sold to Buyer on the Closing Date will consist, of a quality and quantity usable and salable in the ordinary course of the H&S Remote Control Business and all such inventory is valued at the lower of cost (on a first-in, first-out basis) or net realizable value (which is the estimated selling price less selling and distribution expenses).

(t) TOOLING, SUPPLIES AND EQUIPMENT. All Tooling, supplies, and equipment are in good operating condition and repair and are fit for their intended purpose. All Tooling, supplies and equipment carried at any net value on the books of Seller or reflected at any net value on its Financial Statements are currently used in its H&S Remote Control Business. Such Tooling, supplies, and equipment constitute all the tangible personal property necessary for the conduct of Seller's H&S Remote Control Business as it is now being conducted.

(u) CURTAILMENT NOTICES. Seller has not received any notice from any supplier (including utilities) of curtailment or intended curtailment of services or supplies to Seller.

(v) CUSTOMER RELATIONS. Neither Seller nor Sparkman are aware of any facts or information indicating that any customer intends to cease doing any material amount of business with Seller or to materially alter the amount of any such business.

(w) ENVIRONMENTAL MATTERS.

(i) Seller has obtained all permits, licenses and other authorizations which are required with respect to the operation of its business under any Environmental Laws (as hereinafter defined) (such permits, licenses and authorizations being hereinafter referred to as "Environmental Permits"), including all federal, state and local laws relating to pollution or protection of the environment such as laws relating to emissions, discharges, releases or threatened releases of hazardous, toxic or other pollutants, contaminants, chemicals or industrial materials, substances or wastes into the environment, including but not limited to ambient air, surface water, ground water, land surface or subsurface strata, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal,

transport or handling of hazardous, toxic or other pollutants, contaminants, chemicals or industrial materials, substances or wastes (which laws, together with all regulations, rules, codes, plans, decrees, judgments, injunctions, notices and demand letters issued, entered, promulgated or approved thereunder being herein referred to as "Environmental Laws"). Schedule 10(w) contains a list of all Environmental Permits which have been obtained by Seller and complete copies of all such Environmental Permits have been supplied to Buyer. Seller is in full compliance with all terms and conditions of all Environmental Permits required under the Environmental Laws, and is also in full compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in the Environmental Laws. Schedule 10(w) contains a complete list of all notices of whatever form received by any previous owner or operator of the H&S Remote Control Business within the five years preceding the date of this Agreement or by Seller alleging noncompliance with any Environmental Law, and Seller has provided Buyer with complete copies of all such notices.

(ii) There is no civil, criminal or administrative action, demand, claim, investigation or proceeding pending or threatened against Seller, under or relating in any way to the Environmental Laws, except as identified on Schedule 10(w).

(iii) There are no past, present or known or anticipated future events, conditions, circumstances, or plans which may interfere with or prevent compliance or continued compliance with the Environmental Laws, or which may give rise to any common law or other legal liability, including, but not limited to, liability under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or which otherwise may form the basis of any claim, action, demand, proceeding, notice of violation or investigation, based on or related to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling or the emission, discharge, release or threatened release into the environment, of any pollutant, contaminant, chemical, industrial toxic or hazardous material, substance or waste. Without in any way limiting the foregoing, no release, emission or discharge into the environment of any hazardous substance (as that term is currently defined under CERCLA or any applicable similar state law) has occurred, is currently occurring or, to the extent known or reasonably anticipated, is probable of occurring in the future in connection with the conduct of Seller's H&S Remote Control Business and there is no spill, deposit, or discharge of any hazardous substance (as that term is currently defined under CERCLA or any applicable similar state law) at, on, into, under or having originated from any facility or real property of Seller. The assets of Seller do not include any equipment, machinery, device, or other apparatus that contains polychlorinated biphenyls (the "PCB Equipment") that is now or ever has been leaking; any asbestos that is or reasonably may be anticipated to become in friable condition within the next five years; or any underground tank that contains petroleum products or any toxic or hazardous material, substance or

waste, as those terms are defined in the Environmental Laws, which tank has not been determined by Petro Tite test or equivalent method to be free of leaks within the last twelve months. Schedule 10(w) contains a list of all (i) PCB Equipment, whether leaking or not, and indicating which, if any, is now or ever has been leaking, (ii) asbestos, whether in friable condition or not, and (iii) underground tanks, whether tested as described above or not, that are included within the assets of Seller.

(x) SUBSIDIARIES. Seller does not have any equity interest in any other corporation or in any partnership, joint venture, association or other entity.

(y) TRUE AND COMPLETE DISCLOSURES. All information furnished by Seller or Sparkman or its or their representatives to Buyer or its representatives in connection with the negotiation of this Agreement is true and complete in all material respects. All of the statements, representations, warranties and agreements made by Seller or Sparkman or Helbig in this Agreement shall be true and correct in all material respects on and as of the Closing and thereafter with the same force and effect as if made by Seller or Sparkman or Helbig at the Closing.

11. REPRESENTATION AND WARRANTIES OF BUYER. Buyer hereby represents and warrants that, as of the date hereof and as of the Closing Date:

(a) NO CONFLICT WITH OTHER INSTRUMENTS OR AGREEMENTS. Neither the execution, delivery or performance of this Agreement and all other instruments, agreements and other documents in connection herewith, nor the consummation of the transactions contemplated hereby or thereby will violate, conflict with or result in a breach of or constitute a default under any contract, instrument, article of incorporation, by-law, agreement, indenture or license to which Buyer is a party or by which Buyer is bound or affected, or under any law, judgment, order, decree, rule or regulation to which Buyer is subject. No governmental, public authority or other agency, authorization, approval, order, license, permit, or consent, and no registration, declaration or filing with any governmental public authority or agency is required in connection with the execution, delivery or performance of this Agreement or the other instruments, agreements, or other documents by Buyer or the consummation of the transactions hereby or thereby.

(b) CORPORATE ORGANIZATION AND AUTHORIZATION. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power to own and lease its properties and carry on its business in the State of California and otherwise as necessary for the purposes of this Agreement. All necessary corporate action and other proceedings required to be taken by or on behalf of Buyer to authorize Buyer to enter into and consummate this Agreement in accordance with the terms hereof have been duly authorized and properly taken. This Agreement constitutes, and all instruments, agreements and other documents to be delivered in connection herewith, when

executed and delivered, will constitute legal, valid and binding obligations of Buyer, enforceable in accordance with their terms.

(c) TRUE AND COMPLETE DISCLOSURES. All information furnished by Buyer of its representatives to Seller or its representative in connection with the negotiation of this Agreement is true and complete in all material respects. All of the statements, representations, warranties and agreements made by Buyer in this Agreement shall be true and correct in all material respects on and as of the Closing and thereafter with the same force and effect as if made by Buyer at the Closing.

12. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The covenants, representations and warranties of the parties contained herein and in any exhibit, schedule or document attached hereto shall be deemed to have been relied upon by the parties hereto, notwithstanding any investigation made by the parties. All covenants, representations and warranties made herein shall not be affected by any examinations or investigations conducted by Buyer or Seller prior to Closing and shall survive the Closing and shall continue in effect after the execution of this Agreement and the consummation of the sale contemplated hereby unless waived in writing.

13. CONDITIONS OF OBLIGATIONS OF BUYER. The obligations of Buyer, including but not limited to the obligation to close the transaction contemplated hereunder, are, at the option of Buyer, subject to satisfaction of the following conditions on or prior to the Closing, all of which may be waived by Buyer in whole or in part:

(a) The representations and warranties of Seller, Sparkman, and Helbig contained herein shall be true, correct and complete in all material respects on and as of the Closing Date and Buyer shall have received at the Closing a certificate to that effect, dated the Closing Date and executed by the President of Seller and Sparkman and Helbig; provided that the receipt of such certificate and the closing of the sale herein provided shall not be deemed to be a waiver of any representation or warranty contained in this Agreement, which representations and warranties shall continue in full force and effect for the benefit of the parties as provided in Section 13 hereof.

(b) Each of Seller, and Sparkman, and Helbig shall have performed and observed, in all material respects, all covenants, agreements, acts, undertakings and conditions of Seller, Sparkman, and Helbig herein to be performed or observed by it on or before the Closing Date.

(c) Seller, Sparkman, and Helbig shall have delivered to Buyer the documents to be delivered at Closing under Section 7.1 in form satisfactory to counsel for Buyer.

(d) Seller shall not have suffered any loss from fire, flood, explosion or other casualty which materially and adversely affects the conduct of the H&S Remote Control

Business, financial condition or, irrespective of insurance, the value of its assets, including, without limitation, the H&S Remote Control Assets.

(e) No action, suit or proceeding by or before any court, administrative agency or other governmental authority shall have been instituted or threatened which may restrain, prohibit or invalidate any transactions contemplated by this Agreement or which may materially and adversely affect Seller, or Seller's or Sparkman's or Helbig's ability to perform its or their obligations hereunder or the right of Buyer to own, operate or control after the Closing the H&S Remote Control Assets or to engage in the H&S Remote Control Business.

(f) There shall not have been, in the reasonable judgment of Buyer, any material adverse change in the assets, liabilities, financial condition, business or results of operations of Seller from that reflected in the Financial Statements. Neither Sparkman nor Helbig shall have died or become disabled.

(g) Buyer shall have obtained, at its expense, inspection reports satisfactory to Buyer concerning all aspects of the H&S Remote Control Business, legal, financial, accounting and corporate condition and property as Buyer deems appropriate.

(h) The execution, delivery and performance of this Agreement and the other instruments, documents, and agreements contemplated hereby shall have been approved by the Board of Directors of Buyer.

(i) Buyer shall have obtained such financing as it deems necessary and in such form satisfactory to it for purposes of payment of the Purchase Price.

(j) Buyer shall have entered into an enforceable agreement to be the exclusive supplier of remote controls to General Instrument Corporation.

In the event any of the foregoing conditions shall not have been fulfilled on or before Closing, this Agreement may, at the option of Buyer, be declared null and void.

14. CONDITIONS OF OBLIGATIONS OF SELLER, SPARKMAN and Helbig. The obligations of Seller, Sparkman and Helbig, including but not limited to the obligation to close the transactions contemplated hereunder, are, at the respective options of the Seller, Sparkman, and Helbig subject to the satisfaction of the following conditions on or prior to the Closing all of which may be waived by either Seller, Sparkman, or Helbig in whole or in part:

(a) The representations and warranties of Buyer contained herein shall be true, correct and complete in all material respects on and as of the Closing Date and Seller, Sparkman and Helbig shall have received at the Closing a certificate to that effect, dated the Closing Date, and executed on behalf of Buyer by its president or chief financial officer.

(b) Buyer shall have performed and observed, in all material respects, all covenants, agreements and conditions herein to be performed or complied with by Buyer on or before the Closing Date.

(c) Buyer shall have delivered the documents and funds to be delivered at Closing under Section 7.2 in form reasonably satisfactory to counsel for Seller.

In the event any of the foregoing conditions shall not have been fulfilled on or before Closing, this Agreement may, at the option of Seller be declared null and void.

15. THIS SECTION INTENTIONALLY OMITTED.

16. FURTHER ASSURANCES. Each party hereto shall from time to time at the reasonable request of the other party hereto, whether on or after the Closing, do, make, execute, acknowledge, and deliver all such further acts and instruments of conveyance, assignment, transfer and consent, in form and substance reasonably satisfactory to the requesting party, concerning compliance with the terms and conditions of this Agreement as such requesting party may reasonably require for the more effective performance of their respective obligations hereunder and the completion of the transactions contemplated hereby.

17. TAXES. The cost of all sales and use and any other transfer taxes, if any, arising out of the transfer and sale of the assets described herein, shall be determined prior to Closing by Seller and Buyer, and shall be paid by Seller. Seller shall at Closing deliver to Buyer a sales tax resale certificate for all applicable states for the properties purchased hereunder which will be resold to customers in the ordinary course of business after Closing.

18. THIS SECTION INTENTIONALLY OMITTED.

19. POST CLOSING MATTERS. On the fifth (5th) business day prior to the Closing Date, Seller shall provide to Buyer a complete and accurate list of all creditors of Seller (including those creditors whose claims are disputed) together with the current balance of amounts owed such creditor (including disputed amounts). The amount due creditors, as reflected on the list, shall be held back by Buyer from the Purchase Price until such time as such creditors shall have been paid in full.

20. CONTINUING OBLIGATIONS. Seller and Buyer agree that any and all confidential financial data, customer lists and data, and any confidential books and records or other materials provided or made available to the other party prior to or after Closing (collectively, "Confidential Information"), which is not otherwise available to the public, shall be held strictly confidential and shall not be provided or made available to any other party than the parties to this Agreement. Confidential Information shall not include (a) information, whether or not a true "trade secret", which at the time concerned is generally known to other persons engaged in business similar to Buyer's or Seller's business, (b) information which was previously known to the party receiving it, (c) information which was in the public domain at the time such party received it or thereafter

entered the public domain through no fault of such party, or (d) information which is required to be disclosed in legal proceedings.

21. INDEMNIFICATIONS.

21.1 BY SELLER, SPARKMAN AND HELBIG. Each of Seller, Sparkman and Helbig, jointly and severally, hereby agrees to indemnify Buyer and its successors, assigns and affiliates, and present and future directors, officers, employees, and agents against, and hold them harmless from and against all damages, losses, liens, claims, deficiencies, liabilities, fines, penalties, costs and expenses, including but not limited to reasonable legal fees and costs of litigation (collectively referred to as "Damages") resulting from, caused by or arising out of any of the following:

(i) The inaccuracy of any statement or representation or the breach of any warranty, covenant, or Agreement of Seller or Sparkman or Helbig made herein, or the failure of Seller or Sparkman or Helbig to perform any covenant or agreement made herein;

(ii) Any claim against any of the H&S Remote Control Assets or against Buyer by a creditor of Seller arising out of a breach of this Agreement by Seller or Sparkman or Helbig;

(iii) Any transaction, occurrence or action by Seller or Sparkman or Helbig in connection with the operation of the H&S Remote Control Business by Seller or Sparkman or Helbig prior to the Closing Date;

(iv) Any claim contained in any pending litigation against Seller or Sparkman or Helbig; and

(v) Any claim asserted against Buyer by reason of any noncompliance of any applicable bulk sales laws under the provisions of the Uniform Commercial Code or similar law in any jurisdiction.

21.2 BY BUYER. Buyer hereby agrees to indemnify and hold Seller and its successors, assigns and affiliates, and present and future directors, officers, employees, and agents against, and hold them harmless from and against all Damages resulting from, caused by or arising out of the following:

(i) The inaccuracy of any statement or representation or the breach of any warranty, covenant, or agreement of Buyer made herein, or the failure of Buyer to perform any covenant or agreement made by it herein;

(ii) Any transaction, occurrence, action or omission in connection with the operation of the H&S Remote Control Business by Buyer after the Closing Date; and

(iii) Any claim contained in any pending litigation against Buyer.

21.3 NOTICE AND PROCEDURES.

(a) Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("third person") or the commencement of any action or proceeding by a third person, the Indemnified Party shall, if a claim with respect thereto is to be made against any party obligated to provide indemnification pursuant hereto (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and basis of such claim and, if ascertainable, the amount thereof. In each such case the Indemnified Party agrees to give such notice to the Indemnifying Party promptly; provided, however, that the failure of the Indemnified Party to give such notice shall not excuse the Indemnifying Party's obligation to indemnify except to the extent the Indemnifying Party has suffered damage or prejudice by reason of the Indemnified Party's failure to give or delay in giving such notice. The Indemnified Party shall have the right to compromise or defend such third person claim, at the expense of the Indemnifying Party. After receipt of such notice from the Indemnified Party, the Indemnifying Party shall acknowledge in writing its obligation to indemnify in respect of such third person claim. Provided that the Indemnifying Party shall have so acknowledged its obligation to indemnify in respect of such claim, the Indemnifying Party may, at its expense, have the right to participate in the defense of such third person claim and no such third person claim shall be settled by the Indemnified Party without the consent of the Indemnifying Party, which consent shall not be unreasonably withheld. At any time after notice of any third person claim, the Indemnifying Party may request the Indemnified Party to agree in writing to the payment or compromise of the third person claim, whereupon such action shall be taken unless the Indemnified Party determines that the contest should be continued, and so notifies the Indemnifying Party in writing within fifteen (15) days of such request from the Indemnifying Party. In the event that the Indemnified Party determines that the contest should be continued, the Indemnifying Party shall be liable pursuant to this Section 21 with respect to such claim only to the extent of the lesser of (i) the amount which the other party to the contested third person claim had agreed to accept in complete payment or compromise as of the time the Indemnifying Party made its request therefor to the Indemnified Party plus other Damages incurred to such date with respect to such claim, or (ii) such amount for which the Indemnifying Party may be liable with respect to such third person claim by reason of the provisions of this Section 21.

(b) If an Indemnified Party shall have any claim pursuant to this Section 21, including but not limited to a claim for Damages as the result of the Indemnifying Party's failure to acknowledge its obligation to indemnify, the Indemnified Party shall deliver to the Indemnifying Party written notice explaining the nature and amount of such claim promptly after the Indemnified Party shall know the amount of such claim. The Indemnified Party and Indemnifying Party shall thereafter attempt in good faith for a period of not less than thirty (30) days to agree upon whether the Indemnified Party is entitled to be indemnified and held

harmless under this Section 21 and the extent to which it is entitled to be indemnified and held harmless hereunder. If the parties cannot so agree within said period, the Indemnified Party may thereafter commence litigation in a court of competent jurisdiction for a determination of its claim. Upon resolution of any claim pursuant to this Section 21, whether by agreement between the parties or the rendering of a final judgment in any litigation, the Indemnifying Party shall within ten (10) of such resolution pay over and deliver to the Indemnified Party funds in the amount of any claim as resolved, and any fees, including reasonable attorneys' fees, incurred by the Indemnified Party with respect to any such litigation.

21.4 SET OFF. Notwithstanding anything to the contrary herein, in the event Buyer has a claim for indemnification pursuant to this Section 21, Buyer may set off Damages against any portion of the Purchase Price, if any.

22. THIS SECTION INTENTIONALLY OMITTED.

23. EXPENSES. Except to the extent otherwise provided by this Agreement or as specifically authorized in writing by the parties hereto, each party shall pay for its own legal, accounting and other similar expenses incurred in connection with the transactions contemplated by this Agreement, whether or not such transactions are consummated.

24. NO BROKERAGE COMMISSIONS. Each party represents and warrants that this Agreement is the result of direct negotiations between them and that there are no claims for brokerage commissions or finders fees in connection with the transactions contemplated by this Agreement. Each of the parties agrees to indemnify and hold harmless the other as a result of liability to any broker or finder on the basis of any arrangement or agreement made by or on behalf of such party.

25. ENTIRE AGREEMENT AND BINDING EFFECT. This Agreement and the exhibits and schedules attached hereto contain the entire agreement between the parties hereto with respect to the transactions contemplated herein, and supersede all prior agreements or understandings between the parties relating to the subject matter hereof. This Agreement, and all questions concerning its construction, validity, and interpretation, and the performance of the obligations imposed by this Agreement, shall be governed, interpreted and enforced according to the internal law, not the law of conflicts, of the State of California. All exhibits, schedules and attachments attached hereto are incorporated herein by this reference.

26. ASSIGNABILITY. This Agreement shall not be assignable by any of the parties hereto, except that it may be assigned by Buyer to any corporation controlled by, or under direct or indirect common control with, Buyer. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, representatives, successors and permitted assigns.

27. SEVERABILITY. In the event any one or more of the provisions contained in this Agreement or any application thereof shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement and any other application thereof shall not in any way be affected or impaired thereby (except if such partial invalidity may frustrate the basic intents and purposes hereof).

28. TERMINATION. This Agreement may be terminated or abandoned any time prior to the consummation hereof by (a) the mutual consent of the parties hereto; (b) either Buyer or Seller, respectively, if there has been a material misrepresentation or breach on the part of Seller or Buyer, respectively, of any representation, warranty or covenant set forth in or made pursuant to this Agreement; or (c) Buyer or Seller if the Closing has not occurred by October 31, 1998; provided, however, that any termination pursuant to clause (b) above shall not be deemed to be a waiver of any rights and remedies otherwise available under this Agreement, by operation of law or otherwise to the party who so terminates.

29. WAIVERS AND NOTICES. Any term or condition of this Agreement may be waived at any time by the party entitled to the benefit thereof by a written instrument. No delay or failure on the part of any party in exercising any rights hereunder, and no partial or single exercise thereof, will constitute a waiver of such rights or of any other rights hereunder nor shall operate as a waiver of, or estoppel with respect to, any subsequent or other exercise of any rights hereunder. All notices, waivers, consents, requests, instructions, approvals, and other communications provided for herein shall be in writing and shall be validly given, made or served (a) upon delivery to the address of such party specified below if delivered personally or by courier, or sent by certified or registered mail, return receipt requested, postage prepaid, or (b) upon dispatch if transmitted by telecopy or other means of facsimile, in any case to the parties at the following addresses or facsimile number, as the case may be:

(a) If to Seller or Sparkman or Helbig:
 Mr. J. C. Sparkman
 2530 South Dudley Street
 Lakewood, Colorado 80227
 Facsimile No. (303) 984-1427
 Telephone No.: (303) 980-5497

(b) If to Buyer:
 Universal Electronics Inc.
 6101 Gateway Drive
 Cypress, California 90630
 Attention: President
 Facsimile No.: (714) 820-1010
 Telephone No.: (714) 820-1000

With a Required Copy to: Universal Electronics Inc.

6101 Gateway Drive
Cypress, California 90630
Attention: General Counsel
Facsimile No.: (714) 820-1010
Telephone No.: (714) 820-1000

or to such other address or facsimile number as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall only be effective upon receipt.

30. AMENDMENT. This Agreement may be amended, modified, or supplemented only by written agreement of the parties hereto.

31. REMEDIES CUMULATIVE. All remedies of the parties provided herein shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other remedies available to the parties, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained herein, and every remedy given herein or by law to any party hereto may be exercised from time to time, and as often as shall be deemed expedient, by such party.

32. SPECIFIC PERFORMANCE. Each of Seller and Sparkman and Helbig acknowledges and agrees that the H&S Remote Control Assets are unique, that damages for any failure of Seller to transfer the H&S Remote Control Assets pursuant to this Agreement would be an inadequate remedy, and that Buyer shall be entitled to enforcement by judgment for specific performance.

33. HEADINGS. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the interpretation or meaning of this Agreement.

34. COUNTERPARTS. This Agreement shall be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

35. NO STRICT CONSTRUCTION. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent and no rule of strict construction will be applied against any party.

36. AGREEMENT CONFIDENTIAL. Prior to Closing, no public announcement will be made by any party hereto relating to any of the transactions contemplated by this Agreement without the consent of any other party hereto and all parties will use their best efforts to keep such transactions confidential until Closing, except to the extent disclosure is required by law.

[SIGNATURES CONTAINED ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, all as of the day and year first above written.

UNIVERSAL ELECTRONICS INC.,
a Delaware corporation

By: _____
Camille Jayne, President

ATTEST:

Its Secretary

H & S Management Corp.,
a Colorado corporation

By: _____
J.C. Sparkman,

ATTEST:

Its Secretary

J.C. Sparkman, Individually

Steven Helbig, Individually

EXHIBIT 1.2
PURSUANT TO SECTION 1.2
OF THE
ASSET PURCHASE AGREEMENT

NON-COMPETE AGREEMENT

This NON-COMPETE AGREEMENT made this ____ day of August, 1998 by and among H & S [Management Corp.], a Colorado corporation ("H&S"), J. C. Sparkman, a Colorado resident ("Sparkman"), and Steven Helbig, a Colorado resident ("Helbig") (individually, each of H&S, Sparkman and Helbig is referred to herein as a "Covenantee", and collectively, the "Covenantees"), and Universal Electronics Inc., a Delaware corporation ("UEI").

W I T N E S S E T H:

WHEREAS, Covenantees and UEI have entered into a certain Asset Purchase Agreement dated August ____ 1998 ("Purchase Agreement") (unless otherwise defined herein, capitalized terms shall be used herein as defined in the Purchase Agreement) pursuant to which UEI will purchase from H&S the H&S Remote Control Business and the H&S Remote Control Assets; and

WHEREAS, pursuant to the terms of the Purchase Agreement, UEI has agreed to pay Covenantees a total of \$_____ for this Non-Compete Agreement, with such payment allocated among the Covenantees as set forth on the allocation schedule attached to the Purchase Agreement; and

WHEREAS, it is a condition to the Closing under the Purchase Agreement that this Non-Compete Agreement be entered into by each of the Covenantees and by UEI;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. NON-COMPETE; NON-SOLICITATION. In consideration of the consideration paid to each of the Covenantees for this Agreement as described above and in the Purchase Agreement, each Covenantee covenants and agrees that, for a period of seven (7) years from the date hereof (the "Non-Compete Period") Covenantee shall not, directly or indirectly, either alone or in partnership or jointly or in conjunction with any person or persons, firm, association, syndicate, company or corporation as principal, agent, employee, director, shareholder or in any other manner whatsoever (i) carry on or be engaged in the H&S Remote Control Business or any other business which is in competition with the H&S Remote Control Business as existing on the date hereof, (ii) solicit business from or transact business with any person, firm or corporation to whom UEI or any

Covenantee has sold products where such solicitation would involve the sale of products competitive with those of the H&S Remote Control Business, or (iii) directly or indirectly solicit for employment, offer employment to, or hire any person (as an employee or consultant), or other engage in business any person or persons who is or are employed by UEI immediately after the consummation of the transactions contemplated by the Purchase Agreement or during the Non-Compete Period, except with the prior written consent of UEI.

1.1 EXCEPTIONS TO NON-COMPETE; NON-SOLICITATION. Nothing within Section 1, above shall prohibit any Covenantee from (i) carrying on or being engaged in any type of business, which is not competitive with the H&S Remote Control Business in any area whatsoever, or (ii) being an owner of not more than 5% of the outstanding stock of any class of a corporation which is publicly traded whose principal business is competitive with the H&S Remote Control Business, so long as Covenantee has no active participation in the business of such corporation.

2. REMEDIES. Each Covenantee acknowledges that the covenants and agreements which it has made in this Agreement are reasonable and are required for the reasonable protection of UEI's investment in the H&S Remote Control Assets and the H&S Remote Control Business. Each Covenantee agrees that the breach of any covenant or agreement contained herein will result in irreparable injury to UEI, and that in addition to all other remedies provided by law or in equity with respect to the breach by Covenantee of any provision of this Agreement, UEI and its successors and assigns will be entitled to enforce the specific performance by Covenantee of Covenantee's obligations hereunder and to enjoin Covenantee from engaging in any activity in violation hereof, all without the need of posting bond or any other security, and that no claim by Covenantee against UEI or its successors or assigns will constitute a defense or bar to the specific enforcement of such obligations. Each Covenantee agrees that UEI and any successor or assign shall be entitled to recover all costs of successfully enforcing any provision of this Agreement, including reasonable attorneys' fees and costs of litigation (including incurred in connection with any administrative, alternative dispute resolution or appellate proceeding) and any interest. In the event of a breach or a violation by any Covenantee of any of the provisions of this Agreement, the running of the Non-Compete Period, shall be tolled during the period of the continuance of any actual breach or violation.

3. PARTIAL INVALIDITY. The various covenants and provisions of this Agreement are intended to be severable and to constitute independent and distinct binding obligations and of each of the Covenantees. Should any covenant or provision of this Agreement be determined to be void and unenforceable, in whole or in part, it shall not be deemed to affect or impair the validity of any other covenant or provision or part thereof, and such covenant or provision or part thereof shall be deemed modified to the extent required to permit enforcement. Without limiting the generality of the foregoing, if the scope of any covenant contained in this Agreement is too broad to permit enforcement to its full extent, such covenant shall be enforced to the maximum extent permitted by law, and the Covenantees hereby agree that such scope may be judicially modified accordingly.

4. ASSIGNMENT. Each Covenantee agrees that this Agreement may be assigned by UEI

to any entity controlled by, or under direct or indirect common control with, UEI and to any person to whom UEI sells its business or assets, and that upon any such assignment, such assignee shall acquire all of UEI's rights under this Agreement, including without limitation the right of assignment set out in this Section 4.

5. NO STRICT CONSTRUCTION. The language used in this Agreement will be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction will be applied against any party hereto.

6. NOTICE. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given to any party (i) upon delivery to the address of such party specified below if delivered in person or by courier, or if sent by certified or registered mail (return receipt requested), postage prepaid, (ii) upon dispatch if transmitted by telecopy or other means of facsimile, in any case to the parties at the following address(es) or telecopy number(s), as the case may be:

If to any Covenantees:

Mr. J. C. Sparkman
2530 South Dudley Street
Lakewood, Colorado 80227
Facsimile No.: (303) 984-1427
Telephone No.: (303) 980-5497

If to UEI:

Universal Electronics Inc.
6101 Gateway Drive
Cypress, California 90630
Attn.: President
Facsimile No.: (714) 820-1010
Telephone No.: (714) 820-1000

With required copies to:

Universal Electronics Inc.
6101 Gateway Drive
Cypress, California 90630
Attn.: General Counsel
Facsimile No.: (714) 820-1010
Telephone No.: (714) 820-1000

or to such address(es) or telecopy number(s) as any party may designate by written notice in the

aforesaid manner.

7. WAIVER OF BREACH. The waiver by any party hereto of a breach of any provision of this Agreement by any other party shall not operate or be construed as a waiver of any subsequent breach.

8. ENTIRE UNDERSTANDING. This Agreement and the agreements referred to herein constitute the entire understanding and shall not be changed, altered, modified or discharged, except in writing consented to by all parties.

9. BINDING EFFECT. This Agreement shall be binding upon the administrators, legal representatives, heirs and legatees and the successors and assigns of each Covenantee and UEI.

10. GOVERNING LAW. This Agreement shall be construed and enforced in accordance with the laws of the State of California, without regard to its conflicts of laws provisions.

11. COUNTERPARTS. This Agreement shall be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one in the same agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

COVENANTEES:

H & S [MANAGEMENT CORP.]

UEI:

UNIVERSAL ELECTRONICS INC.

By: _____

Its: _____

By: _____

Camille Jayne, President & CEO

J. C. SPARKMAN

STEVEN HELBIG

EXHIBIT 7.1(c)
PURSUANT TO SECTION 7.1(c)
OF THE
ASSET PURCHASE AGREEMENT

[FORM OF OPINION OF COUNSEL TO SELLER, SPARKMAN AND HELBIG]

August __, 1998

Universal Electronics Inc.
6101 Gateway Drive
Cypress, California 90630

Re: Asset Purchase dated August __, 1998 (the "Agreement"),
by Universal Electronics Inc. ("Purchaser"), H & S
[Management Corp.] ("Seller"), J. C. Sparkman
("Sparkman"), and Steven Helbig ("Helbig")

Gentlemen:

We are counsel to each of Seller, Sparkman and Helbig in connection with the sale by Seller to Purchaser of H&S Remote Control Assets used or useful in the H&S Remote Control Business. All capitalized terms used herein and not otherwise defined herein, shall have the meanings ascribed to them in the Agreement. We are rendering this opinion pursuant to Section 7.1(c) of the Agreement.

It is our opinion that:

1. (a) Seller is a corporation duly organized, validly existing, and in good standing under the laws of the State of Colorado; is duly qualified to do business, and is in good standing in those states in which Seller is legally required to be so qualified; has full corporate power and authority to own, lease and operate its business and properties as now owned and conducted; and has full corporate power and authority to execute and deliver the Agreement and all other agreements, documents and instruments to be executed and delivered pursuant thereto and to perform its obligations thereunder.
- (b) Each of Sparkman and Helbig is a citizen of the State of Colorado; locates his place of residence in the State of Colorado; has the legal capacity to execute and deliver the Agreement and all other agreements, documents and instruments to be executed and delivered pursuant thereto and to perform his obligations thereunder.

2. The execution and delivery of the Agreement and the other agreements, documents and instruments to be executed and delivered pursuant thereto, and the performance of the transactions provided for therein have been duly authorized and approved by all requisite corporate action on the part of Seller and no other corporate action on the part of Seller is required in connection with the execution and delivery of the Agreement and the other agreements, documents and instruments executed and delivered pursuant thereto and the performance by Seller of its obligations thereunder.

3. Each of the Agreement and other agreements, documents and instruments which have been executed by Seller, Sparkman, and/or Helbig pursuant thereto, have been duly executed and delivered by Seller, Sparkman, and/or Helbig and constitute legal, valid and binding obligations of and are enforceable against each of Seller, Sparkman, and Helbig in accordance with their terms, except to the extent that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to creditors' rights generally or by equitable principals (whether considered to be an action at law or in equity).

4. Neither the execution and delivery of the Agreement and other agreements, documents and instruments executed and delivered pursuant thereto by Seller, Sparkman, and/or Helbig, nor the consummation of the transactions contemplated thereby will (a) violate the [Articles/Certificate] of Incorporation or By-Laws of Seller, (b) violate, conflict with, or constitute a default under, or cause the acceleration of the maturity of any debt or obligation pursuant to, or result in the creation or imposition of any security interest, lien or other encumbrance upon any of the H&S Remote Control Assets under, any agreement or commitment to which Seller, Sparkman, and/or Helbig are parties or by which either of them or any of the H&S Remote Control Assets may be bound or affected, (c) violate any statute or law or any regulation or rule of governmental authority, or (d) violate any judgment, decree, injunction, writ or order known to us to be applicable to Seller, Sparkman, Helbig, or any of the H&S Remote Control Assets.

5. Neither Seller, Sparkman nor Helbig is in default on any indebtedness, contract, lease, or commitment to which any of them or any of their assets is a party or bound.

6. Seller has exclusive, good and marketable title free of licenses, liens, claims, encumbrances, charges, and other exceptions (or claims thereof) of any kind to all of the H&S Remote Control Assets.

7. Neither Seller, Sparkman nor Helbig are engaged in or a party to any legal action or other proceeding, and there are no legal actions or other proceedings threatened against Seller, Sparkman or Helbig, and none of Sparkman, Helbig, Seller or any current management employee of Seller has incurred or been charged with, and is not under investigation with respect to, any violation of any foreign, federal, state or local law or administrative regulation, any of which if adversely determined could, in the opinion of the undersigned adversely affect or impair the condition (financial or otherwise) of the H&S Remote Control Assets or the H&S Remote Control Business.

8. No consent of any governmental authority is required for the execution and delivery of the Agreement and the other agreements, documents and instruments executed and delivered pursuant thereto by Seller, Sparkman, and/or Helbig, and the consummation by Seller, Sparkman, and/or Helbig of the transactions contemplated thereby.

9. All bills of sale, assignments, deeds and other agreements, documents and instruments to be delivered by Seller at the Closing are effective to sell, convey and assign to Purchaser all of Seller's right, title and interest in and to the &S Remote Control Assets free and clear of all licenses, liens, encumbrances, charges, and other exceptions (or claims thereof).

10. Seller has all necessary authorizations, approvals, licenses, permits, and orders of and from all governmental and regulatory offices and bodies to carry on its business as now being conducted, to own or hold under lease the property and assets it owns and holds under lease, and to perform the obligations under the agreements to which it is a party, and no proceeding is pending or threatened which seeks to revoke, limit or suspend any such authorization, approval, license, permit or order. To the best of our knowledge, Seller is in compliance with all applicable laws, contractual or legal restrictions, regulations and administrative and executive orders of any country, state or municipality or of any subdivisions thereof to which Seller's business and employment of labor or use or occupancy of properties or any part thereof are subject, and Seller has not received notice of any violation thereto and the laws of those states in which Seller is legally required to be qualified to transact business.

Sincerely,

[INSERT NAME OF LAW FIRM]

By:

SCHEDULE 1.1(a)
PURSUANT TO SECTION 1.1(a)
OF THE
ASSET PURCHASE AGREEMENT

NON H&S REMOTE CONTROL ASSETS

All assets not specifically identified within the Asset Purchase Agreement

SCHEDULE 10(a)
PURSUANT TO SECTION 10(a)
OF THE
ASSET PURCHASE AGREEMENT

STATES WHERE SELLER IS QUALIFIED

Colorado

SCHEDULE 10(d)
PURSUANT TO SECTION 10(d)
OF THE
ASSET PURCHASE AGREEMENT

SELLER FINANCIAL STATEMENTS

None Provided

SCHEDULE 10(e)
PURSUANT TO SECTION 10(e)
OF THE
ASSET PURCHASE AGREEMENT

LIST OF LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

None

SCHEDULE 10(w)
PURSUANT TO SECTION 10(w)
OF THE
ASSET PURCHASE AGREEMENT

LIST OF ENVIRONMENTAL PERMITS/NOTICES/CLAIMS

None

SCHEDULE 1(a)
PURSUANT TO SECTION 1(a)
OF THE
ASSET PURCHASE AGREEMENT

INVENTORY
- - - - -

NONE

SCHEDULE 1(b)
PURSUANT TO SECTION 1(b)
OF THE
ASSET PURCHASE AGREEMENT

ORDERS/WORK IN PROCESS

NONE

SCHEDULE 1(c)
PURSUANT TO SECTION 1(c)
OF THE
ASSET PURCHASE AGREEMENT

TOOLING

- - - - -

NONE

SCHEDULE 1(d)
PURSUANT TO SECTION 1(d)
OF THE
ASSET PURCHASE AGREEMENT

EQUIPMENT
- - - - -

NONE

SCHEDULE 1(g)
PURSUANT TO SECTION 1(g)
OF THE
ASSET PURCHASE AGREEMENT

CONTRACT RIGHTS

- - - - -

1. Agreement between from GI Communications Division of General Instrument Corporation of Delaware dated July 1, 1996 and amended on February 23, 1998 whenerby such amendment assigned the agreement to H & S Management Corp.

SCHEDULE 9.3
PURSUANT TO SECTION 9.3
OF THE
ASSET PURCHASE AGREEMENT

INSURANCE COVERAGE AND POLICIES

[List to be provided by Seller]

SCHEDULE 8
PURSUANT TO SECTION 8
OF THE
ASSET PURCHASE AGREEMENT

PURCHASE PRICE ALLOCATION

1. To H & S Management Corp.	
Inventory; Orders/Work in Process;	
Tooling; Equipment; Artwork;	
Supplies; Contract; Rights;	
Licenses and Permits; Records; and	
Intangible/Goodwill	\$2,273,689.13
Non-Compete	50,000.00

Total	\$2,323,689.13
	=====
2. To J. C. Sparkman	
Non-Compete	\$ 25,000.00
	=====
3. To Steven Helbig	
Non-Compete	\$ 25,000.00
	=====
Aggregate Total	\$2,373,689.13
	=====

SCHEDULE 9.3
PURSUANT TO SECTION 9.3
OF THE
ASSET PURCHASE AGREEMENT

INSURANCE COVERAGE AND POLICIES

[List to be provided by Seller]

EXECUTIVE OFFICER
EMPLOYMENT AGREEMENT

THIS EXECUTIVE OFFICER EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into this 29th day of January 1998 by and between UNIVERSAL ELECTRONICS INC. (the "Employer") and CAMILLE JAYNE ("Executive").

RECITALS:

WHEREAS, the Employer is presently headquartered in Twinsburg, Ohio, but has the present intention of relocating its headquarters to its Cypress, California facility during 1998, 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, 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 has offered employment to Executive as its President and Chief Operating Officer to perform those duties and assume those responsibilities 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 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, Employer hereby employs Executive and Executive hereby accepts employment with Employer.

2. TITLE, AUTHORITY AND DUTIES

(a) TITLE(S) AND POSITION(S). At the commencement of this Agreement, Executive shall be employed in the position(s) of and shall have the title(s) of President and Chief Operating 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, perform those duties and assume those responsibilities 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 Chairman and CEO of Employer and/or 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. In addition, Executive shall be entitled to spend approximately eight (8) to ten (10) business days between the date of this Agreement and April 30, 1998 to perform and complete all consulting services for such contractual assignments to which she is, on the date hereof, obligated. Executive represents to Employer that her performance of such consulting services shall not substantially interfere with her ability to carry out her duties as set forth herein nor will it require significantly more time than that as set forth in the preceding sentence.

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 February 2, 1990 and shall continue through the end of business on February 1, 2000 (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 sixty (60) 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 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);

(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.

(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 20 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 salary payments for eighteen (18) months, at that rate of pay which is not less than Executive's rate of Base Cash Salary in effect 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, 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, (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, (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 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 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; provided that the bonus for the 1998 calendar year shall be calculated in accordance with the Bonus Plans attached hereto as Exhibit A, payable in accordance with Employer's standard payroll practices and procedures; and provided further, 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; provided that the stock options and/or stock awards granted for the 1998 calendar year shall be determined in accordance with the Stock Option Plans attached hereto as Exhibit B;

(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 the Universal Electronics Inc.

1993 Stock Incentive Plan, the Universal Electronics Inc. 1995 Stock Incentive Plan, the Universal Electronics Inc. 1996 Stock Incentive Plan, the Salaried Employee Cash Incentive Program, and 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. Three (3) weeks (fifteen (15) 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 which 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 or discontinuance of the amount of compensation paid and/or provided to Executive hereunder except if such reduction or discontinuance occurs by reason of law or loss of tax deductibility to the Employer with respect to the contributions to such plans, or are discontinued as a matter of the Employer's policy applied equally to all participants;

(k) COMMUTING ALLOWANCE AND CORPORATE HOUSING. During the Initial Term Employer shall:

(i) Reimburse Executive for costs actually incurred by Executive in commuting from San Francisco, California to Employer's Cypress, California facility, which amounts shall not exceed \$20,000 per year, and further, in the event that such

amounts reimbursed by Employer pursuant to this subsection (i) are determined to be taxable to Executive, then 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 subsection (i); and

(ii) Provide Executive with such corporate housing reasonably acceptable to both Executive and Employer in an area reasonably proximate to Employer's Cypress, California facility.

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 The Provident Bank, Cleveland, Ohio; 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 and not the law of conflicts 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 are hereby rescinded, revoked, and rendered null and void by the parties. The parties hereto further acknowledge and agree that the terms of that certain Offer Letter dated November 5, 1997 have been incorporated in this Agreement and such Offer Letter has been superseded by this Agreement and therefore, is hereby terminated in its entirety and shall be of no further force and effect. 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

(a) Executive recognizes and acknowledges that while employed by Employer, she 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 and continuing thereafter, 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;
- (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;
- (v) Not solicit, interfere with or endeavor to entice away from Employer any person, firm, company or corporation in the habit of dealing with Employer; and
- (vi) Not interfere with or solicit for hire or hire any other executive employee of Employer.

(b) 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, and 18 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.

IN WITNESS WHEREOF, the parties have executed the Agreement as of this 29th day of January, 1998

Signed and acknowledged in the presence of:

UNIVERSAL ELECTRONICS INC.

By: /s/ David M. Gabrielsen

Its: Chairman and CEO

CAMILLE JAYNE

/s/ Paul Arling

/s/ Camille Jayne

Signature

EXHIBIT A

BONUS PLAN

PURSUANT TO SECTION 4(b) FOR 1998

EPS at \$0.80 bonus of 15% of Base Cash Salary or \$ 45,000

EPS at \$0.85 bonus of 30% of Base Cash Salary or \$ 90,000

EPS at \$0.90 bonus of 40% of Base Cash Salary or \$120,000

EPS at \$0.95 bonus of 45% of Base Cash Salary or \$135,000

EPS at \$1.00 bonus of 50% of Base Cash Salary or \$150,000

EXHIBIT B

STOCK OPTION AWARD

PURSUANT TO SECTION 4(c) FOR 1998

Options to acquire up to 175,000 shares of the common stock of Employer with an exercise price determined as market price at the end of business on the date of this Agreement. These options shall vest at a rate of 25% per year for four years, but all in accordance with the terms and conditions of the Stock Option Agreement and Stock Option Plans of Employer.

STOCK OPTION AGREEMENT

THIS 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 the undersigned Optionee (the "Optionee"). As used in this Agreement, the term "Corporation" shall include, where applicable, any and all of its subsidiaries.

WHEREAS, the stockholders of the Corporation at the annual shareholder meeting and the Board of Directors of the Corporation (the "Board") have approved the Universal Electronics Inc. 1998 Stock Incentive Plan (the "Plan"); and

WHEREAS, the Corporation desires to grant to the Optionee an 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 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 has not been registered under the 1933 Act and, therefore, 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 and 8 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) In the event that Optionee's employment with the Corporation is terminated by the Corporation without "Cause" (as such term is defined in subparagraph 7(b) below) or in the event of "Constructive Termination" (as such term is defined in subparagraph 7(c) below), Optionee shall become immediately fully vested in the Option without further action by the parties hereto, and, to the extent not previously exercised, 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.

(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 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 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 120 consecutive 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 the 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 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. 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.

10. 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.

11. 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 of any outstanding Option or shares of Stock issuable pursuant to an outstanding Option under the Plan.

12. 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.

13. TRANSFERABILITY OF OPTION. The Option is not transferable by the Optionee otherwise than by will or by the laws of descent and distribution and is exercisable, during the Optionee's lifetime, only by the Optionee, or in the case of Optionee's legal incompetency, only by Optionee's guardian or legal representative.

14. 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 _____, 19____, 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.

15. 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.

16. 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.

17. COMPLETE AGREEMENT. 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.

18. 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.

19. 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.

20. 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.

21. 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.

IN WITNESS WHEREOF, the parties have executed this Agreement effective on the ____ day of _____, 1998.

OPTIONEE

UNIVERSAL ELECTRONICS INC.

By:

Signature

Its: President and Chief Executive Officer

Print Name

Certificate Number: _____

UNIVERSAL ELECTRONICS INC.
1998 STOCK INCENTIVE PLAN
STOCK OPTION CERTIFICATE

THIS CERTIFIES THAT _____ has been awarded an OPTION to purchase _____ shares of common stock, par value \$0.01 per share, of UNIVERSAL ELECTRONICS INC. at a price per share of \$____. This Certificate is issued in accordance with and is subject to the terms and conditions of the related 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.

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 -----
_____/99	25%
_____/00	50%
_____/01	75%
_____/02	100%

IN WITNESS WHEREOF, UNIVERSAL ELECTRONICS INC. has caused this Stock Option Certificate to be signed by its duly authorized officer the ____ day of _____, 1998.

UNIVERSAL ELECTRONICS INC.

By: _____

Its: _____

AGREEMENT FOR PURCHASE AND SALE OF PROPERTY

THIS AGREEMENT is made and entered into as of this 29th day of May, 1998, by and between UNIVERSAL ELECTRONICS INC., a Delaware corporation ("Seller"), and DUKE REALTY LIMITED PARTNERSHIP, an Indiana limited partnership ("Buyer").

WITNESSETH THAT:

WHEREAS, Buyer wishes to purchase, and Seller wishes to sell, the Property (as hereinafter defined), but only upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00), the Earnest Money, the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

Section 1. Definitions and Exhibits.

1.1 Definitions. For purposes of this Agreement, each of the following terms, when used herein with an initial capital letter, shall have the meaning ascribed to it as follows:

1.1.1 Agreement. This Agreement for Purchase and Sale of Property.

1.1.2 [Intentionally Omitted]

1.1.3 Building. A building containing approximately 64,432 square feet located at 1864 Enterprise Parkway in Twinsburg, Ohio.

1.1.4 Closing. The closing and consummation of the purchase and sale of the Property pursuant hereto.

1.1.5 Closing Date. The date on which the Closing occurs as provided in Section 11.1 hereof.

1.1.6 Confidential Information. The confidential information described in Section 6.1 hereof.

1.1.7 Contract Date. The date upon which this Agreement shall be deemed effective, which shall be the date first above written.

1.1.8 Deed. The General Warranty Deed to be executed by Seller in the form attached hereto as Exhibit J.

1.1.9 Earnest Money. The amount deposited by Buyer in escrow with Escrow Agent as earnest money pursuant to the terms and conditions of Section 3 hereof, together with any interest earned thereon.

1.1.10 Environmental Laws. Any applicable statute, code, enactment, ordinance, rule, regulation, permit, consent, approval, authorization, license, judgment, order, writ, common law rule (including without limitation the common law respecting nuisance and tortious liability), decree, injunction, or other requirement having the force and effect of law, whether local, state, territorial or national, at any time in force or effect relating to: (i) Emissions, discharges, spills, releases or threatened releases of Hazardous Substances into ambient air, surface water, ground water, watercourses, publicly or privately owned treatment works, drains, sewer systems, wetlands, septic systems or onto land; (ii) The use, treatment, storage, disposal, handling, manufacturing, transportation or shipment of Hazardous Substances; (iii) The regulation of storage tanks; or (iv) Otherwise relating to pollution or the protection of human health or the environment.

1.1.11 Escrow Agent. Land Title Agency, Inc., as agent for First American Title Insurance Company, and which is acting as Escrow Agent pursuant to the terms and conditions of the Escrow Agreement and Section 3 hereof.

1.1.12 Escrow Agreement. That certain Escrow Agreement of even date herewith among Seller, Buyer and Escrow Agent referred to in Section 3 hereof and attached hereto as Exhibit A and by this reference made a part hereof.

1.1.13 Hazardous Substances. All substances, wastes, pollutants, contaminants and materials regulated, or defined or designated as hazardous, extremely or imminently hazardous, dangerous, or toxic, under the following federal statutes and their state counterparts, as well as these statutes' implementing regulations: the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Sections 9601 et seq., the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. Sections 136 et seq., the Atomic Energy Act, 42 U.S.C. Sections 2011 et seq, and the Hazardous Materials Transportation Act, 42 U.S.C. Sections 1801 et seq.; petroleum and petroleum products including crude oil and any fractions thereof, asbestos; and Natural gas, synthetic gas, and any mixtures thereof.

1.1.14 [Intentionally Omitted]

1.1.15 [Intentionally Omitted]

1.1.16 Improvements. The Building and any other buildings, structures and improvements located upon the Land, including Seller's interest in all systems, facilities, fixtures, machinery, equipment and conduits to provide fire protection, security, heat, exhaust, ventilation, air conditioning, electrical power, light, plumbing, refrigeration, gas, sewer and water thereto (including all replacements or additions thereto between the date hereof and the Closing Date).

1.1.17 Inspection Date. The Inspection Date set forth in Section 6.3 hereof.

1.1.18 Land. All those tracts or parcels of land described in Exhibit B attached hereto and by this reference made a part hereof and all privileges, rights, easements, hereditaments and appurtenances thereto belonging, and all right, title and interest of Seller in and to any streets, alleys, passages and other rights of way included therein or adjacent thereto (before or after the vacation thereof).

1.1.19 [Intentionally Omitted]

1.1.20 Permitted Title Exceptions. Those matters identified on Exhibit D attached hereto and by this reference made a part hereof.

1.1.21 Property. All of Seller's right, title and interest in, to and under the following property:

(i) The Land;

(ii) The Improvements;

(iii) The personal property, together with all replacements or additions thereto between the date hereof and the Closing Date (the "Personal Property") listed on Exhibit E attached hereto and by this reference made a part hereof;

(iv) The Surviving Service Contracts and Warranties;

and

(v) All rights of way or use, licenses, permits, trade names and marks, plans, drawings, specifications, surveys, engineering reports, technical descriptions, tenements, hereditaments, appurtenances and easements now or hereafter belonging or pertaining to any of the foregoing, except those, if any, hereinafter reserved to Seller.

1.1.22 Proration Date. The effective date of the prorations provided in Section 4.2 hereof, which is midnight on the eve of the Closing Date.

1.1.23 Purchase Price. The purchase price for the Property described in Section 4.1 hereof.

1.1.24 [Intentionally Omitted]

1.1.25 [Intentionally Omitted]

1.1.26 [Intentionally Omitted]

1.1.27 Service Contracts. All of the service or management contracts, equipment, labor or material contracts, maintenance or repair contracts or other agreements that are in force and effect and affect the Property or the operation, repair or maintenance thereof, a complete list of such contracts or agreements being contained in Exhibit G attached hereto and by this reference made a part hereof.

1.1.28 Survey. The survey of the Land described in Section 6.4 hereof.

1.1.29 Surviving Service Contracts. Those Service Contracts which Buyer may elect in writing to assume, with Seller's consent, pursuant to Section 7 below and which shall be assigned to Buyer at the Closing.

1.1.30 [Intentionally Omitted]

1.1.31 [Intentionally Omitted]

1.1.32 Title Commitment. A commitment for an ALTA Form B (1992) Owner's Title Insurance Policy for the Property issued by the Title Insurer in the full amount of the Purchase Price, covering title to the Property on or after the date hereof, showing Seller as owner of the Property, and providing for full extended coverage over all general title exceptions contained in such policies and the following special endorsements: Zoning 3.1 (amended to include parking), Access, Restrictions, Utility, Comprehensive, Survey, Tax Parcel, Contiguity and Location.

1.1.33 Title Insurer. Land Title Agency, Inc. as agent for First American Title Insurance Company.

1.1.34 Warranties. Any and all warranties, guaranties and similar contracts in favor of Seller on equipment and improvements pertaining to the Property.

1.2 Exhibits. Attached hereto and forming an integral part of this Agreement are the following exhibits, all of which are incorporated into this Agreement as fully as if the contents thereof were set out in full herein at each point of reference thereto:

Exhibit A - Escrow Agreement

Exhibit B - Description of Land

Exhibit C - [Intentionally Omitted]

Exhibit D - Permitted Title Exceptions

Exhibit E - List of Personal Property

- Exhibit F - [Intentionally Omitted]
- Exhibit G - Service Contracts
- Exhibit H - [Intentionally Omitted]
- Exhibit I - Description of Litigation Affecting Seller or the Property
- Exhibit J - Form of Deed
- Exhibit K - [Intentionally Omitted]
- Exhibit L - Non-Foreign Certificate
- Exhibit M - Bill of Sale
- Exhibit N - Assignment and Assumption of Surviving Service Contracts and Warranties
- Exhibit O - [Intentionally Omitted]
- Exhibit P - [Intentionally Omitted]
- Exhibit Q - Lease

Section 2. Purchase and Sale Agreement. Subject to and in accordance with the terms and provisions hereof, Seller agrees to sell and Buyer agrees to purchase the Property.

Section 3. Earnest Money.

3.1 Earnest Money. Simultaneously herewith, Buyer has deposited with Escrow Agent the sum of Twenty Thousand Dollars (\$20,000.00) as the earnest money deposit under this Agreement, which deposit, together with any interest or other income earned thereon (collectively, the "Earnest Money"), shall be held, invested and disbursed pursuant to the respective terms and provisions hereof and of the Escrow Agreement.

3.2 Disbursement. Whenever the Earnest Money is by the terms hereof to be disbursed by Escrow Agent, Seller and Buyer agree promptly to execute and deliver such notice or notices as shall be necessary or, in the opinion of Escrow Agent, appropriate to authorize Escrow Agent to make such disbursement.

Section 4. Purchase Price.

4.1 Purchase Price. The purchase price (the "Purchase Price") for the Property shall be One Million Seven Hundred Twenty Thousand Dollars (\$1,720,000.00). The Purchase Price, as adjusted by the prorations provided in Section 4.2 hereof and as reduced by the Earnest Money, which, unless otherwise disbursed hereunder, shall be disbursed by Escrow Agent at the Closing to Seller as a portion of the Purchase Price, shall be paid by Buyer to Seller at the Closing in United States dollars, by Federal Reserve System wire transfer or other immediately available funds acceptable to Seller.

4.2 Prorations. The following adjustments and prorations shall be made at Closing with Buyer treated as the owner of the Property on the date of Closing:

4.2.2 Property Operating Expenses. Operating expenses for the Property (including payments under Surviving Services Contracts and any land lease assigned to Buyer pursuant hereto) shall be prorated and utilities shall be switched over by the parties outside of escrow as of midnight of the day prior to the Closing Date. Regardless of when invoices for same are received, Seller shall pay all utility charges and other operating expenses attributable to the Property to, but not including the Closing Date and Buyer shall pay all utility charges and other operating expenses attributable to the Property on or after the Closing Date. Seller shall not assign to Buyer any deposits which Seller has with any of the utility services or companies servicing the Property unless Buyer, at Buyer's option, shall purchase the deposits at Closing, in which event Seller shall assign to Buyer all of Seller's right, title and interest in such deposits. Buyer shall arrange with such services and companies to have accounts opened in Buyer's name beginning at 12:01 a.m. on the Closing Date.

4.2.3 Closing Costs. Buyer shall pay one-half (1/2) of the premium of the Title Insurer for the Owner's Title Policy all recording and filing charges in connection with the instrument by which Seller conveys the Property, one-half (1/2) of all escrow or closing agent charges, the cost of any endorsements to Owner's Title Policy all costs of Buyer's Due Diligence, the cost of the Survey, and any other costs customarily paid by the Buyer pursuant to local practice. Seller shall pay one-half (1/2) of the premium of the Title Insurer for the Owner's Title Policy, all transfer taxes and similar charges, one-half (1/2) of all escrow or closing agent charges, and any other costs customarily paid by the Seller pursuant to local practice. Each party shall pay its own attorneys. The obligations of the parties to pay applicable escrow or closing charges shall survive the termination of this Agreement.

4.2.4 Apportionment Credit. In the event the apportionments to be made at the Closing result in a credit balance (i) to Buyer, such sum shall be paid at the Closing by giving Buyer a credit against the Purchase Price in the amount of such credit balance, or (ii) to Seller, Buyer shall pay the amount thereof to Seller at the Closing in United States dollars, by Federal Reserve System by wire transfer or other immediately available funds to the account or accounts to be designated by Seller for the payment of the Purchase Price.

4.2.5 Delayed Adjustment. If at any time following the Closing Date, the amount of an item listed in any section of this Section 4.2 shall prove to be incorrect (whether as a result in an error in calculation or a lack of complete and accurate information as of the Closing), the party in whose favor the error was made shall promptly pay to the other party the sum necessary to correct such error upon receipt of proof of such error, provided that such proof is delivered to the party from whom payment is requested on or before six (6) months after Closing. The provisions of this Section 4.2 shall survive the Closing for the aforesaid six (6) months period and not be merged therein. Seller's auditors and accountants shall be permitted full access to the books and records of the Property following Closing, without unreasonable interference with Buyer's operation of the Property, as reasonably necessary to permit such auditors and accountants to complete their audit of the Property for the Closing and for periods prior to Closing to complete Seller's records and to participate in any final adjustments pursuant to this Section 4.2.5.

Section 5. Title to the Property. Seller, at Seller's expense, shall deliver the Title Commitment to Buyer within ten (10) days of the Contract Date. Seller shall convey merchantable and marketable fee simple title to the Land and the Improvements to Buyer in the form of the Deed in recordable form, which shall expressly be made subject to the Permitted Title Exceptions. Buyer shall have until fifteen (15) days after receipt of the Title Commitment (together with legible copies of all documents noted as exceptions therein) and the Survey by which to examine title to the Property and to give written notice to Seller of any objections which Buyer may have. If Buyer fails to give any notice to Seller by such date, Buyer shall be deemed to have waived such right to object to any title exceptions or defects. If Buyer does give Seller timely notice of objection to any other title exceptions or defects, Seller shall use commercially reasonable efforts to cure or satisfy such objection by the Closing. If such objection is not so timely and reasonably cured or satisfied or undertaken to be reasonably cured or satisfied by Seller, then Buyer shall, within ten (10) days thereafter, elect, by written notice to be received by Seller on or before such tenth (10th) day, either to (a) terminate this Agreement, in which case the Earnest Money shall be returned to Buyer by Escrow Agent, and the parties shall have no further rights or obligations hereunder, except for those which expressly survive any such termination, or (b) waive its objections hereunder and proceeds with the transaction pursuant to the remaining terms and conditions of this Agreement. If Buyer fails to give Seller notice of its election by such time, it shall be deemed to have elected the option contained in subparagraph (a) above. If Seller does so reasonably cure or satisfy, or undertake to reasonably cure or satisfy, such objection to the satisfaction of Buyer, as determined in its sole discretion, then this Agreement shall continue in full force and effect. Buyer shall have the right at any time to waive any objections that it may have made and, thereby, to preserve this Agreement in full force and effect. Seller agrees not to further voluntarily alter or encumber in any way Seller's title to the Property after the Contract Date (except to the extent provided in Section 9 below) without Buyer's written consent. Notwithstanding anything to the contrary contained herein, Seller shall be obligated to remove as a title exception (i) all mortgages, security deeds or other security instruments encumbering the Property, and (ii) all past due ad valorem taxes and assessments, owners association, roadway or other easement fees, dues or assessments of any kind, whether or not of record, which constitute, or may constitute, a lien against the Property. In addition, Seller shall be obligated to remove, bond over or insure over any judgments against the Seller (which do

not result from acts or omissions on the part of Buyer) which have attached to and become a lien against the Property.

Section 6. Buyer's Inspection.

6.1 Document Inspection. Buyer and Seller acknowledge that Buyer shall inspect the Property and shall examine, review and inspect the books and records relating to the ownership and operation of the Property pursuant to the terms hereof. To the extent Seller has such documents, Seller has made available to Buyer complete copies of each of the following documents related to the Property that it has in its possession as of the Contract Date:

(a) Copies of all service, management or brokerage contracts, personal property leases and other executory contracts respecting the Property. Seller shall update such list to a date which is not more than thirty (30) days prior to the Closing Date;

(b) Copies of real estate tax bills and assessments for the Property for the current year and for the past three (3) years;

(c) All engineering and architectural plans and specifications, drawings, site plans, surveys, soil boring test results, other test results, studies and as-built plans and specifications of the Property, traffic studies, and other construction and zoning materials for the Property;

(d) Operating statements and related documents and records for the Property, if any such documents exist;

(e) Copies of all certificates of occupancy for the building shell and for all occupied spaces, licenses, permits, authorizations and approvals required by law or by any governmental authority having jurisdiction over the Property, relating to the construction, occupancy, operation or present use of the Property;

(f) The most recent budget for the Property, including income, operating expenses, property taxes and assessments and capital expenditures, if any such documents exist;

(g) A list of all personal property located on the Property and owned by Seller;

(h) Copies of all warranties and guaranties issued in connection with the Property;

(i) Copies of all environmental reports of the Property;

(j) Copies of any prior surveys of the Property;

(k) Copies of insurance policies and claims documentation for the current year and for the past three (3) years respecting the insurance maintained on the Property or any portion thereof;

(l) Any other information or documentation relating to the design, construction, layout, structure, mechanical, electrical and plumbing systems, fire protection systems and subsurface conditions relating to the Property; and

(m) Copies of all books, records, bills, invoices, and other documentation related to the ownership, construction and operation of the Property.

6.2 Physical Inspection. Subject to any rights or restrictions under any of the Permitted Title Exceptions, Buyer and its agents shall have the right, from time to time prior to the Closing, to enter upon the Property to examine the same and the condition thereof, and to conduct such surveys and to make such engineering and other inspections, tests and studies as Buyer shall determine to be reasonably necessary, all at Buyer's sole cost and expense. Buyer agrees to give Seller advance notice of such examinations or surveys and to conduct such examinations or surveys during normal business hours to the extent practicable. Buyer agrees to conduct all examinations and surveys of the Property in a manner that will not harm or damage the Property or cause any claim adverse to Seller and agrees to restore the Property to its condition prior to any such examinations or surveys immediately after conducting the same. Buyer hereby indemnifies and holds Seller harmless from and against any claims for injury or death to persons, damage to property or other losses, damages or claims, and including, in each instance, attorneys' fees and litigation costs, arising out of any action of any person or firm entering the Property on Buyer's behalf as aforesaid, which indemnity shall survive the Closing and any termination of this Agreement without the Closing having occurred. Notwithstanding the foregoing, Buyer shall not be liable merely for the discovery of a pre-existing condition at the Property.

6.3 Formal Inspection Period. Notwithstanding Buyer's right of inspection contained in Section 6.2 above, with respect to the condition of the Property, Buyer's obligation to close under this Agreement is subject to and conditioned upon Buyer's investigation and study of and satisfaction with the Property. Buyer shall have until forty-five (45) days after receipt of the items set forth in Section 6.1, and the Title Commitment with legible copies of the exception documents (the "Inspection Date") in which to make such investigations and studies with respect to the Property as Buyer deems appropriate, and to terminate this Agreement, by written notice to Seller, to be received on or before the Inspection Date, if Buyer is not, for any reason, satisfied with the Property. If Buyer falls to give notice of such termination, to be received by Seller on or before the Inspection Date, then Buyer's rights under this Section 6.3) to terminate shall be deemed to have been waived by Buyer.

6.4 Survey. Buyer, at Buyer's expense shall obtain a current, ALTA/ACSM as-built survey of the Property in the form acceptable to Buyer (the "Survey"). The Survey shall (a) be completed in accordance with the minimum standard detail requirements for the ALTA Urban

survey and certified to Seller, Buyer, Buyer's lender, Buyer's counsel, and the Title Company by such surveyor; (b) have one perimeter description of the Property; (c) show all easements, right-of-way, setback lines, encroachments and other matters affecting the use or development of the Property; (d) show the number and location of all parking spaces; (e) show the address, dimensions and location of the Improvements and the height and square footage thereof; (f) show the acreage of the Property; (g) certify the zoning of the Property; and (h) certify that no portion of the Property lies within a flood plain or wetlands area. The Deed to be delivered by Seller to Buyer at the Closing shall contain the legal description of the Property as shown on the Survey.

6.5 Environmental Assessment. Buyer shall obtain, at Buyer's expense, a current ASTM Phase I environmental site assessment for the Property, performed by an environmental consultant acceptable to Buyer. If the Phase I environmental site assessment recommends that Phase II environmental site assessment be prepared, Buyer shall immediately notify Seller and the parties shall mutually determine how to allocate the cost of such Phase II assessment. Seller shall extend the Inspection Date until a reasonable period following completion of that Phase II assessment.

Section 7. Service Contracts. Seller shall, at Seller's sole cost and expense, at or prior to the Closing, terminate all Service Contracts, except those Service Contracts, designated by Buyer within ten (10) days of the Closing Date to be Surviving Service Contracts, which Buyer elects to assume with Seller's consent.

Section 8. Representations and Warranties. As of the Contract Date, Seller hereby warrants and represents to Buyer as follows:

8.1 Service Contracts. A complete and accurate list and description of all of the Service Contracts is set forth in Exhibit G hereto. To Seller's knowledge, all such Service Contracts are in full force and effect in accordance with their respective terms. Seller has not given or received any notice of default under the Service Contracts, and Seller has no knowledge of any event which, with the passage of time or the giving of notice, would constitute a default thereunder.

8.2 No Litigation. Except as described in Exhibit I attached hereto and by this reference made a part hereof, Seller has no knowledge nor has Seller received notice, of (a) any actual or pending litigation or proceeding by any organization, person, individual or governmental agency against Seller with respect to the Property or against the Property, (b) any violation of the Property's compliance with applicable fire safety laws, building code ordinances, zoning ordinances or any similar statutes, ordinances, laws, rules or regulations, (c) any condition, defect or inadequacy which, if not corrected, would result in the termination of, or increase in the cost of, insurance coverage, (d) any proceedings which could cause the change, redefinition or other modification of the zoning classifications or of other legal requirements applicable to the Property or any part thereof, or (e) any pending or threatened condemnation proceeding that would affect the Property.

8.3 Boundary Lines of Land. There is no pending litigation or dispute, and Seller has no knowledge nor has Seller received notice, of any dispute, concerning the location of the lines and

corners of the Land, and Seller has not been served with any legal action concerning the location of the lines and corners of the Land.

8.4 Authority. Seller is a duly organized and validly formed corporation under the laws of the State of Delaware, is in good standing in the State of Ohio, is qualified to do business in the State in which the Land is located, is not subject to any involuntary proceeding for dissolution or liquidation thereof, and has obtained all requisite authorizations to enter into this Agreement with Buyer and to consummate and close the purchase and sale of the Property pursuant hereto. Seller's execution, delivery and performance of its obligations under this Agreement will not conflict with or result in a breach of, or constitute a default under, any of the provisions of Seller's organizational documents or of any contract, instrument, law, governmental rule, regulation, judgment, decree or order to which Seller is a party or by which Seller is bound.

8.5 No Rights to Purchase. Seller is the sole owner of the Property and, no person, other than Buyer, has any right, agreement, commitment, option, right of first refusal or any other agreement, whether oral or written, with respect to the purchase, assignment or transfer of all or any portion of the Property. No party other than Seller has or claims any unrecorded or undisclosed legal or equitable interest in the Property.

8.6 Taxes and Assessments. Except as may be revealed in the public records where the Land is located, the Land is not subject to or affected by any special assessment for public improvements or otherwise, whether or not presently a lien upon the Land. Seller has made no commitment to any governmental authority, utility company, school board, church or other religious body, homeowner or homeowner's association or any other organization, group or individual relating to the Property which would impose an obligation upon Seller or its successors or assigns to make any contributions or dedications of money or land, or to construct, install or maintain any improvements of a public or private nature as part of the Property or upon separate lands. No governmental authority has imposed any requirement that Seller pay, directly or indirectly, any special fees or contributions or incur any expenses or obligations in connection with the development of the Property or any portion thereof, other than any regular and nondiscriminatory local real estate or school taxes assessed against the Property. No federal, state or local taxing authority has asserted any tax deficiency, lien, interest or penalty, special assessment or other assessment against the Property or Seller which has not been paid; and there is no pending audit or inquiry from any federal, state or local tax authority or other matter relating to the Property or Seller of which Seller has notice or knowledge which reasonably may be expected to result in a tax deficiency, lien, interest, penalty, special assessment or other assessment against the Property or Seller.

8.7 Environmental Matters. To Seller's knowledge, and except as may be revealed in any environmental report delivered to Buyer pursuant to Section 6.1 and 6.5 hereof:

(a) Hazardous Substances have not been used, generated, transported, treated, stored, released, discharged or disposed of in, onto, under or from the Property in violation of any

Environmental Laws by Seller or by any predecessor-in-title or agent of Seller or by any other person at any time;

(b) no notification of release of a Hazardous Substance has been filed as to the Property, nor is the Property listed on the National Priority List promulgated pursuant to CERCLA or on any other Federal or state list of Hazardous Substance sites requiring investigation or cleanup;

(c) there are no above-ground or underground tanks or any other underground storage facilities located on the Property, and there have never been such tanks or facilities on the Property;

(d) the Property does not contain any PCBs, asbestos or urea formaldehyde; and

(e) the Property does not lie within or contain, in whole or in any part, any wetlands.

Seller has received no written or oral notice or other communication of pending or threatened claims, actions, suits, proceedings or investigations against Seller or occupant of the Property related to (i) the disposal or release of solid, liquid or gaseous waste into the environment from the Property, (ii) the use, generation, transportation, treatment, storage, release, discharge, disposal or other handling of any Hazardous Substance on the Property, or (iii) any alleged violation of any Environmental Laws in relation to the Property.

8.8 Non-Foreign Status. Seller is not a "foreign person" as that term is defined in the Internal Revenue Code of 1986, as amended and the Regulations promulgated pursuant thereto.

8.9 [Intentionally Omitted]

8.10 Prorations. The information to be furnished by Seller on which the computation of prorations is based shall be true, correct and complete in all material respects.

8.11 Personal Property. Except as shown on Exhibit E, Seller has good and marketable title to the Personal Property and each item thereof is free and clear of liens, security interests, encumbrances, leases and restrictions of every kind and description, except the Permitted Title Exceptions.

8.12 Title to Property. The interest of Seller in the Service Contracts, Leases, and other Property is free and clear of all encumbrances and has not been assigned to any other person, except as reflected in the Permitted Title Exceptions.

8.13 Utilities. All water, sewer, electric, natural gas, telephone and drainage facilities, and all other utilities required for the intended operation of the Property, are installed to the Property and are connected with valid permits. All utility lines serving the Property are located within the

boundaries of the Property, within lands dedicated to public use, or within recorded easements for such purpose.

8.14 Warranties. The warranties and guaranties made available to Buyer pursuant to Section 6.1 hereof are complete and accurate. All such warranties and guaranties are in full force and effect in accordance with their respective terms.

8.15 Compliance. To the best of Seller's knowledge, after due inquiry (i) all governmental approvals necessary for the construction and operation of the Property have been obtained and are in full force and effect, and (ii) the Property is in compliance with all zoning, building, health, traffic, environmental, flood control, fire safety and all other applicable rules, regulations, ordinances and statutes of all governmental entities having jurisdiction over the Property.

8.16 Condition. To the best of Seller's knowledge, after due inquiry, all Improvements (including without limitation all pavement; elevators; roofs; mechanical, plumbing, drainage, structural, heating, ventilating and air-conditioning systems; or other systems at or servicing the Property and all other facilities and equipment relating thereto) are in good order and operating condition, free from physical or mechanical defects (whether latent or patent), and fully usable for their intended purpose.

8.17 Seller's Knowledge. Whenever a representation and warranty made by Seller in this Section 8 is limited to Seller's knowledge, the phrase "Seller's knowledge" or any derivation thereof shall mean that Seller has made due inquiry as to the accuracy of the representations and warranties to those of its officers and supervising employees who are currently employed by Seller and who are or were responsible on behalf of Seller for the acquisition, development, management, operation and disposition of the Property and construction of the Improvements.

8.18 Miscellaneous. It shall be a condition of Closing that the representations and warranties contained in this Section 8 are true and correct at Closing and Seller shall be deemed to have reaffirmed these representations and warranties at Closing. In the event that Seller or Buyer learns that any of said representations or warranties becomes inaccurate between the Contract Date and the Closing Date, Seller or Buyer shall immediately notify the other party in writing of such change. Seller shall then use its good faith efforts to cure such change after giving or receiving notice thereof as require herein. The Closing Date shall be automatically extended in order to allow Seller to cure such change. In the event Seller so cures such change, this Agreement shall remain in full force and effect. If Seller is unable to cure such change, Buyer may either (a) terminate this Agreement by written notice to Seller, in which case the Earnest Money shall be returned to Buyer and the parties shall have no further rights or obligations hereunder, except for those which expressly survive such termination, or (b) waive such right to terminate and proceed with the transaction pursuant to the remaining terms and conditions of this Agreement. In the event Buyer elects option (b) in the preceding sentence or in the event Buyer elects to Close with the knowledge that a representation or warranty of Seller herein is untrue or incorrect, the representations and warranties shall be deemed to be automatically amended to reflect said change. The representations and

warranties contained in this Section 8 shall survive Closing but shall terminate two (2) years after the Closing Date, unless a suit is filed thereupon in a court of competent jurisdiction on or before the expiration of said two (2) year period.

Section 9. Operations Pending Closing. Seller, at its expense, shall use reasonable efforts to maintain the Property until the Closing Date or until the termination of this Agreement, whichever is earlier, substantially in its present condition, insured damage by fire or other casualty and condemnation excepted. Prior to the Inspection Date, Seller may enter into or agree to enter into any lease or other agreement concerning occupancy or use of any of the Property, other agreements concerning operation of the Property or any modification or amendment of any existing Service Contract, or any other agreement relating to the Property; and institute any summary or other eviction proceeding or action against any occupant; provided, however, that Seller shall deliver to Buyer a copy of any and all offers, proposals, claims or demands or amendments thereto and final agreements or settlements, at the same time such offers, proposals, claims or demands are delivered to the prospective occupant, service contractor or other entity; and provided further that Seller shall not enter into any lease, service, management or other agreement relating to the management or operation of the Property, including without limitation any personal property lease or purchase agreement, which is not terminable upon thirty (30) days notice to the other party. Seller agrees to consult with Buyer from time to time in connection with such activities. Within five (5) days after execution, Seller shall furnish Buyer with copies of any executed lease, agreement, modification or amendment entered into by Seller, or of any pleadings from any legal action filed by Seller against any occupant after the Contract Date and prior to Closing.

On and after the Inspection Date and prior to Closing, Seller shall not, without the prior written consent of Buyer, enter into or agree to enter into any lease or other agreement concerning occupancy or use of any of the Property, other agreements concerning operation or ownership of the Property, or any modification or amendment of any existing Service Contract or any other agreement relating to the Property; or institute any summary or other eviction proceeding or action against any occupant of the Property.

Seller hereby agrees, through and including the Closing Date and at Seller's sole cost and expense, to:

(a) keep all existing insurance policies affecting the Property or any portion thereof in full force and effect;

(b) use due diligence and commercially reasonable efforts to keep in full force and effect and/or to renew all licenses and permits, if any, pertaining to Seller's ownership or operation of the Property or any portion thereof;

(c) continue to provide all services currently provided by Seller with respect to the Property or any portion thereof, and to continue to operate, manage and maintain the Property

in substantially the same manner as Seller currently operates, manages, repairs, replaces and maintains the Property; and

(d) keep Buyer timely advised of any repair or improvements required to keep the Property or any portion thereof in the condition required by this Agreement, and which cost in excess of Ten Thousand Dollars (\$10,000.00).

Seller hereby agrees to give Buyer written notice of any citation or other notice which Seller may receive, subsequent to the Contract Date and prior to the Closing Date, from any governmental authority and concerning any violation of any law, ordinance, code rule, regulation or order regulating the Property or the use thereof. Seller shall pay in full, prior to the Closing Date, all bills and invoices for labor, material and services relating to the Property which are attributable to the period prior to the Closing Date, subject to Closing prorations, and which Buyer is not otherwise responsible for paying pursuant to this Agreement.

Section 10. Conditions to Closing. Buyer's obligation to proceed to Closing under this Agreement is subject to the following conditions precedent:

(a) Seller shall have performed and satisfied each and all of Seller's obligations under this Agreement;

(b) Each and all of Seller's representations and warranties set forth in this Agreement shall be true and correct at the Contract Date and at the Closing Date;

(c) There shall be no material change between the Contract Date and the Closing Date in the physical or financial condition or profitability of the Property or Improvements or in Seller's obligations with respect thereto;

(d) Buyer shall have received all corporate and partnership approvals to complete this transaction on or before the Inspection Date.

(e) Buyer, as Landlord, and Seller, as Tenant, shall have executed a lease for approximately 6,832 square feet located on the second floor mezzanine of the Building, which lease shall be in substantially the form attached hereto as Exhibit Q. The lease shall be for a term of four (4) years, with a modified gross rent of \$4.75 per square foot, all as more particularly set forth in Exhibit Q.

In the event any of the foregoing conditions are not satisfied on the Closing Date, Buyer shall have no obligation to proceed to Closing and, unless Buyer shall deliver written notice to Seller that Buyer has waived any unsatisfied condition and will proceed to Closing, this Agreement shall cease and terminate, the Earnest Money shall be returned and paid to Buyer, and neither party shall have any further obligation hereunder. Notwithstanding the foregoing, nothing contained herein shall waive or diminish any right or remedy Buyer may have for Seller's default or breach of this Agreement.

Section 11. Closing.

11.1 Time and Place. Provided that all of the conditions set forth in this Agreement are theretofore fully satisfied or performed, the Closing shall be held at the offices of the Escrow Agent, on a date selected by Buyer and reasonably acceptable to Seller, which shall be on or before fifteen (15) days after the expiration of the Inspection Period, unless the Closing Date is postponed pursuant to the express terms of this Agreement or as otherwise agreed by Seller and Buyer in writing.

11.2 Closing Documents. For and in consideration of, and as a condition precedent to Buyer's delivery to Seller of the Purchase Price, Seller shall obtain and deliver to Buyer at the Closing the following documents (all of which shall be duly executed and witnessed, which documents Buyer agrees to execute where required):

11.2.1 A Deed, in the form attached as Exhibit J here to and by this reference made a part hereof, conveying to Buyer all of Seller's right, title and interest in and to the Property, subject to the Permitted Title Exceptions and such other exceptions as are permitted by Section 5 hereof;

11.2.2 A Non-Foreign Certificate, in the form attached as Exhibit L hereto and by this reference made a part hereof;

11.2.3 Such evidence as the Title Insurer shall reasonably require as to the authority of the parties acting on behalf of Seller and Buyer to enter into this Agreement and to discharge the obligations of Seller and Buyer pursuant hereto;

11.2.4 An original executed counterpart or certified copy of each Surviving Service Contract;

11.2.5 A Bill of Sale for all Personal Property, in the form attached as Exhibit M hereto and by this reference made a part hereof;

11.2.6 An Assignment and Assumption of Surviving Service Contracts and Warranties, in the form attached hereto as Exhibit N and by this reference made a part hereof;

11.2.7 If applicable, a properly-completed property transfer tax return, in form and substance appropriate to the jurisdiction in which the Property is located;

11.2.8 A Closing Statement;

11.2.9 An affidavit of title or other affidavit customarily required of sellers by the Title Insurer to remove the standard exceptions from an owner's title insurance policy which are capable of being removed by such an affidavit; and

11.2.10 Such further instructions, documents and information, including, but not limited to a Form 1099, as Buyer, Seller or Title Insurer may reasonably request as necessary to consummate the purchase and sale contemplated by this Agreement.

Section 12. Default and Remedies.

12.1 Buyer's Default. In the event of a default by Buyer under the terms of this Agreement, Escrow Agent shall disburse the Earnest Money to Seller, and Seller shall be entitled, as its sole and exclusive remedy hereunder, to retain the Earnest Money as full liquidated damages for such default of Buyer, whereupon this Agreement shall terminate and the parties shall have no further rights or obligations hereunder, except for those which expressly survive any such termination. It is hereby agreed that Seller's damages in the event of a default by Buyer hereunder are uncertain and difficult to ascertain, and that the Earnest Money constitutes a reasonable liquidation of such damages and is intended not as a penalty, but as full liquidated damages. Buyer covenants not to bring any action or suit challenging the amount of liquidated damages provided hereunder in the event of such default. This provision shall expressly survive the termination of this Agreement.

12.2 Seller's Default. In the event of a default by Seller under the terms of this Agreement which is first discovered by Buyer prior to the Closing and is not cured by Seller as provided hereunder, Buyer's sole and exclusive remedies hereunder shall be to either terminate this Agreement and receive a refund of the Earnest Money from Escrow Agent, or to seek specific performance of Seller's obligations under this Agreement, together with any damages caused by Seller's default hereunder.

Section 13. Condemnation or Destruction.

13.1 Condemnation. Seller hereby represents and warrants that Seller has no knowledge of any action or proceeding pending, instituted or threatened for condemnation or other taking of all or any part of the Property by friendly acquisition or statutory proceeding. Seller agrees to give Buyer immediate written notice of such actions or proceedings that may result in the taking of all or a part of the Property. If, prior to the Closing, all or any material part of the Property is subject to a bona fide threat of condemnation by a body having the power of eminent domain, or is taken by eminent domain or condemnation, or sale in lieu thereof, then Buyer, by written notice to Seller, to be received within thirty (30) calendar days of Buyer's receiving Seller's notice of such threat, condemnation or taking, or by the Closing Date, whichever is earlier, may elect to terminate this Agreement.

13.2 Damage or Destruction. If, prior to the Closing, all or any material part of the Property is damaged or destroyed by any cause, Seller agrees to give Buyer immediate written notice of such occurrence and the nature and extent of such damage and destruction, and Buyer, by written notice to Seller, to be received within thirty (30) calendar days of Buyer's receipt of Seller's notice

of such damage or destruction, or by the Closing Date, whichever is earlier, may elect to terminate this Agreement.

13.3 Termination. If this Agreement is terminated as a result of the provisions of either Section 13.1 or Section 13.2 hereof, Buyer shall be entitled to receive a refund of the Earnest Money from Escrow Agent, whereupon the parties shall have no further rights or obligations hereunder, except for those which expressly survive any such termination.

13.4 Awards and Proceeds. If Buyer does not elect to terminate this Agreement following any notice of a threat of taking or taking by condemnation or notice of damage or destruction to the Property, as provided above, this Agreement shall remain in full force and effect and the conveyance of the Property contemplated herein, less any interest taken by eminent domain or condemnation, or sale in lieu thereof, shall be effected with no further adjustments. At the Closing, Seller shall assign, transfer and set over to Buyer all of Seller's right, title and interest in and to any awards, payments or insurance proceeds for the actual value of the property lost or destroyed, up to but not in excess of the Purchase Price, that have been or may thereafter be made for any such taking, sale in lieu thereof or damage or destruction, to the extent such awards, payments or proceeds shall not have theretofore been used for restoration of the Property pursuant to a plan of restoration approved in writing by Buyer. In addition there shall be credited to Buyer against the Purchase Price the amount of any insurance deductible or other limitation on insurance proceeds.

Section 14. Assignment.

14.1 Assignment by Buyer. Except as herein expressly provided, Buyer shall not, without the prior written consent of Seller, which Seller may withhold in its sole and absolute discretion, assign any of Buyer's rights hereunder or any part thereof to any person, firm, partnership, corporation or other entity. If any assignment is made with the consent of Seller, then the sale contemplated by this Agreement shall be consummated in the name of, and by and through the authorized officials of, any such assignee. Notwithstanding anything to the contrary contained herein, Buyer may assign this Agreement and all of its interests herein to an entity related to Buyer without the consent of, but with notice to, Seller. Upon such assignment or nomination, the assignee or nominee shall have and be subject to all the rights, benefits, duties and obligations of Buyer hereunder, but Buyer shall not be released from any liability or obligation of Buyer hereunder.

14.2 Assignment by Seller. From and after the Contract Date, Seller shall not, without the prior written consent of Buyer, which consent Buyer may withhold in its sole discretion, assign, transfer, convey, hypothecate or otherwise dispose of all or any part of its right, title and interest in the Property.

Section 15. Buyer's Representation and Warranty. Buyer does hereby represent and warrant to Seller as of the Contract Date and the Closing Date that it is a validly formed limited partnership under the laws of Indiana; that it is in good standing in the state of its organization and qualified to do business in the State in which the Land is located; that it is not subject to any involuntary

proceeding for the dissolution or liquidation thereof; that it has all requisite authorizations to enter into this Agreement; and that the parties executing this Agreement on behalf of Buyer are duly authorized to so do. If Buyer does not terminate this Agreement on or before the Inspection Date, Buyer shall be deemed to have represented and warranted to Seller as of the Inspection Date and the Closing Date that Buyer has all requisite authorization to consummate the transactions contemplated hereby.

Section 16. Broker and Broker's Commission. Buyer and Seller each warrant and represent to the other that such party has not employed a real estate broker or agent in connection with the transaction contemplated. Each party agrees to indemnify and hold the other harmless from any loss or cost suffered or incurred by it as a result of the other's representation herein being untrue. This Section 16 shall expressly survive the Closing hereunder.

Section 17. Notices. Wherever any notice or other communication is required or permitted hereunder, such notice or other communication shall be in writing and shall be delivered by hand, by nationally-recognized overnight express delivery service, by U.S. registered or certified mail, return receipt requested, postage prepaid, or by electronic transfer with prompt telephone confirmation to the addresses set out below or at such other addresses as are specified by written notice delivered in accordance herewith:

SELLER: Universal Electronics Inc.
Attn: Paul Arling
1864 Enterprise Parkway
Twinsburg, OH 44087
Phone: (216)487-1110
Fax: (216) 963-7652

BUYER: Duke Realty Limited Partnership
Attn: Peter N. Anderson
8888 Keystone Crossing, Suite 1200
Indianapolis, IN 46240
Phone: (317) 574-3520
Fax: (317) 574-3509

With a copy to: Bose McKinney & Evans
Attn: Tammy K. Haney, Esq.
8888 Keystone Crossing, Suite 1500
Indianapolis, IN 46240
Phone: (317) 574-3708
Fax: (317) 574-3716

Such notices shall be deemed received (a) on the date of delivery, if delivered by hand or overnight express delivery service; (b) on the date indicated on the return receipt if mailed; or (c) on the date of transmission, if sent by electronic transfer device.

Section 18. Miscellaneous.

18.1 Governing Law; Headings; Rules of Construction. This Agreement shall be governed by and construed in accordance with the internal laws of the State in which the Land is located, without reference to the conflicts of laws or choice of law provisions thereof. The titles of sections and subsections herein have been inserted as a matter of convenience of reference only and shall not control or affect the meaning or construction of any of the terms or provisions herein. All references herein to the singular shall include the plural, and vice versa. The parties agree that this Agreement is the result of negotiation by the parties, each of whom was represented by counsel, and thus, this Agreement shall not be construed against the maker thereof.

18.2 No Waiver. Neither the failure of either party to exercise any power given such party hereunder or to insist upon strict compliance by the other party with its obligations hereunder, nor any custom or practice of the parties at variance with the terms hereof shall constitute a waiver of either party's right to demand exact compliance with the terms hereof.

18.3 Entire Agreement. This Agreement contains the entire agreement of the parties hereto with respect to the Property, and no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein or incorporated herein by reference shall be of any force or effect.

18.4 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns (subject to Section 14 above).

18.5 Amendments. No amendment to this Agreement shall be binding on any of the parties hereto unless such amendment is in writing and is executed by the party against whom enforcement of such amendment is sought.

18.6 Possession. Possession of the Property shall be granted by Seller to Buyer no later than the Closing Date, subject to the Permitted Title Exceptions and other title matters allowed under Section 5 hereof.

18.7 Date For Performance. If the time period by which any right, option or election provided under this Agreement must be exercised, or by which any act required hereunder must be performed, or by which the Closing must be held, expires on a Saturday, Sunday or legal or bank holiday, then such time period shall be automatically extended through the close of business on the next regularly scheduled business day.

18.8 Recording. Seller and Buyer agree that they will not record this Agreement and that they will not record a short form of this Agreement.

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

18.10 Time of the Essence. Time shall be of the essence of this Agreement and each and every term and condition hereof.

18.11 Severability. This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules and regulations, and is intended, and shall for all purposes be deemed to be, a single, integrated document setting forth all of the agreements and understandings of the parties hereto, and superseding all prior negotiations, understandings and agreements of such parties. If any term or provision of this Agreement or the application thereof to any person or circumstance shall for any reason and to any extent be held to be invalid or unenforceable, then such term or provision shall be ignored, and to the maximum extent possible, this Agreement shall continue in full force and effect, but without giving effect to such term or provision.

18.12 Confidentiality. Buyer and Seller covenant and agree that the terms of this Agreement, as well as the identity of the parties to the transactions contemplated thereby and hereby, and all information concerning the Property (including, without limitation, all information obtained by Buyer prior to the Closing Date) shall be kept in strictest confidence by Buyer and Seller prior to the Closing, and thereafter, if the Closing fails to occur for any reason. After the occurrence of the Closing, Buyer may disclose that the transactions contemplated hereby have occurred and that the Property has been sold, but shall not disclose the Purchase Price, except to actual or prospective lenders, investors, shareholders, analysts, consultants and governmental agencies. Notwithstanding the foregoing, nothing contained herein shall be construed so as to prohibit Buyer and Seller from making (a) a disclosure to officers, employees and those agents, contractors or vendors which need to know in order to assist Buyer in its purchase of the Property, (b) any disclosure required by law, including any such disclosure required by any Federal, state or local governmental agency or court of competent jurisdiction, or (c) any disclosure which is reasonably necessary to protect any such party's interest in any action, suit or proceeding brought by or against such party and relating to the Properties or the subject matter of this Agreement.

18.13 Attorneys' Fees. In the event that either party shall bring an action or legal proceeding for an alleged breach of any provision of this Agreement or any representation, warranty, covenant or agreement herein set forth, or to enforce, protect, determine or establish any term, covenant or provision of this Agreement or the rights hereunder of either party, the prevailing party shall be entitled to recover from the nonprevailing party, as a part of such action or proceedings, or in a separate action brought for that purpose, reasonable attorneys' fees and costs, expert witness fees and court costs as may be fixed by the court or jury.

18.14 Like-Kind Exchange. Buyer shall have the right to acquire the Property as part of a transaction that Buyer intends to qualify as a tax-deferred exchange under Section 1031 of the Internal Revenue Code. Seller shall make all reasonable efforts to cooperate with Buyer, provided, however, that the date of Closing hereunder shall not thereby be delayed, Seller shall not be obligated to incur any additional expenses and Buyer shall defend, indemnify and hold harmless Seller against any and all losses, costs, expenses and liabilities which may arise out of such tax-deferred exchange. To facilitate such exchange, Buyer shall have the right to assign all of its right, title and interest in this Agreement to a qualified intermediary and to require Seller to convey the Property to that intermediary pursuant to the terms of this Agreement.

18.15 Financial Information. At Buyer's request, Seller shall provide buyer with whatever financial information Seller may have with respect to the operation and maintenance of the Property.

18.16 Sign. Seller agrees that Buyer may install Buyer's sign advertising the Property for lease in a location mutually acceptable to Buyer and Seller upon the execution of this Agreement. Buyer shall pay the cost and expense of installing, maintaining, repairing and removing such sign. If this Agreement is terminated by Buyer prior to the expiration of the Inspection Date, Buyer will promptly remove such sign.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed and sealed by its duly authorized signatory, effective as of the day and year first above written.

SELLER:

UNIVERSAL ELECTRONICS INC.,
a Delaware corporation

By: /s/ PAUL ARLING

Printed: PAUL ARLING

Title: CHIEF FINANCIAL OFFICER

BUYER:

DUKE REALTY LIMITED PARTNERSHIP,
an Indiana limited partnership

By: Duke Realty Investments, Inc.,
an Indiana corporation, as general
partner

By: /s/ PETER N. ANDERSON

Peter N. Anderson, Assistant
Vice President Acquisitions

EXHIBIT A

ESCROW AGREEMENT

THIS AGREEMENT is made and entered into this _ day of 199_, by and among _____ a(n) ("Seller"), and DUKE REALTY LIMITED PARTNERSHIP, an Indiana limited partnership ("Buyer"), and _____ ("Escrow Agent").

WHEREAS, Seller and Buyer have entered into that certain Agreement for Purchase and Sale of Property (the "Purchase Agreement") dated as of _____, 199_, for the sale and purchase of that certain real property described therein; the Purchase Agreement is attached hereto as Exhibit A and by this reference made a part hereof, and all terms used but not defined herein shall have the meanings given to such terms in the Purchase Agreement; and

WHEREAS, Buyer and Seller desire to have Escrow Agent hold the Earnest Money in escrow, as required by the Purchase Agreement and pursuant to the terms hereof.

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, the parties hereto hereby covenant and agree as follows:

1. Buyer and Seller appoint _____ as Escrow Agent hereunder.

2. Simultaneous with the execution of this Escrow Agreement, Buyer will deliver and deposit with Escrow Agent the amount of \$ _____, representing the initial earnest money deposit required by Section 3 of the Purchase Agreement (such deposit, together with the earnings thereon, the "Earnest Money"). The Escrow Agent agrees to immediately deposit the Earnest Money in an interest-bearing account in a national banking association and to hold and disburse the same, together with any interest earned thereon, as required by the Purchase Agreement, using Buyer's e.i.d. number.

3. Upon the Closing Date, Escrow Agent shall apply the Earnest Money, together with any accrued interest thereon, to the Purchase Price as required by the Purchase Agreement.

4. Within fifteen (15) days after written notification from both Buyer and Seller that the sale contemplated by the Purchase Agreement shall not take place, Escrow Agent shall deliver the Earnest Money as required by the Purchase Agreement.

5 . Buyer and Seller hereby covenant and agree that Escrow Agent shall not be liable for any loss, cost or damage which it may incur as a result of serving as Escrow Agent hereunder, except for any loss, cost or damage arising out of Escrow Agent's gross negligence or willful misconduct. Accordingly, Escrow Agent shall not incur any liability with respect to (a) any action taken or Omitted to be taken in good faith upon advice of its counsel, given with respect to any questions relating to its duties and responsibilities hereunder, or (b) any action taken or Omitted to be taken in reliance upon any document, including any written notice of instruction provided for herein or in the Purchase Agreement, not only as to the due execution and the validity and effectiveness thereof, but also as to the truth and accuracy of any information contained therein, which Escrow Agent shall in good faith believe to be genuine and to have been signed or presented by proper person or persons in conformity with the provisions of this Agreement. Buyer and Seller hereby agree to indemnify and hold harmless Escrow Agent against any and all losses, claims, damages, liabilities and expenses, including, without limitation, reasonable costs of investigation and reasonable attorneys' fees and disbursements actually incurred, which may be imposed upon and incurred by Escrow Agent in connection with its serving as Escrow Agent hereunder. In the event of a dispute between Buyer and Seller, Escrow Agent shall be entitled to tender unto the registry or custody of any court of competent jurisdiction in Summit County, Ohio all money or property in Escrow Agent's hands held under the terms of this Agreement and the Purchase Agreement, together with such legal pleadings as it deems appropriate, and thereupon shall be discharged of its obligations hereunder and under the Purchase Agreement.

6. Any notice required hereunder shall be delivered to the parties and in the manner as required by the Purchase Agreement. Escrow Agent's address for notice purposes is as follows:

Attn: -----

Telephone: -----
Facsimile: -----

7. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Ohio, without reference to the conflicts of laws or choice of law provisions thereof.

8. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be duly executed and sealed as of the date first written above.

By: _____
Signature

Printed Name and Title

"SELLER"

DUKE REALTY LIMITED
PARTNERSHIP, an Indiana limited
partnership

By: Duke Realty Investments, Inc.,
its general partner

By: _____
Name: _____
Title: _____

"BUYER"

ESCROW AGENT:

By: _____
Name: _____
Title: _____

EXHIBIT A TO ESCROW AGREEMENT

[THE PURCHASE AGREEMENT]

EXHIBIT B

DESCRIPTION OF LAND

[To be attached upon receipt of survey]

EXHIBIT C

[Intentionally Omitted]

EXHIBIT D

PERMITTED TITLE EXCEPTIONS

1. Taxes and assessments becoming a lien in the calendar year in which the Closing occurs but which are not, as of the date of Closing, due and payable.
2. Other title exceptions listed in Buyer's Title Commitment and acceptable to Buyer.

EXHIBIT E

LIST OF PERSONAL PROPERTY

[To be provided by Seller]

EXHIBIT F
[Intentionally Omitted]

EXHIBIT G
SERVICE CONTRACTS

None

1

EXHIBIT H
[Intentionally Omitted]

EXHIBIT I
DESCRIPTION OF LITIGATION AFFECTING SELLER OR THE PROPERTY

None

1

EXHIBIT J

GENERAL WARRANTY DEED

_____, a(n) _____ ("Grantor"),
 for valuable consideration paid, GRANTS WITH GENERAL WARRANTY COVENANTS unto
 _____, a(n) _____
 ("Grantee"), whose tax mailing address is _____, the
 real property situated in the County of _____, City of
 _____, State of Ohio and being further described in the attached
 Exhibit A, incorporated herein by reference, subject to real estate taxes not
 delinquent, public rights-of-way, matters that would be disclosed by an accurate
 survey or physical inspection of the real estate and all matters of record.

Prior instrument reference: Volume _____, Page _____ of the
 Official Records of _____ County, Ohio.

Parcel # _____
 Address: _____

The undersigned person executing this deed on behalf of Grantor
 represents and certifies that he is a duly elected officer of Grantor and has
 been fully empowered, by proper resolution of the Board of Directors of Grantor,
 to execute and deliver this deed; that Grantor has full corporate capacity to
 convey the real estate described herein; and that all necessary corporate action
 for the making of such conveyance has been taken and done.

IN WITNESS WHEREOF, Grantor has caused this General Warranty Deed to be
 executed this _____ day of _____, 19__.

Signed and Acknowledged
 in the Presence of:

 (Printed)

 (Printed)

 By: _____
 Printed: _____
 Title: _____

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STATE)
)SS:
COUNTY OF)

Before me, a Notary Public in and for said County and State, personally appeared _____, by me known and by me known to be the _____ of _____, who acknowledged the execution of the foregoing "General Warranty Deed" on behalf of said _____.

WITNESS my hand and Notarial Seal this _____ day of _____, 199__.

Notary Public

(Printed Signature)

My Commission Expires: _____
My County of Residence: _____

This instrument prepared by _____, Attorney-at-Law, Duke Realty Investments, Inc., 8888 Keystone Crossing, Suite 1200, Indianapolis, Indiana 46240.

EXHIBIT K
[Intentionally Omitted]

CERTIFICATE AND AFFIDAVIT OF NON-FOREIGN STATUS

The undersigned, being duly sworn, hereby deposes, certifies and states on oath as follows:

1. The undersigned is currently the _____, of _____, a(n) _____ organized and existing under the laws of the State of _____ (the "Corporation"), and that the address of the Corporation is _____ Suite _____.

2. The Corporation is not a "non-resident alien" for purposes of United States income taxation or otherwise a "foreign person," as defined in Section 1445 of the United States Internal Revenue Code of 1986 (as amended, the "Code").

3. The Corporation's United States taxpayer identification number or, if applicable, Social Security Number is _____.

4. The undersigned is making this Certificate and Affidavit pursuant to the provisions of the Code in connection with the sale of the real property described on Exhibit A, attached hereto and incorporated herein by reference, by the Corporation to Duke Realty Limited Partnership (the "Transferee"), which sale constitutes the disposition by the Corporation/Partnership of a United States real property interest, for the purposes of establishing that the Transferee is not required to withhold tax pursuant to Section 1445 of the Code in connection with such disposition.

5. The undersigned acknowledges that this Certificate and Affidavit may be disclosed to the Internal Revenue Service by the Transferee, that this Certificate and Affidavit is made under penalty of perjury, and that any false statement made herein could be punished by fine, imprisonment or both.

6. Under penalty of perjury, I declare that I have examined the foregoing Certificate and Affidavit and hereby certify that it is true, correct and complete.

Certified, sworn to and subscribed before
me this _____ day of _____, 19__.

Notary Public

.....(SEAL)

My Commission Expires:

(NOTARIAL SEAL)

EXHIBIT M

BILL OF SALE

THIS BILL OF SALE is executed and delivered as of the ____ day of _____, 19____, by _____, a(n) _____ (hereinafter referred to as "Seller"), to DUKE REALTY LIMITED PARTNERSHIP, an Indiana limited partnership (hereinafter referred to as "Purchaser").

WITNESSETH:

WHEREAS, contemporaneously with the execution and delivery of this Bill of Sale, Seller has sold and conveyed to Purchaser the improved real property (the "Property") described on Exhibit A attached hereto and incorporated herein by reference; and

WHEREAS, in connection with such conveyance of the Property, Seller has agreed to sell to Purchaser and Purchaser has agreed to purchase from Seller all right, title and interest of Seller in and to the personal property, if any, owned by Seller and located on the Property (hereinafter referred to as the "Personal Property") and identified on Exhibit B attached hereto and incorporated herein by reference;

NOW, THEREFORE, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) in hand paid at or before the execution, sealing and delivery hereof, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Seller, Seller hereby agrees as follows:

1. Sale and Conveyance. Seller hereby sells, transfers and conveys unto Purchaser, its successors and assigns, all right, title and interest of Seller in and to the Personal Property.

2. Governing Law. This Bill of Sale shall be governed by and construed in accordance with the internal laws of the State of _____, without reference to the conflicts of laws or choice of law provisions thereof.

3. Binding Effect. This Bill of Sale shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators legal representatives, successors and assigns.

IN WITNESS WHEREOF, Seller has caused this Bill of Sale to be executed and sealed by its duly authorized signatory as of the day and year first above written.

By: _____
Signature

Printed Name and Title

EXHIBIT A TO BILL OF SALE
[LEGAL DESCRIPTION OF PROPERTY]

EXHIBIT B TO BILL OF SALE
[PERSONAL PROPERTY SOLD TO BUYER]

ASSIGNMENT AND ASSUMPTION OF
SURVIVING SERVICE CONTRACTS AND WARRANTIES

THIS ASSIGNMENT is made and entered into as of this ____ day of _____, 19____, by and between _____, a(n) _____ (hereinafter referred to as "Assignor"), and DUKE REALTY LIMITED PARTNERSHIP, an Indiana limited partnership (hereinafter referred to as "Assignee").

WII NESSETH:

WHEREAS, contemporaneously with the execution and delivery hereof, Assignor has sold and conveyed to Assignee all that tract or parcel of land more particularly described in Exhibit A attached hereto and incorporated herein by reference, together with all improvements thereon and all rights, easements and appurtenances thereto (hereinafter collectively referred to as the "Property"); and

WHEREAS, in connection with such conveyance of the Property, Assignor and Assignee have agreed that Assignor shall transfer and assign to Assignee all right, title and interest of Assignor in and to all service, management, equipment, labor, material, maintenance, repair, lease commission and other contracts relating to the maintenance, repair or operation of the Property which have not been terminated by Assignor as of the date hereof and continue in force and effect which are set forth in Exhibit B attached hereto and incorporated herein (hereinafter collectively referred to as the "Surviving Service Contracts"); and

WHEREAS, Assignor and Assignee have further agreed that Assignee shall expressly assume all of the obligations of Assignor arising under the Surviving Service Contracts from and after the date of this Assignment;

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party hereto, Assignor and Assignee hereby agree as follows:

1. Transfer and Assignment. Assignor hereby sells, transfers and assigns to Assignee, its successors and assigns, all right, title and interest of Assignor in, to and under the Surviving Service Contracts, together with all warranties and guaranties (collectively,

the "Warranties") in favor of Assignor on equipment and improvements on the Property (to the extent said Warranties are assignable by Assignor), including those set forth in Exhibit C attached hereto and incorporated herein. If any of the Warranties are not assignable by Assignor, Assignor agrees to fully cooperate with Assignee, but without cost or expense to Assignor, to enforce such Warranties for the benefit of Assignee.

2. Assumption of Obligations. Assignee hereby assumes and agrees to observe and perform all of the obligations and duties of Assignor under each of the Surviving Service Contracts and the Warranties arising from and after, but not before, the date of this Assignment.

3. Indemnity. Assignor hereby indemnifies and holds Assignee harmless from and against all claims, demands, losses, damages, expenses and costs including, but not limited to, reasonable attorneys' fees and expenses actually incurred, arising out of or in connection with Assignor's failure, prior to the date hereof, to observe, perform and discharge each and every one of the covenants, obligations and liabilities of the Assignor under the Surviving Service Contracts and the Warranties to be observed, performed or discharged with respect to the period prior to the date of this Assignment. Assignee hereby indemnifies and holds Assignor harmless from and against all claims, demands, losses, damages, expenses and costs including, but not limited to, reasonable attorneys' fees and expenses actually incurred, arising out of or in connection with Assignee's failure, from and after the delivery of this Assignment, to observe, perform and discharge all covenants, obligations and liabilities with respect to the period on and after, but not before, the date of this Assignment.

4. Governing Law. This Assignment shall be governed by and construed in accordance with the internal laws of the State of _____, without reference to the conflicts of laws or choice of law provisions thereof.

5. Binding Effect. This Assignment shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns.

6. Counterparts. This Assignment may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which, when taken together, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Assignor and Assignee have each caused this Assignment to be executed and sealed by its duly authorized signatory as of the day and year first above written.

ASSIGNOR:

By:

Signature

Printed Name and Title

ASSIGNEE:

DUKE REALTY LIMITED
PARTNERSHIP, an Indiana limited
partnership

By: Duke Realty Investments, Inc.,
an Indiana corporation, as general
partner

By:

Signature

Printed Name and Title

EXHIBIT A TO ASSIGNMENT AND ASSUMPTION OF SURVIVING SERVICE
CONTRACTS AND WARRANTIES

[LEGAL DESCRIPTION OF PROPERTY]

EXHIBIT B TO ASSIGNMENT AND ASSUMPTION OF SURVIVING SERVICE
CONTRACTS AND WARRANTIES

[LIST OF SURVIVING SERVICE CONTRACTS, INCLUDING LEASE
COMMISSION AGREEMENTS]

EXHIBIT C TO ASSIGNMENT AND ASSUMPTION OF SURVIVING SERVICE
CONTRACTS AND WARRANTIES

[LIST OF WARRANTIES AND GUARANTIES]

EXHIBIT 0

[Intentionally Omitted]

EXHIBIT P

[Intentionally Omitted]

EXHIBIT Q

LEASE AGREEMENT

THIS LEASE is executed this day ___ of _____, 1998, by and between DUKE REALTY LIMITED PARTNERSHIP, an Indiana limited partnership ("Landlord"), and Universal Electronics, a(n) _____ ("Tenant").

WITNESSETH:

ARTICLE 1 - LEASE OF PREMISES

Section 1.01. Basic Lease Provisions and Definitions.

- A. Building Address: 1864 Enterprise Parkway, Twinsburg, Ohio, (the "Building"); located in Business Center (the "Park");
- B. Rentable Area: approximately 6832 rentable square feet;

Landlord shall use commercially reasonable standards, consistently applied, in determining the Rentable Area and the rentable area of the Building. The Rentable Area shall include the area within the Leased Premises plus a pro rata portion of the area covered by the common areas within the Building, as reasonably determined by Landlord from time to time. Landlord's determination of Rentable Area made in good faith shall conclusively be deemed correct for all purposes hereunder, including without limitation the calculation of Tenant's Building Expense Percentage and Tenant's Minimum Annual Rent.
- C. Tenant's Proportionate Share: 10.60%;
- D. Minimum Annual Rent: \$32,452.00
- E. Monthly Rental Installments: \$2,704.33
- F. Term: Four (4) years and N/A () months;
- G. Commencement Date: April 1, 1998 or upon closing and title transfer.
- H. Security Deposit: \$ to be mutually agreed upon between tenant and landlord.
- I. Guarantor(s): Universal Electronics;
- J. Brokers: Duke Realty Limited Partnership representing Landlord and N/A representing Tenant,

Duke Realty Limited Partnership will [not] share the broker's compensation with other brokers who may represent Tenant
- K. Permitted Use: Customer service and telemarketing center.
- L. Address for notices:

Landlord: Duke Realty Limited Partnership
6000 Freedom Square Drive, Suite 500
Independence, OH 44131

Tenant: -----

Address for rental and other payments;

Duke Realty Limited Partnership
P.O. Box 931845
Cleveland, OH 44193-1186

Section 1.02. Leased Premises. Landlord hereby leases to Tenant and Tenant leases from Landlord, subject to all of the terms and conditions set forth herein, that portion of the Building described in the Basic Lease Provisions and outlined on Exhibit A attached hereto (the "Leased Premises"). Landlord also grants to Tenant, together with and subject to the rights granted from time to time by Landlord to other tenants and occupants of Landlord's premises, the right to use the common parking area adjoining the Building.

ARTICLE 2 - TERM AND POSSESSION

Section 2.01. Term. The term of this Lease ("Lease Term") shall be the period of time specified in the Basic Lease Provisions and shall commence on the Commencement Date described in the Basic Lease Provisions. Upon delivery of possession of the Leased Premises to Tenant, Tenant shall execute a letter of understanding acknowledging (i) the Commencement Date of this Lease, and (ii) that Tenant has accepted the Leased Premises for occupancy and that the condition of the Leased Premises (including any tenant finish improvements constructed thereon) and the Building was at the time satisfactory and in conformity with the provisions of this Lease in all respects. Such letter of understanding shall become a part of this Lease. If Tenant takes possession of and occupies the Leased Premises, Tenant shall be deemed to have accepted the Leased Premises as described above, even though Tenant may not have executed the letter of understanding.

Section 2.02. Construction of Tenant Improvements. Tenant has personally inspected the Leased Premises and accepts the same "as is" without representation or warranty by Landlord of any kind and with the understanding that Landlord shall have no responsibility with respect thereto except to construct in a good and workmanlike manner the improvements designated as Landlord's obligations in the attached Exhibit B, so that the Leased Premises will be available for Tenant's occupancy by the Commencement Date, unless prevented by causes beyond Landlord's reasonable control. Such improvements shall be in accordance with and at the expense of the party indicated on Exhibit B.

Section 2.03. Surrender of the Premises. Upon the expiration or earlier termination of this Lease, or upon the exercise by Landlord of its right to re-enter the Leased Premises without terminating this Lease, Tenant shall immediately surrender the Leased Premises to Landlord, in broomclean condition and in good order, condition and repair, except for ordinary wear and tear and damage which Tenant is not obligated to repair. Tenant shall also remove its personal property, trade fixtures and any of Tenant's alterations

designated by Landlord; promptly repair any damage caused by such removal; and restore the Leased Premises to the condition existing prior to the installation of the items so removed. If Tenant fails to do so, Landlord may restore the Leased Premises to such condition at Tenant's expense, and Landlord may cause all of said property to be removed at Tenant's expense, and Tenant hereby agrees to pay all the costs and expenses thereby reasonably incurred. All property of Tenant which is not removed within ten (10) days following Landlord's written demand therefor shall be conclusively deemed to have been abandoned by Tenant, and Landlord shall be entitled to dispose of such property without thereby incurring any liability to Tenant. The provisions of this section shall survive the expiration or other termination of this Lease.

Section 2.04. Holding Over. If Tenant retains possession of the Leased Premises after the expiration or earlier termination of this Lease, Tenant shall become a tenant from month to month at 150% of the Monthly Rental Installment in effect at the end of the Lease Term (plus Additional Rent as provided in Article 3 hereof), and otherwise upon the terms, covenants and conditions herein specified, so far as applicable. Acceptance by Landlord of rent after such expiration or earlier termination shall not result in a renewal of this Lease, and Tenant shall vacate and surrender the Leased Premises to Landlord upon Tenant being given thirty (30) days prior written notice from Landlord to vacate.

ARTICLE 3 - RENT

Section 3.01. Base Rent. Tenant shall pay to Landlord as Minimum Annual Rent for the Leased Premises the sum specified in the Basic Lease Provisions, payable in equal consecutive Monthly Rental Installments, in advance, without deduction or offset, beginning on the Commencement Date and on or before the first day of each and every calendar month thereafter during the Lease Term. The Monthly Rental Installment for partial calendar months shall be prorated based on the number of days during the month this Lease was in effect in relation to the total number of days in such month.

Section 3.02. Annual Rental Adjustment.

A. Definitions. For purposes of this Section 3.02, the following definitions shall apply:

1. "Annual Rental Adjustment" - shall mean the amount of Tenant's Proportionate Share of Operating Expenses, Tenant's Proportionate Share of Real Estate Taxes and Insurance, and Tenant's Proportionate Share of Groundskeeping Expenses for a particular calendar year.
2. "Operating Expenses" - shall mean the amount of all of Landlord's direct costs and expenses paid or incurred in operating and maintaining the Building (including the common areas and the land) for a particular calendar year as determined by Landlord in accordance with generally accepted accounting principles, consistently applied, including all additional direct costs and expenses of operation and maintenance of the Building which Landlord reasonably determines that it would have paid or incurred during such year if the Building had

been fully occupied including by way of illustration and not limitation: water, sewer, electrical and other utility charges other than the separately billed electrical and other charges paid by Tenant as provided in this Lease; tools and supplies; repair costs; security services; license, permit and inspection fees; commercially reasonable management fees and administrative expenses; wages and related employee benefits payable for the maintenance and operation of the Building; amortization of capital improvements that produce a reduction in operating costs together with interest at the rate of twelve percent (12%) per annum on the unamortized balance thereof; maintenance and repair costs, and in general all other costs and expenses which would, under generally accepted accounting principles, be regarded as operating and maintenance costs and expenses, including those which would normally be amortized over a period not to exceed five (5) years. There shall also be included in Operating Expenses the cost or portion thereof reasonably allocable to the Building, amortized over such period as Landlord shall reasonably determine, together with interest at the rate of twelve percent (12%) per annum on the unamortized balance, of any capital improvements made to the Building by Landlord after the date of this Lease which are required under any governmental law or regulation that was not applicable to the Building at the time it was constructed. Notwithstanding the foregoing, Operating Expenses as defined herein shall exclude Groundskeeping Expenses (as hereinafter defined).

3. "Real Estate Taxes and Insurance" - shall mean any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license or permit fee, commercial rental tax, improvement bond or bonds, levy or tax (other than federal or state inheritance, personal income or estate taxes) imposed upon the Building and/or the land by any authority having the direct or indirect power to tax, including any city, state or federal government or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, including costs and expenses of contesting the validity or amount of any such taxes; and all insurance premiums.
4. "Groundskeeping Expenses" - shall mean all costs and expenses associated with landscaping, snow removal, parking lot maintenance and exterior lighting incurred in the operation and maintenance of the Building and common areas.
5. "Building Expense Percentage" - shall mean the percentage specified in Item C of the Basic Lease Provisions. This Percentage was determined by dividing the rentable area in the Leased Premises by the total rentable area in the Building.
6. "Tenant's Proportionate Share of Operating Expenses" shall be an amount equal to Tenant's Building Expense Percentage multiplied by the remainder of (i) Operating Expenses for a particular calendar year less (ii) the

actual operating Expenses for calendar year 1997, provided that such amount shall not be less than zero.

7. "Tenant's Proportionate Share of Real Estate Taxes and Insurance" - shall be an amount equal to Tenant's Building Expense Percentage multiplied by the remainder of (i) Real Estate Taxes and Insurance for a particular calendar year less (ii) the actual Real Estate Taxes and Insurance for calendar year 1997, provided that such amount shall not be less than zero.
8. "Tenant's Proportionate Share of Groundskeeping Expenses - shall be an amount equal to Tenant's Building Expense Percentage times the Groundskeeping Expenses for a particular calendar year.

B. Payment Obligation. In addition to the Minimum Annual Rent specified in this Lease, Tenant shall pay to Landlord as additional rent for the Leased Premises, the Annual Rental Adjustment for each such calendar year or portion thereof.

1. Payment of Estimated Annual Rental Adjustment - The Annual Rental Adjustment shall be estimated annually by Landlord, and written notice thereof shall be given to Tenant at least thirty (30) days prior to the beginning of each calendar year. In the event the Lease Term shall commence in a calendar year, Tenant shall be furnished with said notice on the Commencement Date. Tenant shall pay to Landlord each month, at the same time the Monthly Rental installment is due, an amount equal to one-twelfth (1/12) of the estimated Annual Rental Adjustment.
2. Increases in Estimated Annual Rental Adjustment - If any expenses comprising the Annual Rental Adjustment increase during a calendar year, Landlord may increase the estimated Annual Rental Adjustment during such year by giving Tenant written notice to that effect, and thereafter Tenant shall pay to Landlord, in each of the remaining months of such year, an amount equal to the amount of such increase in the estimated Annual Rental Adjustment divided by the number of months remaining in such year.
3. Adjustment to Actual Annual Rental Adjustment - Within a reasonable time after the end of each calendar year, Landlord shall prepare and deliver to Tenant a statement showing the actual Annual Rental Adjustment. Within thirty (30) days after receipt of the aforementioned statement, Tenant shall pay to Landlord, or Landlord shall credit against the next rent payment or payments due from Tenant, as the case may be, the difference between the actual Annual Rental Adjustment for the preceding calendar year and the estimated amount paid by Tenant during such year. For any fractional portion of a calendar year at the commencement or termination of this Lease, any such deficiency or overage shall be settled and adjusted between the parties after the end of that calendar year in the same manner as above, but prorated based on the number of days of the Lease Term within such calendar year.

4. Tenant verification - Tenant or its accountants shall have the right to inspect, at reasonable times and in a reasonable manner, during the ninety (90) day period following the delivery of Landlord's statement of the actual amount of the Annual Rental Adjustment, such of Landlord's books of account and records as pertain to and contain information concerning such costs and expenses in order to verify the amounts thereof.

Section 3.03. Late Charges. Tenant acknowledges that Landlord shall incur certain additional unanticipated costs and expenses, including administrative costs and attorneys' fees, if Tenant fails to timely pay any payment required hereunder. Therefore, as compensation for such additional expenses, and in addition to the other remedies available to Landlord hereunder, if any payment of Minimum Rent or any other sum or charge required to be paid by Tenant to Landlord hereunder shall become overdue for a period of five (5) days, a late charge of seven percent (7%) of the payment so due shall be paid by Tenant as additional rent. In addition, if Tenant fails to pay within fifteen (15) days after the same is due and payable any sum or charge required to be paid by Tenant to Landlord, such unpaid amount shall bear interest from the due date thereof to the date of payment at the rate of fifteen percent (15%) per annum.

ARTICLE 4 - SECURITY DEPOSIT

Tenant, upon execution of this Lease, shall deposit with Landlord the Security Deposit as specified in the Basic Lease Provisions as security for the full and faithful performance by Tenant of all of the terms, conditions and covenants contained in this Lease on the part of Tenant to be performed, including but not limited to the payment of the rent. In the event of a default by Tenant of any term, condition or covenant herein contained, Landlord may apply all or any part of such security deposit to curing all or any part of such default; and Tenant agrees to promptly, upon demand, deposit such additional sum with Landlord as may be required to maintain the full amount of the security deposit. All sums held by Landlord pursuant to this section shall be without interest. At the end of the Lease Term, provided that there is then no uncured default, Landlord shall return the security deposit to Tenant.

ARTICLE 5 - USE

Section 5.01. Use of Leased Premises. The Leased Premises are to be used by Tenant solely as provided in the Basic Lease Provisions, and for no other purposes without the prior written consent of Landlord.

Section 5.02. Covenants of Tenant Regarding Use. In connection with its use of the Leased Premises, Tenant agrees to do the following:

(a) Tenant shall (i) use and maintain the Leased Premises and conduct its business thereon in a safe, careful, reputable and lawful manner, (ii) comply with all laws, rules, regulations, orders, ordinances, directions and requirements of any governmental authority or agency, now in force or which may hereafter be in force, including without limitation those which shall impose upon Landlord or Tenant any duty with respect to or triggered by a change in the use or occupation of, or any

improvement or alteration to, the Leased Premises, and (iii) comply with and obey all reasonable directions of the Landlord, including any Rules and Regulations that may be adopted by Landlord from time to time.

(b) Tenant shall not (i) use the Leased Premises for any unlawful purpose or act, (ii) commit or permit any waste or damage to the Leased Premises, (iii) store any inventory, equipment or any other materials outside the Leased Premises, or (iv) do or permit anything to be done in or about the Leased Premises or appurtenant common areas which constitutes a nuisance or which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building or injure or annoy them. Landlord shall not be responsible to Tenant for the nonperformance by any other tenant or occupant of the Building of its lease or of any Rules and Regulations.

(c) Tenant shall not overload the floors of the Leased Premises as to cause damage to the floor. All damage to the floor structure or foundation of the Building due to improper positioning or storage of items or materials shall be repaired by Landlord at the sole expense of Tenant, who shall reimburse Landlord immediately therefor upon demand.

(d) Tenant shall not use the Leased Premises, or allow the Leased Premises to be used, for any purpose or in any manner which would, in Landlord's opinion, invalidate any policy of insurance now or hereafter carried on the Building or increase the rate of premiums payable on any such insurance policy. Should Tenant fail to comply with this covenant, Landlord may, at its option, require Tenant to stop engaging in such activity or to reimburse Landlord as Additional Rent for any increase in premiums charged during the term of this Lease on the insurance carried by Landlord on the Leased Premises and attributable to the use being made of the Leased Premises by Tenant.

(e) Tenant may, at its own expense, erect a sign concerning its business which shall be in keeping with the decor and other signs on the Building, provided that such sign is first approved by Landlord in writing. Landlord's approval, if given, may be conditioned upon such criteria as Landlord deems appropriate to maintain the area in a neat and attractive manner. Tenant agrees to maintain any sign in good state of repair, and upon expiration of the Lease Term, Tenant shall promptly remove the sign and repair any resulting damage to the Leased Premises or Building.

Section 5.03. Landlord's Rights Regarding Use. In addition to the rights specified elsewhere in this Lease, Landlord shall have the following rights regarding the use of the Leased Premises or the appurtenant common areas by Tenant, its employees, agents, customers and invitees, each of which may be exercised without notice or liability to Tenant:

(a) Landlord may install such signs, advertisements, notices or tenant identification information as it shall deem necessary or proper.

(b) Landlord shall have the right at any time to change or otherwise alter the appurtenant common areas. Landlord may control the appurtenant common areas in such manner as it deems necessary or proper.

(c) Landlord or Landlord's agent shall be permitted to inspect or examine the Leased Premises at any reasonable time, and Landlord shall have the right to make any repairs to the Leased Premises which are necessary for its preservation; provided, however, that any repairs made by Landlord shall be at Tenant's expense, except as provided in Section 7.02 hereof. If Tenant is not present to open and permit such entry into the Leased Premises at any time when such entry is necessary or permitted hereunder, Landlord and its employees and agents may enter the Leased Premises by means of a master or pass key or otherwise. Landlord shall incur no liability to Tenant for such entry, nor shall such entry constitute an eviction of Tenant or a termination of this Lease, or entitle Tenant to any abatement of rent therefor.

ARTICLE 6 - UTILITIES AND SERVICES

Tenant shall obtain in its own name and shall pay directly to the appropriate supplier the cost of all utilities and services serving the Leased Premises, including but not limited to: natural gas, heat, light, electrical power, telephone, janitorial service, refuse disposal and other utilities and services. However, if any services or utilities are jointly metered with other property, Landlord shall make a reasonable determination of Tenant's proportionate share of the cost of such utilities and services and Tenant shall pay such share to Landlord within fifteen (15) days after receipt of Landlord's written statement. Landlord shall not be liable in damages or otherwise for any failure or interruption of any utility service or other service furnished to the Leased Premises; and no such failure or interruption shall entitle Tenant to terminate this Lease or withhold sums due hereunder.

ARTICLE 7 - MAINTENANCE AND REPAIRS

Section 7.01. Tenant's Responsibility. During the term of this Lease, Tenant shall, at its own cost and expense, maintain in good condition and repair the interior of the Leased Premises, including but not limited to the electrical systems, heating and air conditioning systems, plate glass, floors, windows and doors, sprinkler and plumbing systems. Tenant, at its expense, shall obtain a preventative maintenance contract on the heating, ventilating and air-conditioning systems which shall be subject to Landlord's reasonable approval. Tenant shall provide Landlord with a copy of the preventative maintenance contract no later than ninety (90) days after the Commencement Date. The preventative maintenance contract shall provide for the inspection and maintenance of the heating, ventilating and air conditioning system on not less than a semi-annual basis.

Section 7.02. Landlord's Responsibility. During the term of this Lease, Landlord shall maintain in good condition and repair the roof, exterior walls, foundation and structural frame of the Building and the parking and landscaped areas, the costs of which shall be included in Operating Expenses; provided, however, that to the extent any of the foregoing items require repair because of the negligence, misuse, or default of Tenant, its employees, agents, customers or invitees, Landlord shall make such repairs at Tenant's expense.

Section 7.03. Alterations. Tenant shall not permit structural or non-structural alterations or additions in or to the Leased Premises unless and until the plans have been approved by Landlord in writing. As a condition of such approval, Landlord may require Tenant to remove the alterations and restore the Leased Premises upon termination of this Lease; otherwise, all such alterations or improvements, except movable office furniture and equipment and trade fixtures, shall at Landlord's option become a part of the realty and the property of Landlord, and shall not be removed by Tenant. If Landlord consents to Tenant's performance of alterations or additions to the Leased Premises, Tenant shall ensure that all alterations and improvements which are made or necessitated thereby shall be made in accordance with all applicable laws, regulations and building codes, in a good and workmanlike manner and in quality equal to or better than the original construction of the Building. Landlord's approval of the plans, specifications and working drawings for Tenant's alterations shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. Tenant shall indemnify and save harmless Landlord from all costs, loss or expense in connection with any construction or installation. No person shall be entitled to any lien directly or indirectly derived through or under Tenant or through or by virtue of any act or omission of Tenant upon the Leased Premises for any improvements or fixtures made thereon or installed therein or for or on account of any labor or material furnished to the Leased Premises or for or on account of any matter or thing whatsoever; and nothing in this Lease contained shall be construed to constitute a consent by Landlord to the creation of any lien. If any lien is filed against the Leased Premises for work claimed to have been done for, or material claimed to have been furnished to, Tenant, Tenant shall cause such lien to be discharged of record within thirty (30) days after filing by bonding or in any other lawful manner. Tenant shall indemnify and save harmless Landlord from all costs, losses, expenses, and attorneys' fees in connection with any such lien.

ARTICLE 8 - CASUALTY

Section 8.01. Casualty. In the event of total or partial destruction of the Building or the Leased Premises by fire or other casualty, Landlord agrees to promptly restore and repair the Leased Premises; provided, however, that Landlord's obligation hereunder shall be limited to the reconstruction of such of the tenant finish improvements as were originally required to be made by Landlord, if any. Any insurance proceeds not used by Landlord in restoring or repairing the Leased Premises shall be the sole property of Landlord. Rent shall proportionately abate during the time that the Leased Premises or part thereof are unusable because of any such damage thereto. Notwithstanding the foregoing, if the Leased Premises are (i) so destroyed that they cannot be repaired or rebuilt within one hundred eighty (180) days from the date on which the insurance claim is adjusted; or (ii) destroyed by a casualty which is not covered by the insurance required hereunder or, if covered, such insurance proceeds are not released by any mortgagee entitled thereto or are insufficient to rebuild the Building and the Leased Premises; then, in case of a clause (i) casualty, either Landlord or Tenant may, or, in the case of a clause (ii) casualty, then Landlord may, upon thirty (30) days written

notice to the other party, terminate and cancel this Lease; and all further obligations hereunder shall thereupon cease and terminate.

Section 8.02. Fire and Extended Coverage Insurance. During the term of this Lease, Landlord shall maintain fire and extended coverage insurance on the Building, but shall not protect Tenant's property on the Leased Premises; and, notwithstanding the provisions of Section 9.01, Landlord shall not be liable for any damage to Tenant's property, regardless of cause, including the negligence of Landlord and its employees, agents, and invitees. Tenant hereby expressly waives any right of recovery against Landlord (or any other tenant of the Building) for damage to any property of Tenant located in or about the Leased Premises, however caused, including the negligence of Landlord and its employees, agents, and invitees; and, notwithstanding the provisions of Section 9.01 below, Landlord hereby expressly waives any rights of recovery against Tenant for damage to the Leased Premises or the Building which is insured against under Landlord's fire and extended coverage insurance. All insurance policies maintained by Landlord or Tenant as provided in this section shall contain an agreement by the insurer waiving the insurer's right of subrogation against the other party to this Lease and agreeing not to acquire any rights of recovery which the insured has expressly waived prior to loss.

ARTICLE 9 - LIABILITY INSURANCE

Section 9.01. Tenant's Responsibility. Landlord shall not be liable to Tenant or to any other person for (i) damage to property or injury or death to persons due to the condition of the Leased Premises, the Building or the appurtenant common areas, or (ii) the occurrence of any accident in or about the Leased Premises or the appurtenant common areas, or (iii) any act or neglect of Tenant or any other tenant or occupant of the Building or of any other person, unless such damage, injury or death is directly and solely the result of Landlord's negligence; and Tenant hereby releases Landlord from any and all liability for the same. Tenant shall be liable for, and shall indemnify and defend Landlord and hold it harmless from, any and all liability for (i) any act or neglect of Tenant and any person coming on the Leased Premises or appurtenant common areas by the license of Tenant, express or implied, (ii) any damage to the Leased Premises, and (iii) any loss of or damage or injury to any person (including death resulting therefrom) or property occurring in, on or about the Leased Premises, regardless of cause, except for any loss or damage from fire or casualty insured as provided in Section 8.02 and except for that caused solely and directly by Landlord's negligence. Notwithstanding the foregoing, Tenant shall bear the risk of any loss or damage to its property as provided in Section 8.02.

Section 9.02. Tenant's Insurance. Tenant, in order to insure against the liabilities specified in this Lease, shall at all times during the term of this Lease carry, at its own expense, one or more policies of general public liability and property damage insurance, issued by one or more insurance companies acceptable to Landlord, with the following minimum coverages:

A. Worker's Compensation: minimum statutory amount.

- B. Comprehensive General Liability Insurance, including blanket, contractual liability, broad form property damage, personal injury, completed operations, products liability, and fire damage: Not less than \$1,000,000 Combined Single Limit for both bodily injury and property damage.
- C. Fire and Extended Coverage, Vandalism and Malicious Mischief, and Sprinkler Leakage insurance, if applicable, for the full cost of replacement of Tenant's property.
- D. Business interruption insurance.

The insurance policy or policies shall protect Tenant and Landlord as their interests may appear, naming Landlord and Landlord's managing agent and mortgagee as additional insureds, and shall provide that they may not be cancelled on less than thirty (30) days prior written notice to Landlord. Tenant shall furnish Landlord with Certificates of Insurance evidencing all required coverage. Should Tenant fail to carry such insurance and furnish Landlord with such Certificates of Insurance after a request to do so, Landlord shall have the right to obtain such insurance and collect the cost thereof from Tenant as additional rent.

ARTICLE 10 - EMINENT DOMAIN

If all or any substantial part of the Building or appurtenant common areas shall be acquired by the exercise of eminent domain, Landlord may terminate this Lease by giving written notice to Tenant within fifteen (15) days after possession thereof is so taken. If all or any part of the Leased Premises shall be acquired by the exercise of eminent domain in such a manner that the Leased Premises shall become unusable by Tenant for the purpose for which it is then being used, Tenant may terminate this Lease by giving written notice to Landlord within fifteen (15) days after possession of the Leased Premises or part thereof is so taken. Tenant shall have no claim against Landlord on account of any such acquisition for the value of any unexpired lease term remaining after possession of the Leased Premises is taken. All damages awarded shall belong to and be the sole property of Landlord; provided, however, that Tenant shall be entitled to any award expressly made to Tenant by any governmental authority for the cost of or the removal of Tenant's stock, equipment and fixtures and other moving expenses.

ARTICLE 11 - ASSIGNMENT AND SUBLEASE

Tenant shall not assign this Lease or sublet the Leased Premises in whole or in part without Landlord's prior written consent. If Landlord consents to such assignment or subletting, Tenant shall remain primarily liable to perform all of the covenants and conditions contained in this Lease, including but not limited to payment of Minimum Rent and Additional Rent as provided herein. The acceptance of rent from any other person shall not be deemed to be a waiver of any of the provisions of this Lease or to be a consent to the assignment of this Lease or the subletting of the Leased Premises. If Tenant shall make any assignment or sublease, with Landlord's consent, for a rental in excess of the rent payable under this Lease, Tenant shall not be

entitled to keep such excess, and Tenant shall pay to Landlord one hundred percent (100%) of any such excess rental upon receipt.

Without in any way limiting Landlord's right to refuse to consent to any assignment or subletting of this Lease, Landlord reserves the right to refuse to give such consent if in Landlord's discretion and opinion (i) the use of the Leased Premises is or may be in any way adversely affected; (ii) the business reputation of the proposed assignee or subtenant is deemed unacceptable; or (iii) the financial worth of the proposed assignee or subtenant is insufficient to meet the obligations hereunder or is less than that of Tenant. Landlord further expressly reserves the right to refuse to give its consent to any subletting if the proposed rent is to be less than the then current rent for similar premises in the Park. Tenant agrees to reimburse Landlord for reasonable accounting and attorneys' fees incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subletting or any other hypothecation of this Lease or Tenant's interest in and to the Leased Premises.

ARTICLE 12 - TRANSFERS BY LANDLORD

Section 12.01. Sale and Conveyance of the Building. Landlord shall have the right to sell and convey the Building at any time during the term of this Lease, subject only to the rights of Tenant hereunder; and such sale and conveyance shall operate to release Landlord from liability hereunder after the date of such conveyance.

Section 12.02. Subordination and Estoppel Certificate. Landlord shall have the right to subordinate this Lease to any mortgage presently existing or hereafter placed upon the Building by so declaring in such mortgage; and the recording of any such mortgage shall make it prior and superior to this Lease regardless of the date of execution or recording of either document. Within ten (10) days following receipt of a written request from Landlord, Tenant shall execute and deliver to Landlord, without cost:

(a) any instrument which Landlord may deem necessary or desirable to confirm the subordination of this Lease. If Tenant fails or refuses to do so, Landlord may execute such instrument in the name and as the act of Tenant.

(b) an estoppel certificate in such form as Landlord may reasonably request certifying (i) that this Lease is in full force and effect and unmodified (or, if modified, stating the nature of such modification), (ii) the date to which rent has been paid, (iii) that there are not, to Tenant's knowledge, any uncured defaults (or specifying such defaults if any are claimed), and (iv) any other matters or state of facts reasonably required respecting the Lease or Tenant's occupancy of the Leased Premises. Such estoppel may be relied upon by Landlord and by any purchaser or mortgagee of all or any part of the Building. Tenant's failure to deliver such statement within such period shall be conclusive upon Tenant that this Lease is in full force and effect and unmodified and that there are no uncured defaults in Landlord's performance hereunder.

(c) Notwithstanding the foregoing, if the mortgagee shall take title to the Leased Premises through foreclosure or deed in lieu of foreclosure, Tenant shall be allowed to continue in possession of the Leased Premises as provided for in this Lease so long as Tenant shall not be in default. Tenant shall, in the event any proceedings are brought to foreclose any such mortgage, attorn to the purchaser through foreclosure or deed in be allowed to continue in as provided for in this Lease default. Tenant shall, in the to foreclose any such upon any such foreclosure and recognize such purchaser as the landlord under this Lease.

Section 12.03. Lender's Rights. Landlord shall have the right, at any time and from time to time, to notify Tenant in writing that Landlord has placed a mortgage on the Building, specifying the identity of the Lender ("Lender"). Following receipt of such notice, Tenant agrees to give such Lender a copy of any notice of default served by Tenant on Landlord. Tenant further agrees that if Landlord fails to cure any default as provided in Section 13.03 herein, Lender shall have an additional thirty (30) days within which to cure such default; provided, however, that if the term, condition, covenant or obligation to be performed by Landlord is of such nature that the same cannot reasonably be performed within such thirty-day period, such default shall be deemed to have been cured if Lender commences such performance within said thirty-day period and thereafter diligently completes the same.

ARTICLE 13 - DEFAULT AND REMEDY

Section 13.01. Default. The occurrence of any of the following shall be deemed an "Event of Default":

(a) Tenant shall fail to pay any Monthly Rental Installment or Additional Rent within five (5) days after the same shall be due and payable, or Tenant shall fail to pay any other amounts due Landlord from Tenant within ten (10) days after the same shall be due and payable.

(b) Tenant shall fail to perform or observe any term, condition, covenant or obligation as required under this Lease for a period of ten (10) days after notice thereof from Landlord; provided, however, that if the nature of Tenant's default is such that more than ten days are reasonably required to cure, then such default shall be deemed to have been cured if Tenant commences such performance within said ten-day period and thereafter diligently completes the required action within a reasonable time.

(c) Tenant shall vacate or abandon the Leased Premises for any period, or fail to occupy the Leased Premises or any substantial portion thereof for a period of thirty (30) days.

(d) All or substantially all of Tenant's assets in the Leased Premises or Tenant's interest in this Lease are attached or levied under execution (and Tenant does not discharge the same within sixty (60) days thereafter); a petition in bankruptcy, insolvency, or for reorganization or arrangement is filed by or against Tenant (and Tenant fails to secure a stay or discharge thereof within sixty (60) days thereafter); Tenant shall be insolvent and unable to pay its debts as they become due; Tenant makes a general assignment for the benefit of creditors; Tenant takes the benefit of any insolvency action or law; the appointment of a receiver or trustee in bankruptcy for Tenant or its assets if such receivership has not been vacated

or set aside within thirty (30) days thereafter; dissolution or other termination of Tenant's corporate charter if Tenant is a corporation.

Section 13.02. Remedies. Upon the occurrence of any Event of Default, Landlord shall have the following rights and remedies, in addition to those allowed by law, any one or more of which may be exercised without further notice to or demand upon Tenant:

(a) Landlord may apply the security deposit or re-enter the Leased Premises and cure any default of Tenant, and Tenant shall reimburse Landlord as additional rent for any costs and expenses which Landlord thereby incurs; and Landlord shall not be liable to Tenant for any loss or damage which Tenant may sustain by reason of Landlord's action, regardless of whether caused by Landlord's negligence or otherwise.

(b) Landlord may terminate this Lease or, without terminating this Lease, terminate Tenant's right to possession of the Leased Premises as of the date of such default, and thereafter (i) neither Tenant nor any person claiming under or through Tenant shall be entitled to possession of the Leased Premises, and Tenant shall immediately surrender the Leased Premises to Landlord; and (ii) Landlord may re-enter the Leased Premises and dispossess Tenant and any other occupants of the Leased Premises by any lawful means and may remove their effects, without prejudice to any other remedy which Landlord may have. Upon the termination of this Lease, Landlord may declare the present value (as determined by Landlord) of all rent which would have been due under this Lease for the balance of the Lease Term to be immediately due and payable, whereupon Tenant shall be obligated to pay the same to Landlord, together with all loss or damage which Landlord may sustain by reason of Tenant's default ("Default Damages"), which shall include without limitation expenses of preparing the Leased Premises for re-letting, demolition, repairs, tenant finish improvements, and brokers' and attorneys' fees, it being expressly understood and agreed that the liabilities and remedies specified in this subsection (b) shall survive the termination of this Lease.

(c) Landlord may, without terminating this Lease, re-enter the Leased Premises and re-let all or any part thereof for a term different from that which would otherwise have constituted the balance of the Lease Term and for rent and on terms and conditions different from those contained herein, whereupon Tenant shall be immediately obligated to pay to Landlord as liquidated damages the difference between the rent provided for herein and that provided for in any lease covering a subsequent re-letting of the Leased Premises, for the period which would otherwise have constituted the balance of the Lease Term, together with all of Landlord's Default Damages.

(d) Landlord may sue for injunctive relief or to recover damages for any loss resulting from the breach.

(e) In addition to the defaults and remedies described above, the parties hereto agree that if Tenant defaults in the performance of any (but not necessarily the same) term or condition of this Lease three (3) or more times during any twelve (12) month period, regardless of whether such defaults are ultimately cured, then such conduct shall, at Landlord's

option, represent a separate Event of Default. Tenant acknowledges that (i) Landlord will incur additional unanticipated costs as a result of such repetitive defaults, including but not limited to administrative costs and legal fees, and (ii) the purpose of this provision is to adequately compensate Landlord for those costs, which would be difficult to determine with certainty. Therefore, Tenant agrees to pay to Landlord upon a default under this habitual default provision the amount of One Thousand Dollars (\$1,000.00) as liquidated damages to cure such default, payable within ten (10) days after written demand therefor to Tenant by Landlord.

Section 13.03. Landlord's Default and Tenant's Remedies. Landlord shall be in default if it shall fail to perform or observe any term, condition, covenant or obligation as required under this Lease for a period of thirty (30) days after written notice thereof from Tenant to Landlord and to Lender, if any; provided, however, that if the term, condition, covenant or obligation to be performed by Landlord is of such nature that the same cannot reasonably be performed within such thirty-day period, such default shall be deemed to have been cured if Landlord commences such performance within said thirty-day period and thereafter diligently undertakes to complete the same. Upon the occurrence of any such default, Tenant may sue for injunctive relief or to recover damages for any loss resulting from the breach, but Tenant shall not be entitled to terminate this Lease or withhold, offset or abate any rent due hereunder.

Section 13.04. Limitation of Landlord's Liability. If Landlord shall fail to perform or observe any term, condition, covenant or obligation required to be performed or observed by it under this Lease and if Tenant shall, as a consequence thereof, recover a money judgment against Landlord (whether compensatory or punitive in nature), Tenant agrees that it shall look solely to Landlord's right, title and interest in and to the Building for the collection of such judgment; and Tenant further agrees that no other assets of Landlord shall be subject to levy, execution or other process for the satisfaction of Tenant's judgment and that Landlord shall not be personally liable for any deficiency.

The references to "Landlord" in this Lease shall be limited to mean and include only the owner or owners, at the time, of the fee simple interest in the Building. In the event of a sale or transfer of such interest (except a mortgage or other transfer as security for a debt), the "Landlord" named herein, or, in the case of a subsequent transfer, the transferor, shall, after the date of such transfer, be automatically released from all liability for the performance or observance of any term, condition, covenant or obligation required to be performed or observed by Landlord hereunder; and the transferee shall be deemed to have assumed all of such terms, conditions, covenants and obligations.

Section 13.05. Nonwaiver of Defaults. Neither party's failure or delay in exercising any of its rights or remedies or other provisions of this Lease shall be construed to be a waiver thereof or affect its right thereafter to exercise or enforce each and every such right or remedy or other provision. No waiver of any default shall be deemed to be a waiver of any other default. Landlord's receipt of less than the full rent

due shall not be construed to be other than a payment on account of rent then due, nor shall any statement on Tenant's check or any letter accompanying Tenant's check be deemed an accord and satisfaction, and Landlord may accept such payment without prejudice to Landlord's right to recover the balance of the rent due or to pursue any other remedies provided in this Lease. No act or omission by Landlord or its employees or agents during the term of this Lease shall be deemed an acceptance of a surrender of the Leased Premises, and no agreement to accept such a surrender shall be valid unless in writing and signed by Landlord.

Section 13.06. Attorneys' Fees. If either party defaults in the performance or observance of any of the terms, conditions, covenants or obligations contained in this Lease and the non-defaulting party obtains a judgment against the defaulting party, then the defaulting party agrees to reimburse the non-defaulting party for the attorneys' fees incurred thereby.

ARTICLE 14 - LANDLORD'S RIGHT TO RELOCATE TENANT

Landlord shall have the right, at its option, upon at least thirty (30) days' prior written notice to Tenant, to relocate Tenant and to substitute for the Leased Premises other space in the Building or in the Park, containing at least as much rentable area as the Leased Premises. Such substituted space shall be improved by Landlord, at its expense, with improvements at least equal in quantity and quality to those in the Leased Premises. Landlord shall reimburse Tenant for all reasonable expenses incurred with and caused by such relocation (including telephone installation, moving of equipment and furniture, and printing of stationery with the Tenant's new address) within sixty (60) days following receipt from Tenant of invoices or receipts marked "paid in full." In no event shall Landlord be liable to Tenant for any consequential damages as a result of any such relocation, including, but not limited to, loss of business income or opportunity. Upon completion of the relocation, Landlord and Tenant shall amend this Lease to change the description of the Leased Premises and any other matters pertinent thereto.

ARTICLE 15 - NOTICE AND PLACE OF PAYMENT

Section 15.01. Notices. Any notice required or permitted to be given under this Lease or by law shall be deemed to have been given if it is written and delivered in person or by overnight courier or mailed by certified mail, postage prepaid, to (i) the party who is to receive such notice at the address specified in the Basic Lease Provisions and (ii) in the case of a default notice from Tenant to Landlord, any Lender designated by Landlord. When so mailed, the notice shall be deemed to have been given as of the date it was mailed. Either party may change its address by giving written notice thereof to the other party.

Section 15.02. Place of Payment. All payments required to be made by Tenant to Landlord shall be delivered or mailed to Landlord's management agent at the address specified in the Basic Lease Provisions or any other address Landlord may specify from time to time by written notice to Tenant.

ARTICLE 16 - TENANT'S RESPONSIBILITY REGARDING ENVIRONMENTAL LAWS AND HAZARDOUS SUBSTANCES.

Section 16.01. Definitions.

a. "Environmental Laws" - All federal, state and municipal laws, ordinances, rules and regulations applicable to the environmental and ecological condition of the Leased Premises, including, without limitation, the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; the Federal Resource Conservation and Recovery Act; the Federal Toxic Substance Control Act; the Clean Air Act; the Clean Water Act; the rules and regulations of the Federal Environmental Protection Agency, or any other federal, state or municipal agency or governmental board or entity having jurisdiction over the Leased Premises.

b. "Hazardous Substances" - Includes:

(i) Those substances included within the definitions of "hazardous substances," "hazardous materials," "toxic substances" "solid waste" or "infectious waste" in any of the Environmental Laws; and

(ii) Such other substances, materials and wastes which are or become regulated under applicable local, state or federal law, or which are classified as hazardous, toxic or infectious under present or future Environmental Laws or other federal, state, or local laws or regulations.

Section 16.02. Compliance. Tenant, at its sole cost and expense, shall promptly comply with the Environmental Laws which shall impose any duty upon Tenant with respect to the use, occupancy, maintenance or alteration of the Leased Premises. Tenant shall promptly comply with any notice from any source issued pursuant to the Environmental Laws or with any notice from any insurance company pertaining to Tenant's use, occupancy, maintenance or alteration of the Leased Premises, whether such notice shall be served upon Landlord or Tenant.

Section 16.03. Restrictions on Tenant. Tenant shall not cause or permit to occur:

a. Any violation of the Environmental Laws related to environmental conditions on, under, or about the Leased Premises, or arising from Tenant's use or occupancy of the Leased Premises, including, but not limited to, soil and ground water conditions.

b. The use, generation, release, manufacture, refining, production, processing, storage or disposal of any Hazardous Substances on, under, or about the Leased Premises, or the transportation to or from the Leased Premises of any Hazardous Substances, except as necessary and appropriate for general office use in which case the use, storage or disposal of such Hazardous Substances shall be performed in compliance with the Environmental Laws and the highest standards prevailing in the industry.

Section 16.04. Notices, Affidavits, Etc.

a. Tenant shall immediately notify Landlord of (i) any violation by Tenant, its employees, agents, representatives,

customers, invitees or contractors of the Environmental Laws on, under or about the Leased Premises, or (ii) the presence or suspected presence of any Hazardous Substances on, under or about the Leased Premises and shall immediately deliver to Landlord any notice received by Tenant relating to (i) and (ii) above from any source.

b. Tenant shall execute affidavits, representations and the like from time to time, within five (5) days of Landlord's request therefor, concerning Tenant's best knowledge and belief regarding the presence of any Hazardous Substances on, under or about the Leased Premises.

Section 16.05. Landlord's Rights.

a. Landlord and its agent shall have the right, but not the duty, upon advance notice (except in the case of emergency when no notice shall be required) to inspect the Leased Premises and conduct tests thereon at any time to determine whether or the extent to which there has been a violation of Environmental Laws by Tenant or whether there are Hazardous Substances on, under or about the Leased Premises. In exercising its rights herein, Landlord shall use reasonable efforts to minimize interference with Tenant's business but such entry shall not constitute an eviction of Tenant, in whole or in part, and Landlord shall not be liable for any interference, loss, or damage to Tenant's property or business caused thereby.

b. If Landlord, any lender or governmental agency shall ever require testing to ascertain whether there has been a release of Hazardous Substances on, under or about the Leased Premises or a violation of the Environmental Laws, and such requirement arose in whole or in part because of an act or omission on the part of Tenant, then the reasonable costs thereof shall be reimbursed by Tenant to Landlord upon demand as Additional Rent.

Section 16.06. Tenant's Indemnification. Tenant shall indemnify and hold harmless Landlord and Landlord's managing agent from any and all claims, loss, liability, costs, expenses or damage, including attorneys' fees and costs of remediation, incurred by Landlord in connection with any breach by Tenant of its obligations under this Article 16. The covenants and obligations of Tenant under this Article 16 shall survive the expiration or earlier termination of this Lease.

ARTICLE 17 - MISCELLANEOUS

Section 17.01. Benefit of Landlord and Tenant. This Lease and all of the terms and provisions hereof shall inure to the benefit of and be binding upon Landlord and Tenant and their respective successors and assigns.

Section 17.02. Governing Law. This Lease shall be governed in accordance with the laws of the State of Ohio.

Section 17.03. Guaranty. In consideration of Landlord's leasing the Leased Premises to Tenant, Tenant shall provide Landlord with a Guaranty of Lease executed by the guarantor(s) described in the Basic Lease Provisions.

Section 17.04. Force Majeure. Landlord shall be excused for the period of any delay in the performance of any obligation hereunder when such delay is occasioned by causes beyond its control, including, but not limited to, war, invasion or hostility; work stoppages, boycotts, slowdowns or strikes; shortages of materials, equipment, labor or energy; man-made or natural casualties; unusual weather conditions; acts or omissions of governmental or political bodies; or civil disturbances or riots.

Section 17.05. Condition of Premises. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Leased Premises or the Building or with respect to the suitability or condition of any part thereof for the conduct of Tenant's business except as provided in this Lease.

Section 17.06. Examination of Lease. Submission of this instrument for examination or signature to Tenant does not constitute a reservation of or option for Lease, and it is not effective as a Lease or otherwise until execution by and delivery to both Landlord and Tenant.

Section 17.07. Indemnification for Leasing Commissions. The parties hereby represent and warrant that the only real estate brokers involved in the negotiation and execution of this Lease are those named in the Basic Lease Provisions and that no other broker or person is entitled to any leasing commission or compensation as a result of the negotiation or execution of this Lease. Each party shall indemnify and hold the other harmless from any and all liability for the breach of this representation and warranty on its part and shall pay any compensation to any other broker or person who may be deemed or held to be entitled thereto.

Section 17.08. Quiet Enjoyment. If Tenant shall perform all of the covenants and agreements herein provided to be performed by Tenant, Tenant shall, at all times during the Lease Term, have the quiet enjoyment and peaceful possession of the Leased Premises without hindrance from Landlord or any persons lawfully claiming under Landlord, except as may be provided in Section 12.02 hereunder.

Section 17.09. Severability of Invalid Provisions. If any provision of this Lease shall be held to be invalid, void or unenforceable, the remaining provisions hereof shall not be affected or impaired, and such remaining provisions shall remain in full force and effect.

Section 17.10. Financial Statements. [MINIMUM RENT UNDER \$100,000 PER YEAR] During the Lease Term and any extensions thereof, Tenant shall provide to Landlord on an annual basis, within ninety (90) days following the end of Tenant's fiscal year, a copy of Tenant's most recent financial statements prepared as of the end of Tenant's fiscal year. Such financial statements shall be signed by Tenant or an authorized officer or representative of Tenant who shall attest to the truth and accuracy of the information set forth in such statements. All financial statements provided by Tenant to Landlord hereunder shall be prepared in conformity with generally accepted accounting principles, consistently applied.

-OR-

Section 17.10. Financial Statements. [MINIMUM RENT OVER \$100,000 PER YEAR] During the Lease Term and any extensions thereof, Tenant shall provide to Landlord on an annual basis, within ninety (90) days following the end of Tenant's fiscal year, a copy of Tenant's most recent certified and audited financial statements prepared as of the end of Tenant's fiscal year. Such financial statements shall be prepared in conformity with generally accepted accounting principles, consistently applied.

Section 17.11. Tenant's Representations and Warranties. The undersigned represents and warrants to Landlord that (i) Tenant is duly organized, validly existing and in good standing in accordance with the laws of the state under which it was organized; (ii) all action necessary to authorize the execution of this Lease has been taken by Tenant; and (iii) the individual executing and delivering this Lease on behalf of Tenant has been authorized to do so, and such execution and delivery shall bind Tenant. Tenant, at Landlord's request, shall provide Landlord with evidence of such authority.

Section 17.12. Representations and Indemnifications. Any representations and indemnifications of Landlord contained in the Lease shall not be binding upon (i) any mortgagee having a mortgage presently existing or hereafter placed on the Building, or (ii) a successor to Landlord which has obtained or is in the process of obtaining fee title interest to the Building as a result of a foreclosure of any mortgage or a deed in lieu thereof.

Section 17.13. Agency Disclosure. Tenant acknowledges having reviewed the Agency Disclosure Statement and Tenant acknowledges that said Statement is signed and attached hereto and made a part hereof as Exhibit C. The broker identified as representing Landlord in Item J of Section 1.01 hereof, and its agents and employees, have represented only Landlord, and have not in any way represented Tenant, in the marketing, negotiation and completion of this lease transaction.

Section 17.14. Additional Provisions. Additional provisions, if any, are attached hereto as an Addendum, the provisions of which are incorporated herein by reference. In the event of any inconsistencies between the provisions of this Lease and of the Addendum, the provisions of the Addendum shall control.

-20-

IN WITNESS WHEREOF, the Parties hereto have executed this Lease the day and year first above written.

LANDLORD:

DUKE REALTY LIMITED PARTNERSHIP,
an Indiana limited partnership

WITNESSES:

- -----
- -----
(Printed)

By: Duke Realty Investments, Inc.
its General Partner

- -----
- -----
(Printed)

By: -----
Ross C. Farro
Vice President
Cleveland Group

TENANT:

-----,
a(n)

WITNESSES:

- -----
- -----
(Printed)

By: -----
Printed: -----

- -----
- -----
(Printed)

Title: -----

STATE OF -----)
COUNTY OF -----) SS:
-----)

Before me, a Notary Public in and for said County and State, personally appeared Ross C. Farro, by me known and by me known to be the Vice President/Cleveland Group of Duke Realty Investments, Inc., the general partner of Duke Realty Limited Partnership, an Indiana limited partnership, who acknowledged the execution of the above and foregoing Lease Agreement for and on behalf of said partnership.

WITNESS my hand and Notarial Seal this _____ day of _____, 1998.

Notary Public

(Printed Signature)

My Commission Expires: _____

My County of Residence: _____

STATE OF _____)
COUNTY OF _____) SS:
_____)

Before me, a Notary Public in and for said County and State,
personally appeared _____, by me known and by me known to be the
_____ of _____ a(n) _____, who acknowledged the
execution of the above and foregoing Lease Agreement for and on behalf of said
corporation.

WITNESS my hand and Notarial Seal this ____ day of _____,
1998.

Notary Public

(Printed Signature)

My Commission Expires: _____
My County of Residence: _____

AGREEMENT

THIS AGREEMENT is made as of the 12th day of August, 1998 by and between Universal Electronics Inc., a Delaware corporation, including its subsidiaries and affiliates (collectively, "UEI") and David M. Gabrielsen ("Gabrielsen").

WHEREAS, UEI is engaged, on a worldwide basis, in the business of designing, developing and manufacturing, selling, distributing, licensing, and/or maintaining (a) certain electronic products that emit, via infra-red and other methods, pulse codes which can be used to operate original equipment manufacturer ("OEM") device(s) (such as televisions, video cassette recorders, cable and satellite set-top boxes, home theater systems, and the like), including, without limitation, a battery-operated, hand-held remote control (the "Remote Control"), (b) software to operate the Remote Control which can be used to operate OEM device(s), electronic device(s) for the "home bus" market (as defined by the Electronics Industry Association) and integrated system digital networks ("ISDN"), electronic device(s) for use in the receipt and/or transmission of data and/or software over multiple media, and other derivations of such device(s) (the "Software"), and (c) a library of the devices' pulse codes and such updates, enhancements and new releases of such library as UEI may from time to time develop (the "Database") ("collectively, the "Business"); and

WHEREAS, Gabrielsen and UEI are parties to that certain Salary Continuation Agreement dated June 29, 1995, and amended effective December 1, 1996, and further interpreted on November 25, 1997, copies of which are attached hereto (the "SCA"); and

WHEREAS, the latest UEI restructuring is considered a triggering event under the SCA, causing the SCA to become an employment agreement; and

WHEREAS, Gabrielsen believes he has the right to resign as an employee of UEI for "good reason" (as such term is defined within the SCA); and

WHEREAS, Gabrielsen is the Chairman of the Board and Chief Executive Officer of UEI and is not presently encumbered with a noncompetition agreement in favor of UEI, and UEI wishes to avoid a controversy with Gabrielsen regarding his termination of employment with UEI by agreeing to terminate Gabrielsen's employment without cause and pay Gabrielsen in accordance with the terms of the SCA in exchange for which Gabrielsen will agree to not compete with UEI; and

WHEREAS, by virtue of such termination all of the options granted to Gabrielsen to acquire shares of UEI's common stock shall become immediately fully vested.

NOW THEREFORE, in consideration of the premises and the mutual promises set forth below, the parties hereto, intending to be legally bound, agree as follows:

1. TERMINATION OF EMPLOYMENT. Effective upon the execution of this Agreement by both parties hereto, Gabrielsen's employment with UEI shall cease and Gabrielsen and UEI agree that such termination is without cause.

2. NON-COMPETITION AND NON-SOLICITATION BY GABRIELSEN. Gabrielsen covenants and agrees that, for a period of five (5) years from the date hereof (the "Non-Compete Period") he shall not, directly or indirectly, either alone or in partnership or jointly or in conjunction with any person or persons, firm, association, syndicate, company or corporation as principal, agent, employee, director, shareholder or in any other manner whatsoever (i) carry on or be engaged in the Business or any other business which is in competition with the Business as existing on the date hereof, (ii) solicit Business from or transact Business with any person, firm or corporation to whom UEI has done business in the past three (3) years prior to the date of this Agreement, (iii) directly or indirectly solicit for employment, offer employment to, hire any person (as an employee or consultant), or otherwise engage in business any person or persons who is or are employed by UEI on the date of this Agreement or during the Non-Compete Period, or (iv) take any action which might divert from UEI any opportunity which would be within the scope of the Business, except with the prior written consent of UEI.

3. EXCEPTIONS TO NON-COMPETE; NON-SOLICITATION. Nothing within Section 2 above shall prohibit Gabrielsen from being an owner of not more than five percent (5%) of the issued and outstanding stock of any class of a publicly traded corporation whose principal business is competitive with the Business so long as Gabrielsen has no active participation in the business of such corporation.

4. PAYMENTS DUE GABRIELSEN.

(i) Compensation Amounts. UEI shall pay Gabrielsen, within five (5) business days after the date both parties sign this Agreement, in one lump sum, an amount equal to \$30,320.39, less all applicable and authorized withholdings and deductions. This amount represents Gabrielsen's accrued but unpaid compensation through his last day of employment with UEI and which includes \$18,397.31 representing 123.44 hours of accrued but unused vacation through his termination date.

(ii) Non-compete/Non-solicitation Amounts. Within five (5) business days after this Agreement has been signed by both parties, UEI shall pay to Gabrielsen, in one lump sum, an amount equal to \$948,653, less all applicable and authorized withholdings and deductions, which amount represents payment in full for Gabrielsen's agreements contained within this Agreement.

Gabrielsen acknowledges and agrees that, upon receipt of such amounts, he shall have received all amounts due him by virtue of his employment to which he is entitled, including without limitation, all compensation, salary, vacation pay, bonuses, profit sharing, and life insurance

gross-up, except for expense reports that he has submitted and, so long as he remains a director of UEI, will submit from time to time in accordance with UEI policies and procedures.

5. TERMINATION OF SCA. The parties hereto agree that the SCA is hereby immediately terminated in its entirety and such agreement shall be of no force and effect and neither party hereto shall claim any right or entitlement to any amounts or other things due them thereunder.

6. STOCK OPTION AGREEMENTS. Gabrielsen represents, warrants and agrees that this Section 6 accurately sets forth all options previously granted to him and that there are no other options which have been granted to him, and that he has not exercised any of the options granted him by UEI:

(i) On March 20, 1995, UEI, pursuant to one of its Stock Option Plans and a related Stock Option Agreement between UEI and Gabrielsen dated March 20, 1995 and the attached Stock Option Certificate of even date therewith, a copy of which is attached hereto as Exhibit A, granted to Gabrielsen the option to purchase up to 50,000 shares of common stock of UEI at an exercise price of \$4.31 per share. Immediately prior to the date of this Agreement, Gabrielsen was vested in 75% of the option, none of which have been exercised; and

(ii) On December 15, 1995, UEI, pursuant to one of its Stock Option Plans and a related Stock Option Agreement between UEI and Gabrielsen dated December 15, 1995 and the attached Stock Option Certificate of even date therewith, a copy of which is attached hereto as Exhibit B, granted to Gabrielsen the option to purchase up to 10,000 shares of common stock of UEI at an exercise price of \$7.6875 per share. Immediately prior to the date of this Agreement, Gabrielsen was vested in 50% of the option, none of which have been exercised; and

(iii) On January 1, 1996, UEI, pursuant to one of its Stock Option Plans and a related Stock Option Agreement between UEI and Gabrielsen dated January 1, 1996 and the attached Stock Option Certificate of even date therewith, a copy of which is attached hereto as Exhibit C, granted to Gabrielsen the option to purchase up to 50,000 shares of common stock of UEI at an exercise price of \$7.6875 per share. Immediately prior to the date of this Agreement, Gabrielsen was vested in 50% of the option, none of which have been exercised; and

(iv) On December 1, 1996, UEI, pursuant to one of its Stock Option Plans and a related Stock Option Agreement between UEI and Gabrielsen dated December 1, 1996 and the three (3) attached Stock Option Certificates of even date therewith, a copy of which is attached hereto as Exhibit D, granted to Gabrielsen the option to purchase up to 150,000 shares of common stock of UEI as follows:

110,000 at an exercise price of \$5.6875 per share;
20,000 at an exercise price of \$7.50 per share; and
20,000 at an exercise price of \$8.50 per share.

Immediately prior to the date of this Agreement, Gabrielsen was vested in 66.6666% of each portion of the option, none of which have been exercised.

In accordance with each of the above referenced Stock Option Agreements, by virtue of Gabrielsen's termination of employment without cause as set forth herein, he shall immediately be vested in 100% of each option and the parties agree that he shall have the continuing right to exercise the above options, in full or any portion thereof, at anytime during the thirty (30) month period following the date of this Agreement after which time these options shall terminate and be of no further force and effect and to the extent unexercised at the end of business on the last day of the thirtieth (30th) month, Gabrielsen shall have forfeited all rights to such options.

UEI and Gabrielsen further agree that from the date of this Agreement and continuing until the end of business on January 31, 1999, Gabrielsen shall have the continuing right to cause UEI to purchase from Gabrielsen from time to time all or any portion (but in no event fractional shares) of the shares of UEI common stock acquired by him as a result of his exercise of the options described above; provided, however, that (a) the price per share to be paid by UEI for such shares of stock shall be equal to the lesser of the fair value (as determined in accordance with the applicable plan under which the stock option was granted) or \$18.00 and (b) UEI shall not be obligated to acquire such shares of stock in the event that its currently existing credit facility or facilities is or, after including funds to be used to purchase such shares, will be in excess of \$8,000,000 at the time UEI purchases any such shares and (c) the aggregate number of shares that UEI shall be obligated to purchase from Gabrielsen shall not exceed 125,000 shares.

8. INSURANCE. UEI will provide you (as set forth below) with up to twenty-four (24) months (commencing on the date of this Agreement and ending at the end of business on August 31, 2000) of continuing insurance to the extent you had such insurance as of the date of this Agreement. You had both life and health (including medical, dental, AD&D, and LTD) insurance.

(i) During the first eighteen (18) months following your termination as an employee of UEI, UEI, on your behalf, will elect COBRA which will cause your health insurance coverage to remain the same and UEI will pay the premiums for this COBRA continuance. Gabrielsen agrees that he will be responsible for all deductibles and co-pays as in the past in accordance with the terms of the policy. After this initial eighteen (18) month period, Gabrielsen may elect to convert the policy to an individual policy, which converted individual policy would not be substantially equivalent to the coverage previously provided you. If converted, except as provided below, Gabrielsen shall be solely responsible for all cost and expense, including without limitation payment of premiums, deductibles and co-pays. If at the time of conversion, Gabrielsen does not have

other health insurance available which, in Gabrielsen's sole discretion, is acceptable (that is, for example through a current employer or spouse's employer or otherwise), UEI will pay Gabrielsen a one-time, lump sum amount equal to the estimated (a) cost of such continued health insurance (exclusive of deductibles and co-pays for which Gabrielsen has been responsible in the past in accordance with the terms of the policy) for six (6) months, plus (b) difference of the cost of the health insurance as converted for eighteen (18) months over the cost of the COBRA continued health insurance which UEI paid for the first eighteen (18) months. Such payment shall be made at or near the time Gabrielsen elects to convert the COBRA continued health insurance to an individual policy. To convert, Gabrielsen must contact the UEI's Human Resources Department in California (714-820-1000) at least two (2) months prior the expiration of the initial eighteen (18) month period set forth in subsection 6(i) above. It is understood and agreed that it is Gabrielsen's sole responsibility to contact the UEI's Human Resources Department to effect the conversion and his failure to do so will cause the insurance to lapse at the end of the initial eighteen (18) month period.

(ii) For the twenty-four (24) month period following your termination as an employee of UEI, UEI, on your behalf, will cause your life insurance coverage to remain the same and UEI will pay the premiums for this continuance.

8. RETURN OF UEI PROPERTY. All computers and related peripherals, notes, reports, sketches, plans, books, credit cards, calling cards, keys, keycards, cellular telephones and related equipment, computer passwords, unpublished memoranda or other documents or property which were created, developed, generated or held or controlled by Gabrielsen and which are owned by, paid for by, concern or are related to UEI's business, whether containing or relating to Confidential Information as defined below or not, are the property of UEI and have been or shall be returned to UEI immediately, except that Gabrielsen may continue using the laptop computer and cellular telephone currently in his possession so long as he continues as a member of UEI's Board of Directors and within ten (10) business days after Gabrielsen ceases being a member of UEI's Board of Directors, he shall return such computer and cellular telephone in good working order. Gabrielsen acknowledges that he has received all of his personal property which was located at UEI's offices. In the event that UEI or Gabrielsen shall discover any other property of the other in its or his possession, UEI or Gabrielsen, as the case may be, shall immediately return such property to the other.

9. CONFIDENTIAL INFORMATION.

(i) Definitions

(a) "Confidential Information" shall mean all information, including but not limited to trade secrets, disclosed to Gabrielsen or known by him as a consequence of or through his employment by UEI, concerning UEI's business and services and including, but not limited to: software; computer programs; unpatented inventions, discoveries or

improvements; marketing or financial research and development of business plans; sales forecasts; personnel information, including the identity of other employees of UEI, their responsibilities, competence, abilities, and compensation; pricing and financial information; information concerning financial and contractual arrangements between UEI and its customers or its suppliers including, without limitation, the identity of suppliers and products supplied; market research and attendant databases and libraries; current and prospective customer lists and information about customers, their accounts, their product preferences, terms or their finances; the volume of business transacted by UEI and/or its customers; telephone numbers of customers; selling techniques; research resources information concerning planned or pending expansions, acquisitions or divestitures; and information concerning leasing or purchases of major equipment or property; and which:

- (1) generally has not been made available to the public; and
- (2) is useful or of value to UEI's current or anticipated business, research or development activities or those of any customer or supplier of UEI; or
- (3) has been identified to Gabrielsen as confidential by UEI, either orally or in writing.

Confidential Information shall not include information which:

- (4) is in or hereafter enters the public domain through no fault of Gabrielsen;
- (5) is obtained by Gabrielsen from a third party having the legal right to use and disclose the same; or
- (6) is in the possession of Gabrielsen prior to receipt from UEI (as evidenced by Gabrielsen's written records per-dating the date of his employment with UEI.)

Confidential Information also does not include Gabrielsen's general skills and experience as defined under the governing law of this Agreement.

(ii) Gabrielsen acknowledges and agrees that unauthorized disclosure or use of UEI's Confidential Information may cause UEI irreparable harm. Consequently, Gabrielsen shall maintain in confidence at all times and shall not divulge to any unauthorized person or corporation or other entity, or use in any manner, or knowingly allow another to use, without UEI's written consent, either during the Non-Compete Period thereafter, UEI's Confidential Information. Gabrielsen agrees, therefore, that UEI is entitled to protection from any unauthorized disclosure or use, or threatened disclosure or use of any Confidential Information, including protection by injunctive relief, in addition to other remedies available under the law. Gabrielsen further

acknowledges agrees that UEI intends to operate and compete throughout the world, and that UEI will be harmed by unauthorized disclosure or use of its Confidential Information within such area.

10. REMEDIES. Gabrielsen acknowledges and agrees that the covenants and agreements which he has made in this Agreement are reasonable and are required for the reasonable protection of UEI's investment in the Business. Gabrielsen agrees that the material breach of any covenant or agreement contained herein may result in irreparable injury to UEI, and that in addition to all other remedies provided by law or in equity with respect to the breach by Gabrielsen of any provision of this Agreement, UEI and its successors and assigns will be entitled to enforce the specific performance by Gabrielsen of his obligations hereunder and to enjoin him from engaging in any activity in violation hereof, all without the need of posting bond or any other security, and that no claim by Gabrielsen against UEI or its successors or assigns will constitute a defense or bar to the specific enforcement of such obligations. In the event of a breach or a violation by Gabrielsen of any of the provisions of this Agreement, the running of the Non-Compete Period shall be tolled during the period of the continuance of any actual breach or violation.

11. PARTIAL INVALIDITY. The various covenants and provisions of this Agreement are intended to be severable and to constitute independent and distinct binding obligations each of the parties hereto. Should any covenant or provision of this Agreement be determined to be void and unenforceable, in whole or in part, it shall not be deemed to affect or impair the validity of any other covenant or provision or part thereof, and such covenant or provision or part thereof shall be deemed modified to the extent required to permit enforcement. Without limiting the generality of the foregoing, if the scope of any covenant contained in this Agreement is too broad to permit enforcement to its full extent, such covenant shall be enforced to the maximum extent permitted by law, and the parties hereto hereby agree that such scope may be judicially modified accordingly.

12. ASSIGNMENT. Gabrielsen agrees that this Agreement may be assigned by UEI to any entity controlled by, or under direct or indirect common control with, UEI and to any person to whom UEI sells its business or assets, and that upon any such assignment, such assignee shall acquire all of UEI's rights under this Agreement, including without limitation the right of assignment set out in this Section 12. Gabrielsen acknowledges that his obligations hereunder are personal in nature and therefore incapable of being performed by another; consequently, Gabrielsen agrees that he may not assign or delegate all or any part of this Agreement and any attempt on his part to so assign or delegate shall be void and with effect whatsoever.

13. NO STRICT CONSTRUCTION. The language used in this Agreement will be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction will be applied against any party hereto.

14. NOTICE. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given to any party (i) upon delivery to the address of such party specified below if delivered in person or by courier, or if sent

by certified or registered mail (return receipt requested), postage prepaid, (ii) upon dispatch if transmitted by telecopy or other means of facsimile, in any case to the parties at the following address(es) or telecopy number(s), as the case may be:

If to UEI:

Universal Electronics Inc.
6101 Gateway Drive
Cypress, California 90630
Attn: President
Facsimile No.: (714) 820-1010

With required copies to:

Universal Electronics Inc.
6101 Gateway Drive
Cypress, California 90630
Attn: General Counsel
Facsimile No.: (714) 820-1010

If to Gabrielsen:

Mr. David M. Gabrielsen
8155 Belle Vernon Drive
Novelty, Ohio 44072
Facsimile No.: (440) 338-4038

or to such address(es) or telecopy number(s) as any party may designate by written notice in the aforesaid manner.

15. WAIVER OF BREACH. The waiver by any party hereto of a breach of any provision of this Agreement by any other party shall not operate or be construed as a waiver of any subsequent breach.

16. ENTIRE UNDERSTANDING. This Agreement and the agreements referred to herein constitute the entire understanding and shall not be changed, altered, modified or discharged, except in writing consented to by all parties.

17. BINDING EFFECT. This Agreement shall be binding upon the administrators, legal representatives, heirs and legatees and the successors and permitted assigns of Gabrielsen and UEI.

18. GOVERNING LAW. This Agreement shall be construed and enforced in accordance with the laws of the State of Ohio.

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

20. INQUIRIES AND REFERENCES. The parties hereto agree that should inquiry be made as to the circumstances and reasons surrounding Gabrielsen's departure from the employ of UEI, the parties shall respond by saying that Mr. Gabrielsen's employment was terminated by UEI without cause upon the mutual understanding of the parties and providing the inquiring party with the dates of his employment and positions held and, except as may be required by law, nothing further shall be stated, including discussing Gabrielsen's employment at UEI in a demonstrably disparaging manner. Within five (5) days after this agreement has been signed by both parties, the parties will prepare a press release regarding this matter, which UEI will cause to be disseminated.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

UNIVERSAL ELECTRONICS INC.

By: /s/ CAMILLE JAYNE

Camille Jayne, President

I HEREBY ACKNOWLEDGE THAT I HAVE READ IN ITS ENTIRETY AND UNDERSTAND THE FOREGOING AGREEMENT, INCLUDING BUT NOT LIMITED TO THE PROVISIONS WITH RESPECT TO CONFIDENTIAL INFORMATION, NON-COMPETITION, INVENTIONS, AND REMEDIES AND THAT I HAVE RECEIVED A FULLY SIGNED COPY OF THIS AGREEMENT FOR MY RECORDS.

By: /s/ DAVID M. GABRIELSEN

David M. Gabrielsen

STOCK ACQUISITION REPRESENTATIONS AND COVENANTS
CERTIFICATE

Each of the undersigned, _____, President of H & S Management Corp. (the "Corporation"), J. C. Sparkman and Steven Helbig, hereby certifies that it and/or he acknowledges and agrees that:

1. They are parties to that certain Asset Purchase Agreement dated , 1998 by and among the Corporation, J. C. Sparkman, Steven Helbig and Universal Electronics Inc. ("UEI") (the "Agreement").
2. A portion of the consideration to be received in connection with the sale by the Corporation of certain of its assets is shares of UEI's common stock, par value \$.01 (the "UEI Stock"), which UEI shall cause to be issued and a new stock certificate (or certificates) shall be delivered to Buyer evidencing the new ownership of the UEI Stock.
3. The UEI Stock being acquired hereunder have not been and will not be registered under the Securities Act of 1933, as amended, or the securities laws of any state or other jurisdiction (together "Securities Laws"); that the UEI Stock is being sold in reliance on exemptions from the registration requirements thereof; and that the UEI's reliance upon such exemptions is predicated in part on the representations and covenants contained in this Certificate.
4. The UEI Stock is being acquired for the Corporation's own account and not on behalf of any other person or persons and not with a view to, or for sale in connection with, any public distribution thereof.
5. The certificate(s) or other documents evidencing the UEI Stock (including those issued at any time in exchange or substitution thereof) will be subject to stop transfer instructions and will bear a legend substantially in the following form:

"The securities represented hereby 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 thereof shall have received from counsel acceptable to it a written opinion reasonably satisfactory to it that the proposed disposition will not violate any applicable Securities Laws."
6. Prior to the closing of the transactions contemplated within the Agreement, each of the undersigned and their respective duly authorized agents and representatives have been afforded the opportunity to ask questions and receive answers concerning the ownership of an interest in UEI

and to obtain any additional information necessary to verify the accuracy of the information relating to the UEI Stock, UEI, or otherwise provided with respect thereto.

7. Buyer understands and acknowledges that this transaction contains a high degree of risk, and agrees to accept such risk.

IN WITNESS WHEREOF, each of the undersigned have executed this Certificate as of the _____ day of _____, 1998.

H & S Management Corp.

Its:

J. C. Sparkman

Steven Helbig

NON-COMPETE AGREEMENT

This NON-COMPETE AGREEMENT made this 1st day of September, 1998 by and among H & S Management Corp., a Colorado corporation ("H&S"), J. C. Sparkman, a Colorado resident ("Sparkman"), and Steven Helbig, a Colorado resident ("Helbig") (individually, each of H&S, Sparkman and Helbig is referred to herein as a "Covenantee", and collectively, the "Covenantees"), and Universal Electronics Inc., a Delaware corporation ("UEI").

W I T N E S S E T H:

WHEREAS, Covenantees and UEI have entered into a certain Asset Purchase Agreement dated September 1, 1998 ("Purchase Agreement") (unless otherwise defined herein, capitalized terms shall be used herein as defined in the Purchase Agreement) pursuant to which UEI will purchase from H&S the H&S Remote Control Business and the H&S Remote Control Assets; and

WHEREAS, pursuant to the terms of the Purchase Agreement, UEI has agreed to pay Covenantees a total of \$_____ for this Non-Compete Agreement, with such payment allocated among the Covenantees as set forth on the allocation schedule attached to the Purchase Agreement; and

WHEREAS, it is a condition to the Closing under the Purchase Agreement that this Non-Compete Agreement be entered into by each of the Covenantees and by UEI;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. NON-COMPETE; NON-SOLICITATION. In consideration of the consideration paid to each of the Covenantees for this Agreement as described above and in the Purchase Agreement, each Covenantee covenants and agrees that, for a period of seven (7) years from the date hereof (the "Non-Compete Period") Covenantee shall not, directly or indirectly, either alone or in partnership or jointly or in conjunction with any person or persons, firm, association, syndicate, company or corporation as principal, agent, employee, director, shareholder or in any other manner whatsoever (i) carry on or be engaged in the H&S Remote Control Business or any other business which is in competition with the H&S Remote Control Business as existing on the date hereof, (ii) solicit business from or transact business with any person, firm or corporation to whom UEI or any Covenantee has sold products where such solicitation would involve the sale of products competitive with those of the H&S Remote Control Business, or (iii) directly or indirectly solicit for employment, offer employment to, or hire any person (as an employee or consultant), or other engage in business any person or persons who is or are employed by UEI immediately after the consummation of the transactions contemplated by the Purchase Agreement or during the Non-Compete Period, except with the prior written consent of UEI.

1.1 EXCEPTIONS TO NON-COMPETE; NON-SOLICITATION. Nothing within Section 1, above shall prohibit any Covenantee from (i) carrying on or being engaged in any type of business, which is not competitive with the H&S Remote Control Business in any area whatsoever, or (ii) being an owner of not more than 5% of the outstanding stock of any class of a corporation which is publicly traded whose principal business is competitive with the H&S Remote Control Business, so long as Covenantee has no active participation in the business of such corporation.

2. REMEDIES. Each Covenantee acknowledges that the covenants and agreements which it has made in this Agreement are reasonable and are required for the reasonable protection of UEI's investment in the H&S Remote Control Assets and the H&S Remote Control Business. Each Covenantee agrees that the breach of any covenant or agreement contained herein will result in irreparable injury to UEI, and that in addition to all other remedies provided by law or in equity with respect to the breach by Covenantee of any provision of this Agreement, UEI and its successors and assigns will be entitled to enforce the specific performance by Covenantee of Covenantee's obligations hereunder and to enjoin Covenantee from engaging in any activity in violation hereof, all without the need of posting bond or any other security, and that no claim by Covenantee against UEI or its successors or assigns will constitute a defense or bar to the specific enforcement of such obligations. Each Covenantee agrees that UEI and any successor or assign shall be entitled to recover all costs of successfully enforcing any provision of this Agreement, including reasonable attorneys' fees and costs of litigation (including incurred in connection with any administrative, alternative dispute resolution or appellate proceeding) and any interest. In the event of a breach or a violation by any Covenantee of any of the provisions of this Agreement, the running of the Non-Compete Period, shall be tolled during the period of the continuance of any actual breach or violation.

3. PARTIAL INVALIDITY. The various covenants and provisions of this Agreement are intended to be severable and to constitute independent and distinct binding obligations and of each of the Covenantees. Should any covenant or provision of this Agreement be determined to be void and unenforceable, in whole or in part, it shall not be deemed to affect or impair the validity of any other covenant or provision or part thereof, and such covenant or provision or part thereof shall be deemed modified to the extent required to permit enforcement. Without limiting the generality of the foregoing, if the scope of any covenant contained in this Agreement is too broad to permit enforcement to its full extent, such covenant shall be enforced to the maximum extent permitted by law, and the Covenantees hereby agree that such scope may be judicially modified accordingly.

4. ASSIGNMENT. Each Covenantee agrees that this Agreement may be assigned by UEI to any entity controlled by, or under direct or indirect common control with, UEI and to any person to whom UEI sells its business or assets, and that upon any such assignment, such assignee shall acquire all of UEI's rights under this Agreement, including without limitation the right of assignment set out in this Section 4.

5. NO STRICT CONSTRUCTION. The language used in this Agreement will be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict

construction will be applied against any party hereto.

6. NOTICE. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given to any party (i) upon delivery to the address of such party specified below if delivered in person or by courier, or if sent by certified or registered mail (return receipt requested), postage prepaid, (ii) upon dispatch if transmitted by telecopy or other means of facsimile, in any case to the parties at the following address(es) or telecopy number(s), as the case may be:

If to any Covenantees:

Mr. J. C. Sparkman
2530 South Dudley Street
Lakewood, Colorado 80227
Facsimile No.: (303) 984-1427
Telephone No.: (303) 980-5497

If to UEI:

Universal Electronics Inc.
6101 Gateway Drive
Cypress, California 90630
Attn.: President
Facsimile No.: (714) 820-1010
Telephone No.: (714) 820-1000

With required copies to:

Universal Electronics Inc.
6101 Gateway Drive
Cypress, California 90630
Attn.: General Counsel
Facsimile No.: (714) 820-1010
Telephone No.: (714) 820-1000

or to such address(es) or telecopy number(s) as any party may designate by written notice in the aforesaid manner.

7. WAIVER OF BREACH. The waiver by any party hereto of a breach of any provision of this Agreement by any other party shall not operate or be construed as a waiver of any subsequent breach.

8. ENTIRE UNDERSTANDING. This Agreement and the agreements referred to herein

constitute the entire understanding and shall not be changed, altered, modified or discharged, except in writing consented to by all parties.

9. BINDING EFFECT. This Agreement shall be binding upon the administrators, legal representatives, heirs and legatees and the successors and assigns of each Covenantee and UEI.

10. GOVERNING LAW. This Agreement shall be construed and enforced in accordance with the laws of the State of California, without regard to its conflicts of laws provisions.

11. COUNTERPARTS. This Agreement shall be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one in the same agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

COVENANTEES:

H & S MANAGEMENT CORP.

UEI:

UNIVERSAL ELECTRONICS INC.

By: _____

Its: _____

By: _____

Camille Jayne, President & CEO

J. C. SPARKMAN

STEVEN HELBIG

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement"), made and entered into this ___ day of _____, 1998 by and between Universal Electronics Inc., a Delaware corporation ("UEI") and J. C. Sparkman, a Colorado resident residing at 2530 South Dudley Street, Lakewood, Colorado 80227 (ASparkman@).

WHEREAS, UEI is engaged in the business of developing and manufacturing and/or maintaining (a) certain electronic products that emit, via infra-red and other methods, pulse codes which can be used to operate original equipment manufacturer ("OEM") device(s) (such as televisions, video cassette recorders, cable and satellite set-top boxes, home theater systems, and the like), including, without limitation, a battery-operated, hand-held remote control (the "Remote Control"), (b) software to operate the Remote Control which can be used to operate OEM device(s), electronic device(s) for the "home bus" market (as defined by the Electronics Industry Association) and integrated system digital networks ("ISDN"), electronic device(s) for use in the receipt and/or transmission of data and/or software over multiple media, and other derivations of such device(s) (the "Software"), and (c) a library of the devices' pulse codes and such updates, enhancements and new releases of such library as UEI may from time to time develop (the "Database"); and

WHEREAS, the parties hereto (along with others) have entered into an Asset Purchase Agreement of even date herewith and all other documents and instruments executed in connection therewith (the "Asset Purchase Documents") wherein UEI acquired the H&S Remote Control Assets which were used and useful in the operation of the H&S Remote Control Business (as such terms are defined within the Asset Purchase Documents); and

WHEREAS, Sparkman has expertise in and has intimate knowledge of the H&S Remote Control Business and the H&S Remote Control Assets which have been acquired by UEI and has knowledge of the general requirements of UEI's business; and

WHEREAS, Sparkman and UEI each agree to retain Sparkman as a consultant to UEI upon the terms and conditions set forth herein;

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

1. CONSULTING SERVICES. Commencing on the first business day following the closing of the acquisition of the H&S Remote Control Assets by UEI pursuant to the Asset Purchase Documents, and for a period of two (2) years thereafter, unless sooner terminated in accordance with the terms hereof (the "Consulting Period"), Sparkman agrees to provide his services as UEI shall deem reasonably necessary, to advise and consult with UEI in areas relating to the UEI business. Such services shall also include being available for advice and counsel to UEI from time to time by telephone, letter or in person. Each of the services listed above or elsewhere in this Agreement shall be provided by Sparkman to the satisfaction of UEI, subject to the following conditions:

(a) Sparkman shall not be required to participate actively in the day to day operations of UEI;

(b) It is expressly understood that in furnishing such services, Sparkman is not, nor shall he be considered an employee of UEI but shall act solely as an independent contractor. Accordingly, UEI will not supervise or control the manner in which he performs such consulting and advisory services, however, Sparkman shall keep the UEI Designated Contact (as set forth in Paragraph 12) fully apprised of the status of any and all projects which he is working on and/or commissioned to perform;

(c) Sparkman shall be fully responsible and liable for all of his acts and omissions;

(d) Sparkman shall not make any representation that he is an agent or representative of UEI or is otherwise authorized to act for or on behalf of UEI and agrees not to create any obligation or to assume any responsibility for UEI or attempt to bind UEI in any manner whatsoever; and

(e) Sparkman shall be responsible for all taxes, fees, and licenses incurred in connection with rendering consulting services hereunder and that he shall indemnify, defend, and hold UEI harmless with respect to any taxes, penalties or interest claimed by any taxing authority for failure to withhold any income taxes from the payments to Sparkman provided for under this Agreement.

2. COMPENSATION. As full compensation for the consulting services to be rendered by Sparkman and for the performance of all other obligations hereunder, UEI shall pay to Sparkman a per annum fee equal to \$250,000 for work performed for UEI pursuant to this Agreement. UEI shall pay Sparkman for such services within equal monthly installments on the first day of each calendar month.

3. REIMBURSEMENT FOR BUSINESS EXPENSES. Sparkman and UEI agree Sparkman shall be reimbursed for all reasonable and fully documented travel, office, entertainment, and other costs actually incurred in connection with carrying out his consulting services hereunder.

4. ADDITIONAL INDEMNIFICATION. Sparkman agrees to indemnify, defend and hold UEI harmless from and against all damages, losses, claims, liabilities, costs and expenses, including without limitation all legal fees, costs and expenses, resulting from, caused by or arising out of any claim made by a shareholder, employee, or director of H & S Management Corp., or any representative or successor of any such person, that all or any part of the compensation paid or to be paid to Sparkman pursuant to this Agreement is due such shareholder, employee or director.

5. CONFIDENTIAL INFORMATION. Sparkman agrees to keep forever secret confidential and inviolate and never disclose directly or indirectly without the express written consent of UEI, either during or subsequent to the termination of this Agreement, to any person, firm or corporation and to not use, directly or indirectly in any manner whatsoever other than to carry out his duties and obligations hereunder, any secret or confidential information regarding UEI's business, products, product plans, software, device library or technology. The provisions of this Section 5 shall survive the termination of this Agreement for any reason whatsoever. Sparkman recognizes that UEI's organization, business and relationship with clients, perspective clients and others having business dealings with UEI are and will be the sole property of UEI, and he shall have no separate interests or rights with respect thereto. In addition, Sparkman understands that all technologies, processes and research which was or is developed by UEI, Sparkman or an employee of UEI is the sole property of UEI. Therefore, subject to Paragraph 5(d) below, Sparkman agrees, with respect to all Inventions (as such term is defined below) made or conceived by Sparkman, whether or not during the hours of its services conducted hereunder or with the use of UEI facilities, materials or personnel, either solely or jointly with others, during the term of this Agreement, and without royalty or any other consideration, to do the following:

(a) Communicate to UEI promptly and fully all Inventions, improvements or suggestions (including, without limitation, suggestions concerning trade names, trademarks, service marks and slogans) made or conceived by Sparkman (whether made or conceived solely by him or jointly with others) from the time of entering this Agreement until Agreement is terminated, (i) which are along the lines of the business, work or investigations of UEI or of any companies which it owns or controls at the time such Inventions are created, or (ii) which result from or are suggested by any work which Sparkman has done or made for or on behalf of UEI, or (iii) which are developed, tested, improved or investigated either in part or entirely on time for which Sparkman was paid by UEI or using any funds, equipment, laboratories or other facilities of UEI.

(b) Make, without charge to UEI, but at the request and expense of UEI, at any time such applications for United States and/or foreign patents or copyright registrations covering such Inventions as UEI may request, and assign to UEI, or its nominee, without further compensation to Sparkman, his entire right, title, and interest to all such Inventions, applications, patents, and/or copyright registrations granted thereon. Sparkman will, without charge to UEI, at the request and expense of UEI, execute, acknowledge, and deliver any and all papers, including patent applications, and copyright applications, assignments, and applications for reissue, and do all other lawful acts, including the giving of testimony in proceedings in which such Inventions may be involved or concerned, which UEI may consider necessary or proper to secure to UEI the fullest-right to such Inventions and to patents and to copyright registrations in the United States and/or foreign countries covering the same, and to bring about the full protection of the same. Sparkman agrees to perform the above-specified acts whether or not this Agreement is in force at the time UEI requests his performance.

In the event UEI is unable for any reason whatsoever to secure his signature to any lawful and necessary documents required to apply for, or to prosecute, any United States or foreign applications for a patent or copyright registration, Sparkman hereby irrevocably designates and appoints UEI and its duly authorized officers and agents as its agent and attorney in fact, to act for and, in its behalf and stead, to execute and file any such application and to do all other lawfully-permitted acts to further the prosecution and issuance of a patent or copyright registration based thereon. Sparkman hereby waives and quitclaims to UEI any and all claims, of any nature whatsoever, which he may now have or may hereafter have for infringement of any patent(s) or copyright registration(s) from any such application.

(c) "Invention" means any invention, discovery or improvement (including, without limitation, any technology, test, concept, idea, operation, product, process, method, formula, computer program or flowchart or software or firmware, data bases, technique or improvement thereof), whether or not related to a service or product of UEI being sold, under development or consideration and whether or not patentable or copyrightable, and all know-how related thereto.

(d) The foregoing notwithstanding, this Section 5 shall not apply to any Inventions of Sparkman for which no equipment, supplies, facility, or trade secret information of UEI was used and which was developed entirely on his own time, unless (i) the Invention relates (1) to the business of UEI or (2) to UEI's actual or demonstrably anticipated research or development, or (ii) the Invention results from any work performed by Sparkman for UEI.

(e) This Section 5 shall survive the termination of this Agreement for any reason whatsoever.

6. TERMINATION.

(a) This Agreement shall commence on the date hereof and shall terminate automatically at the end of the Consulting Period.

(b) Notwithstanding the provisions of Section 6(a) above, UEI shall have the right to terminate this Agreement immediately by delivering to the Sparkman written notice of such termination in the event (i) of any attempted transfer or assignment by Sparkman of (1) the entire Agreement (whether by operation of law or otherwise), (2) any right or obligation of Sparkman hereunder without the prior written consent of UEI, (ii) of the conviction of Sparkman of any crime which may, in UEI's sole discretion, adversely affect the ownership, operation, management, business or interests of Sparkman or UEI, (iii) Sparkman shall file for or otherwise become bankrupt or (iv) Sparkman violates any provision of this Agreement or of the Asset Purchase Documents.

(c) Notwithstanding any other provision of this Agreement, either party may terminate this Agreement for any reason whatsoever upon ninety (90) days written notice to the other party.

(d) Upon termination of this Agreement, Sparkman shall return to UEI promptly and without charge all materials provided to the him by UEI.

7. REMEDIES. Sparkman acknowledges that the covenants and agreements which he has made in this Agreement are reasonable and are required for the reasonable protection of UEI's investment in its business and its goodwill. Sparkman agrees that the breach of any covenant or agreement contained herein will result in irreparable injury to UEI, and that in addition to all other remedies provided by law or in equity with respect to the breach by him of any provision of this Agreement, UEI and its subsidiaries, successors and assigns will be entitled to (i) withhold any payments or portion thereof due Sparkman hereunder while he is in breach of any such covenant or agreement, and (ii) enforce the specific performance by Sparkman of his obligations hereunder and to enjoin him from engaging in any activity in violation hereof, all without the need of posting bond or any other security, and that no claim by him against UEI or its subsidiaries, successors or assigns will constitute a defense or bar to the specific enforcement of such obligations. Sparkman agrees that UEI any subsidiary, successor or assign shall be entitled to recover all costs of successfully enforcing any provision of this Agreement, including reasonable attorneys' fees and costs of litigation and any interest. Sparkman further agrees that the withholding of any payments or portion thereof due it by UEI pursuant to this Section 7 shall in no way to construed as a limitation to the amount of damages sustained by UEI or to which UEI may be entitled or as liquidated damages.

8. PARTIAL INVALIDITY. The various covenants and provisions of this Agreement are intended to be severable and to constitute independent and distinct binding obligations of the parties hereto. Should any covenant or provision of this Agreement be determined to be void and unenforceable, in whole or in part, to any party hereto or in any circumstance, it shall not be deemed to affect or impair the validity of any other covenant or provision or part thereof, and shall continue in effect to the extent valid, enforceable and applicable in other circumstances and to the other party, and such covenant or provision or part thereof shall be deemed modified to the minimum extent required to permit it to remain valid, enforceable and applicable to such party or circumstance. Without limiting the generality of the foregoing, if the scope of any covenant, provision or part thereof contained in this Agreement is too broad to permit enforcement to its full extent, such covenant provision or part thereof shall be enforced to the maximum extent permitted by law, and the parties hereto hereby agrees that such scope may be judicially modified accordingly.

9. ASSIGNMENT. Sparkman agrees that this Agreement may be assigned by UEI in its entirety to any entity controlled by, or under direct or indirect common control with, UEI and to any person to whom UEI sells its business or assets, and that upon any such assignment, such assignee shall acquire all of UEI's rights and obligations under this Agreement, including without limitation the right of assignment set out in this Section 9. The rights and obligations of Sparkman hereunder, being personal in nature, may not be assigned or delegated without the prior written consent of UEI.

10. NO STRICT CONSTRUCTION. The language used in this Agreement will be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction will be applied against any party hereto.

11. THIS AGREEMENT NOT TO CONSTITUTE A PARTNERSHIP. None of the provisions of this Agreement shall be deemed to constitute a partnership or joint venture between each of Sparkman and UEI and neither Sparkman nor UEI shall have any authority to bind the other in any way.

12. NOTICE. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given to any party (a) upon delivery to the address of such party specified below if delivered in person or by courier, or if sent by certified or registered mail (return receipt requested), postage prepaid; (b) upon dispatch if transmitted by telecopy or other means of facsimile, in any case to the parties at the following address(es) or telecopy number(s), as the case may be:

If to Sparkman:

Mr. J. C. Sparkman
2530 South Dudley Street
Lakewood, Colorado 80227
Facsimile No.: (303) 984-1427
Telephone No.: (303) 980-5497

If to UEI:

Ms. Camille Jayne
Universal Electronics Inc.
6101 Gateway Drive
Cypress, California 90630
Facsimile No.: (714) 820-1010
Telephone No.: (714) 820-1000

With a required copy to be sent to:

Universal Electronics Inc.
6101 Gateway Drive
Cypress, California 90630
Attn.: General Counsel
Facsimile No.: (714) 820-1010
Telephone No.: (714) 820-1000

or to such address(es) or telecopy number(s) as any party may designate by written notice in the aforesaid manner.

UEI=s Designated Contact:

or such other person as UEI may designate by written notice in the aforesaid manner.

13. WAIVER OF BREACH. The waiver by any party hereto of a breach of any provision of this Agreement by any other party shall not operate or be construed as a waiver of any subsequent breach.

14. ENTIRE UNDERSTANDING. This Agreement and the agreements referred to herein constitute the entire understanding and shall not be changed, altered, modified or discharged, except in writing consented to by all parties.

15. BINDING EFFECT. This Agreement shall be binding upon the administrators, legal representatives, and successors and permitted assigns of Sparkman and UEI.

16. GOVERNING LAW. This Agreement shall be construed and enforced in accordance with the laws of the State of California without regard of its conflicts of laws provisions.

17. COUNTERPARTS. This Agreement shall be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one in the same agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

J. C. SPARKMAN

UNIVERSAL ELECTRONICS INC.

By:

Camille Jayne, President and Chief
Executive Officer

EXECUTIVE OFFICER
EMPLOYMENT AGREEMENT

THIS EXECUTIVE OFFICER EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into this 29th day of September 1998 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, 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 has offered employment to Executive as its President and Chief Operating 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 Chief Executive Officer and/or the Board of Directors of Employer; and

WHEREAS, Executive 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, 1998 (the "Effective Date of this Agreement"), Employer hereby employs Executive and Executive hereby accepts employment with Employer.

2. TITLE, AUTHORITY AND DUTIES

(a) TITLE(S) AND POSITION(S). On the Effective Date of this Agreement, Executive shall be employed in the position(s) of and shall have the title(s) of President and Chief Operating 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, 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 Chief Executive Officer of Employer and/or 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 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, 2000 (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 which is equal to the sum of the following:

(A) The amount equivalent to salary payments for eighteen (18) months (twenty-four (24) months if such termination is pursuant to subsection 3(b)(ii)(10)), at that rate of pay which is not less than Executive's rate of Base Cash Salary in effect 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 Two Hundred Twenty-Five Thousand Dollars (US\$225,000) 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; provided that the bonus for the 1998 calendar

year shall be calculated in accordance with the Bonus Plans attached hereto as Exhibit A, payable in accordance with Employer's standard payroll practices and procedures; and provided further, 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; provided that the stock options and/or stock awards granted for the 1998 calendar year shall be determined in accordance with the Stock Option Plans attached hereto as Exhibit B;

(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 the Universal Electronics Inc. 1993 Stock Incentive Plan, the Universal Electronics Inc. 1995 Stock Incentive Plan, the Universal Electronics Inc. 1996 Stock Incentive Plan, the Universal Electronics Inc. 1998 Stock Incentive Plan, the Salaried Employee Cash Incentive Program, and 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. Three (3) weeks (fifteen (15) 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 which 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 or discontinuance of the amount of compensation paid and/or provided to Executive hereunder except if such reduction or discontinuance occurs by reason of law or loss of tax deductibility to the Employer with respect to the contributions to such plans, or are discontinued as a matter of the Employer's policy applied equally to all participants.

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 and not the law of conflicts 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 Non-Interest Bearing Unsecured 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 are hereby rescinded, revoked, and rendered null and void by the parties. The parties hereto further acknowledge and agree that the terms of that certain Memorandum dated September 14, 1998 have been incorporated in this Agreement and such Memorandum has been superseded by this Agreement and therefore, is hereby terminated in its entirety and shall be of no further force and effect. 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

(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 and continuing thereafter, 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;

(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;

(v) Not solicit, interfere with or endeavor to entice away from Employer any person, firm, company or corporation in the habit of dealing with Employer; and

(vi) Not interfere with or solicit for hire or hire any other executive employee of Employer.

(b) 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 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. RELOCATION LOAN MADE TO EXECUTIVE

Within five (5) business days after the Effective Date of this Agreement, Employer shall loan Two Hundred Thousand Dollars (\$200,000) to Executive which Executive shall use solely for relocating his home and family from his present place of residence in Shaker Heights, Ohio to a new residence located in Southern California and in this connection the Executive shall execute and deliver to Employer a Non-Interest Bearing Unsecured Promissory Note in favor of Employer in the form attached to this Agreement as Exhibit C, the terms and conditions of which are incorporated into this Agreement by this reference. Such loan is in addition to all amounts to be paid and/or reimbursed to Executive pursuant to Employer's Executive Relocation Policy.

IN WITNESS WHEREOF, the parties have executed the Agreement as of this 29th day of September, 1998

Signed and acknowledged in the presence of:

UNIVERSAL ELECTRONICS INC.

By: _____

Its: _____

PAUL D. ARLING

Signature

EXHIBIT A

BONUS PLAN

PURSUANT TO SECTION 4(b) FOR 1998

EPS at \$0.80 bonus of 15% of Base Cash Salary or \$ 33,750

EPS at \$0.85 bonus of 30% of Base Cash Salary or \$ 67,500

EPS at \$0.90 bonus of 40% of Base Cash Salary or \$ 90,000

EPS at \$0.95 bonus of 45% of Base Cash Salary or \$101,250

EPS at \$1.00 bonus of 50% of Base Cash Salary or \$112,500

EXHIBIT B

STOCK OPTION AWARD

PURSUANT TO SECTION 4(c) FOR 1998

Options to acquire up to 80,000 shares of the common stock of Employer with an exercise price determined as market price at the end of business on the Effective Date of this Agreement. These options shall vest at a rate of 25% per year for four years, but all in accordance with the terms and conditions of the Stock Option Agreement and Stock Option Plans of Employer.

EXHIBIT C
FORM OF PROMISSORY NOTE
PURSUANT TO SECTION 19

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REVOLVING LOAN AND SECURITY AGREEMENT

Dated as of October 2, 1998

BETWEEN

UNIVERSAL ELECTRONICS INC.

AND

BANK OF AMERICA NATIONAL TRUST

AND SAVINGS ASSOCIATION

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Schedule 11.18	- Environmental Matters
Schedule 12.14	- Outstanding Indebtedness
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Schedule 12.16	- Existing Investments

REVOLVING LOAN AND SECURITY AGREEMENT

THIS REVOLVING LOAN AND SECURITY AGREEMENT (this "Agreement"), made as of the 2nd day of October, 1998, between BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association (the "Bank"), and UNIVERSAL ELECTRONICS INC., a Delaware corporation (the "Borrower").

WITNESSETH:

WHEREAS, the Borrower has requested that the Bank make revolving loans to, and issue letters of credit to or for the account of, the Borrower; and

WHEREAS, the Bank is willing to make such loans and issue such letters of credit, subject to the terms and conditions hereof;

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

ARTICLE I
DEFINITIONS AND TERMS

The following words, terms and/or phrases shall have the meanings set forth thereafter and such meanings shall be applicable to the singular and plural form thereof, giving effect to the numerical difference; whenever the context so requires, the use of "it" in reference to Borrower shall mean Borrower as identified at the beginning of this Agreement:

"Accounts" is defined in Section 5.1.

"Acquisition" means, with respect to any Person, (a) the acquisition by such Person of all or substantially all of the assets of any other Person (or a division or ongoing business thereof), whether through the purchase of assets, through merger, consolidation or otherwise (other than a Person that is a Subsidiary of the Borrower or one of its Subsidiaries prior to such purchase of assets) or (b) an Investment by such Person in any other Person as a result of which such other Person becomes a Subsidiary of such first Person.

"Adjusted Reference Rate" means, at any time, the higher of (a) the Reference Rate or (b) the Federal Funds Rate plus one-half of one percent (0.5%) per annum.

"Adjusted Reference Rate Loan" means a Loan bearing interest at the Adjusted Reference Rate.

"Affiliate" means any "Person" (hereinafter defined) in which Borrower, one or more partners of Borrower, one or more equity interest holders of Borrower, "Subsidiary" (hereinafter defined), and/or "Parent" (hereinafter defined), individually, jointly and/or severally, now or

at any time or times hereafter, has or have an equity or other ownership interest equal to or in excess of 50% of the total equity of or other ownership interest in such Person.

"and/or" means one or the other or both, or any one or more or all, of the things or Persons in connection with which the conjunction is used.

"Applicable Margin" means (a) from the Effective Date to but not including the first (1st) anniversary of the Effective Date, 1.75% per annum with respect to IBOR Loans and Fixed Rate Loans and 0.125% per annum with respect to the Non-Use Fee and (b) from and including the first (1st) anniversary of the Effective Date and thereafter, the Applicable Margin shall be determined as of the last day of each fiscal quarter of each fiscal year of the Borrower on a trailing basis, based on the Borrower's Consolidated EBITDA as of the last day of each of the four fiscal quarters immediately preceding the date of any determination of the Applicable Margin hereunder and such Applicable Margin shall equal the percentage per annum set forth below in the following table:

Trailing Four- Quarter Consolidated EBITDA	Applicable Margin for IBOR Loans and Fixed Rate Loans	Applicable Margin for Non-Use Fee
Equal to or greater than \$13,500,000	1.25% per annum	0.1250% per annum
Equal to or greater than \$10,500,000 but less than \$13,500,000	1.50% per annum	0.1250% per annum
Equal to or greater than \$7,500,000 but less than \$10,500,000	1.75% per annum	0.1250% per annum
Less than \$7,500,000	2.00% per annum	0.1875% per annum

Any change in the Applicable Margin shall become effective two (2) Banking Days following delivery by the Borrower to the Bank of a quarterly compliance certificate pursuant to Section 12.1.1(d) evidencing that the Borrower's Consolidated EBITDA for the four fiscal quarters immediately preceding the date of determination for the Applicable Margin warrants an adjustment to the Applicable Margin, whether upward or downward. Notwithstanding the foregoing, but subject to Section 4.1(d), at any time an Event of Default exists or an Unmatured Event of Default with respect to the Borrower's obligations under Section 12.1.1 exists, the Applicable Margin shall be determined as if the trailing four-quarter Consolidated EBITDA was less than \$7,500,000 until such Event of Default or Unmatured Event of Default is cured or waived by the Bank.

"Application" means any application by Borrower, in a form and containing terms and provisions acceptable to Bank, for the issuance by Bank of a Letter of Credit.

"Approved Acquisition" means any Acquisition by any Person (the "Purchaser") of all or substantially all of the Stock, equity interests or assets of another Person (the "Target") provided that (a) such transaction has been approved by the board of directors or other similar body of the Target and if necessary under applicable law, the shareholders or other owners of the Target have also so approved such transaction, (b) the Target is engaged in substantially the same lines of business as engaged in by the Purchaser immediately prior to such transaction, (c) immediately before and after giving effect to such transaction, there shall not exist an Event of Default or an Unmatured Event of Default, and (d) if the total consideration payable for such Acquisition, whether in cash, property or by the face amount of an instrument evidencing Indebtedness, exceeds \$1,000,000, the Bank shall have given its prior written consent thereto.

"Bank" is defined in the Preamble.

"Banking Day" means (a) a day other than a Saturday, Sunday or a legal holiday on which banks are authorized or required to be closed for the conduct of commercial banking business in Chicago, Illinois and San Francisco, California and (b) relative to the making, continuing, prepaying or repaying of an IBOR Loan, any day on which dealings in Dollars are carried on in the interbank market.

"Borrower" is defined in the Preamble.

"Capital Expenditures" shall mean for any period, the sum of (a) the aggregate amount of all expenditures of Borrower and its Subsidiaries for fixed or capital assets made during such period which, in accordance with GAAP, would be classified as capital expenditures; and (b) the aggregate amount of all Capitalized Lease Liabilities paid or payable during such period.

"Capitalized Lease" means any lease which is or should be capitalized on the balance sheet of the lessee under such lease in accordance with GAAP.

"Capitalized Lease Liabilities" shall mean all monetary obligations of Borrower or any of its Subsidiaries under any leasing or similar arrangement which, in accordance with GAAP, would be classified as a Capitalized Lease, and, for purposes of this Agreement and each of the Other Agreements, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP, and the stated maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"Cash Equivalents" means (a) investments in direct obligations of the United States of America or of any agency or instrumentality thereof whose obligations constitute full faith and credit obligations of the United States of America, provided that any such obligations shall mature within one year of the date of issuance thereof; (b) investments in commercial paper

rated at least P-1 by Moody's Investors Service, Inc. or at least A-1 by Standard & Poors Corporation maturing within 270 days of the date of issuance thereby; and (c) investments in certificates of deposits and bankers acceptances issued by (i) the Bank, (ii) any Person controlling the Bank or (iii) any United States commercial bank having capital and surplus of not less than \$100,000,000 and which have a maturity of one year or less.

"Charges" means all national, federal, state, county, city, municipal and/or other governmental (or any instrumentality, division, agency, body or department thereof including without limitation the Pension Benefit Guaranty Corporation) taxes, levies, assessments, charges, liens, claims or encumbrances upon and/or relating to the "Collateral" (as hereinafter defined), Borrower's business, Borrower's ownership and/or use of any of its assets, and/or Borrower's income and/or gross receipts.

"Collateral" is defined in Section 5.1.

"Commitment" is defined in Section 2.1.

"Consolidated EBITDA" means, at any date of determination, the sum for such period of the Consolidated Net Income of Borrower, plus the aggregate amount deducted, in determining Borrower's consolidated net income for such period, in respect of (a) total interest expense (including any interest expense in respect of Capitalized Lease Liabilities), plus (b) tax expense, plus (c) depreciation, amortization and other similar non-cash charges, all determined in accordance with GAAP.

"Consolidated Net Income" means the consolidated net income of Borrower and its Subsidiaries, less taxes and excluding extraordinary or non-recurring gains, all determined in accordance with GAAP.

"Consolidated Net Worth" means the consolidated net worth of Borrower and its Subsidiaries.

"Dollars" and the sign "\$" mean lawful money of the United States of America.

"Domestic Account" means an Account with respect to which the Obligor thereof is a resident of any State or Commonwealth of the United States of America.

"Domestic Inventory" means Inventory which is located in any State or Commonwealth of the United States of America.

"Domestic Subsidiary" means a Subsidiary of the Borrower that is incorporated or otherwise formed under the corporate, partnership or other applicable governing law of any State or Commonwealth of the United States of America.

"Effective Date" means the date upon which Borrower satisfies the conditions precedent for the initial Loan or Letter of Credit.

"Environmental Laws" means the Resource Conservation and Recovery Act; the Comprehensive Environmental Response, Compensation and Liability Act; any so-called "Superfund" or "Superlien" law; the Toxic Substances Control Act; and any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree or other requirement regulating, relating to, or imposing liability or standards of conduct (including, but not limited to, permit requirements, and emission or effluent restrictions) concerning any Hazardous Materials or any hazardous, toxic or dangerous waste, substance or constituent, or any pollutant or contaminant or other substance, whether solid, liquid or gas, as now or at any time hereafter in effect.

"Equipment" is defined in Section 5.1.

"Event of Default" means the occurrence of any one or more of the events described in Section 14.1 after giving effect to any applicable periods of notice and/or cure which are provided for in said Section 14.1 or in any instrument referred to in Sections or (c) thereof.

"Federal Funds Rate" means, for any day, the rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, "H.15(519)" on the preceding Banking Day opposite the caption "Federal Funds (Effective)"; or, if for any relevant day such rate is not so published on any such preceding Banking Day, the rate for such day will be the arithmetic mean as determined by Bank of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by Bank.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System or any successor thereto.

"Fixed Rate" means, at any time, the rate of interest applicable to any Loan denominated by Borrower and Bank as a Fixed Rate Loan for the Interest Period applicable to such Loan, as agreed to by Borrower and Bank, telephonically or in writing, at the time of the making of such Loan as set forth in Section 2.4(c) and 4.1(c). Such Fixed Rate is intended to reflect Bank's approximate cost of funds with respect to each Fixed Rate Loan, as determined by Bank in its sole and absolute discretion, determined and provided to Borrower on a non-discriminatory manner with respect to all commercial banking customers of Bank for whom Bank has extended credit based upon its fixed rate lending program as in effect at the time of the making of such Fixed Rate Loan. Bank shall have no obligation to disclose to Borrower its actual cost of funds, how such cost of funds was determined or any element thereof.

"Fixed Rate Loan" means a Loan bearing interest at the Fixed Rate as set forth in Section 4.1(c) hereof.

"GAAP" means generally accepted accounting principles as from time to time in effect.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Guarantee Liability" of any Person means any agreement, undertaking or arrangement by which such Person guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the Indebtedness, obligation or any other liability of any other Person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the shares of any other Person. The amount of any Person's obligation in respect of any Guarantee Liability shall (subject to any limitation set forth therein) be deemed to be the outstanding principal amount (or maximum principal amount, if larger) of the debt, obligation or other liability guaranteed thereby.

"Hazardous Materials" means any toxic substance, hazardous substance, hazardous material, hazardous chemical or hazardous waste defined or qualifying as such in (or for the purposes of) any Environmental Law, or any pollutant or contaminant, and shall include, but not be limited to, petroleum, including crude oil or any fraction thereof which is liquid at standard conditions of temperature or pressure (60 degrees Fahrenheit and 14.7 pounds per square inch absolute), any radioactive material, including, but not limited to, any source, special nuclear or by-product material as defined at 42 U.S.C. section 2011 et. seq., as amended or hereafter amended, polychlorinated biphenyls, and asbestos in any form or condition.

"Hedging Obligations" means, with respect to any Person, all liabilities of such Person under interest rate swap agreements, interest rate cap agreements and interest rate collar agreements, and all other agreements or arrangements designed to protect such Person against fluctuations in interest rates or currency exchange rates.

"IBOR Loan" means a Loan which bears interest at a rate determined by reference to the IBOR Rate (Adjusted).

"IBOR Office" means the office or offices of Bank which shall be making or maintaining the IBOR Loans of Bank hereunder or such other office or offices through which Bank determines its IBOR Rate. An IBOR Office may be, at the option of Bank, either a domestic or foreign office.

"IBOR Rate" means, with respect to any IBOR Loan for any Interest Period, the rate per annum at which Dollar deposits in immediately available funds are offered by Bank to major banks in the interbank market as at or about 11:00 a.m. Chicago time two Banking Days prior to the beginning of such Interest Period for delivery on the first day of such Interest Period, and in an amount equal or comparable to the amount of Bank's IBOR Loan for such Interest Period.

"IBOR Rate (Adjusted)" means, relative to any IBOR Loan for any Interest Period, a rate per annum determined pursuant to the following formula:

$$\text{IBOR Rate (Adjusted)} = \frac{\text{IBOR Rate}}{1.00 - \text{IBOR Reserve Percentage}}$$

The IBOR Rate (Reserve Adjusted) for any Interest Period for any IBOR Loan will be determined by Bank on the basis of the IBOR Reserve Percentage in effect two (2) Banking Days before the first day of such Interest Period.

"IBOR Reserve Percentage" means, for any day in any Interest Period for any IBOR Loan, the percentage in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor thereto) or other U.S. government agency for determining the maximum reserve requirement (including, without limitation, any marginal, basic, emergency, supplemental, and other reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) for banks in respect of liabilities or assets (with a term equal to such Interest Period) consisting of or including "Eurocurrency Liabilities", as currently defined in Regulation D of the Federal Reserve Board, or any other applicable regulation or other liabilities or assets which Bank determines are actually maintained and attributable to or allocable to such IBOR Loan. In determining such amount, Bank may use any reasonable averaging and attribution methods.

"Indebtedness" means all obligations and liabilities of Borrower to any Person (including without limitation all debts, claims and indebtedness for borrowed money) whether primary, secondary, direct, contingent, fixed or otherwise, heretofore, now and/or from time to time hereafter owing, due or payable, however evidenced, created, incurred, acquired or owing and however arising, whether under written or oral agreement, by operation of law, or otherwise; excluding, however, trade payables arising in the ordinary course of business, normal and customary business accruals and other employee-related obligations and liabilities not constituting indebtedness for borrowed money. Indebtedness includes, without limiting the generality of the foregoing: (a) obligations or liabilities of any Person that are secured by any lien, claim, encumbrance, or security interest upon property owned by Borrower even though Borrower has not assumed or become liable for the payment therefor; (b) obligations or liabilities created or arising under any lease of real or personal property, or conditional sale or other title retention agreement with respect to property used and/or acquired by Borrower, even though the rights and remedies of the lessor, seller and/or lender thereunder are limited to repossession of such property; (c) Hedging Obligations and (d) Capitalized Lease Liabilities.

"Interest Period" means, with respect to any IBOR Loan or Fixed Rate Loan, the period commencing on the borrowing date of such IBOR Loan or Fixed Rate Loan or any applicable date of conversion or continuation and (a) with respect to IBOR Loans, ending one, two, three or six months thereafter and (b) with respect to Fixed Rate Loans, ending on such day as the Borrower shall select not to exceed 30 days from the making of such Loan or the conversion to such Loan, as selected by Borrower pursuant to Sections 2.4(c), 2.5 or 2.6, as the case may be; provided that

(i) if such Interest Period would otherwise end on a day which is not a Banking Day, such Interest Period shall end on the next following Banking Day (unless with respect to IBOR Loans such next following Banking Day is the first Banking Day of a calendar month, in which case such Interest Period shall end on the immediately preceding Banking Day);

(ii) if with respect to IBOR Loans, there exists no day numerically corresponding to the day such Loan was made in the month in which the last day of such Interest Period would otherwise fall, such Interest Period shall end on the last Banking Day of such month; and

(iii) Borrower shall not be permitted to select an Interest Period that ends on a date later than the Termination Date.

"Investment" of any Person means, without duplication, (a) any investment, made in cash or by delivery of any kind of property or asset, in any other Person, whether by acquisition of shares of stock or similar interest, indebtedness or other obligation or security, or by loan, advance or capital contribution, or otherwise, (b) any Guarantee Liability of such Person and (c) any ownership or similar interest held by such Person in any other Person. The amount of any Investment shall be the original principal or capital amount thereof less all returns of principal or equity thereon (and without adjustment by reason of the financial condition of such other Person) and shall, if made by the transfer or exchange of property other than cash, be deemed to have been made in an original principal or capital amount equal to the fair market value of such property.

"Letter of Credit" means a standby or commercial letter of credit issued by Bank pursuant to an Application and for the account of Borrower, in such form and containing such terms as Bank shall require.

"Letter of Credit Commitment" means the obligation of Bank to issue Letters of Credit in accordance with the terms of Section 2.1(b)

"Letter of Credit Facility Amount" means the lesser of (a) \$3,000,000 minus the aggregate of all drawings which have been honored but have not been reimbursed under any Letter of Credit or (b) an amount equal to the Revolving Loan Commitment minus the outstanding principal amount of all Revolving Loans.

"Letter of Credit Liabilities" means, at any time of determination, but without duplication, an amount equal to the sum of (a) the aggregate amount available to be drawn under outstanding Letters of Credit plus (b) the aggregate amount of all drawings which have been honored but have not been reimbursed under any Letter of Credit.

"Liabilities" means all obligations and liabilities of Borrower to Bank (including, without limitation, all Letter of Credit Liabilities, Hedging Obligations, debts, claims, and Indebtedness) whether primary or secondary, direct or indirect, absolute or contingent, fixed or otherwise, heretofore, now and/or from time to time hereafter owing, due or payable, however evidenced, created, incurred, acquired or owing and however arising, whether under this Agreement or the Other Agreements (hereinafter defined), or by oral agreement or operation of law or otherwise.

"Lien" means any mortgage, pledge, hypothecation, judgment lien or similar legal process, title retention lien, or other lien, encumbrance or security interest, including, without limitation, the interest of a vendor under any conditional sale or other title retention agreement and the interest of a lessor under any Capitalized Lease.

"Loan" is defined in Section 2.1.

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, condition (financial or otherwise) or prospects of the Borrower and its Subsidiaries taken as a whole; (b) a material impairment of the ability of any Borrower to perform under this Agreement or any Other Agreement; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Borrower of this Agreement or any Other Agreement.

"Non-Domestic Inventory" means Inventory which does not constitute Domestic Inventory.

"Note" and "Revolving Note" means the promissory note of the Borrower referred to in Section 3.1 hereof.

"Obligor" means any Person who is and/or may become obligated to Borrower under or on account of any Account.

"Occupational Safety and Health Law" means the Occupational Safety and Health Act of 1970 and any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability or standards of conduct concerning employee health and/or safety.

"Other Agreements" means each Application, the Note, the Patent and Trademark Assignment, the Supplemental Documentation, and any agreements, instruments and documents, including without limitation guaranties, pledges, powers of attorney, consents, assignments, contracts, notices, security agreements, leases, financing statements and all other written matter

heretofore, now and/or from time to time hereafter executed by and/or on behalf of Borrower and delivered to Bank.

"Patent and Trademark Assignment" is defined in Section 5.2.

"Payment Date" means (a) with respect to any IBOR Loan or Fixed Rate Loan, the last day of each Interest Period with respect thereto and, with respect to IBOR Loans if such Interest Period is in excess of three months, the day three months after the commencement of such Interest Period and thereafter the last day of the Interest Period with respect thereto; (b) with respect to any Adjusted Reference Rate Loan, the last day of each month commencing on the first such date to occur after an Adjusted Reference Rate Loan is made or an IBOR Loan or a Fixed Rate Loan is converted into such Adjusted Reference Rate Loan; and (c) as to the nonuse fee, the last day of each calendar quarter, commencing on the first such date to occur after the date hereof.

"Permitted Encumbrances" means (a) Liens for current Charges not delinquent or for Charges being contested in good faith, by appropriate proceedings and with respect to which the Borrower is maintaining adequate reserves if required in accordance with GAAP, (b) Liens which arise in the ordinary course of business for sums not due or sums which the Borrower is contesting in good faith, by appropriate proceedings and with respect to which the Borrower is maintaining adequate reserves if required in accordance with GAAP, but which do not involve any deposits, advances or Indebtedness or the deferred purchase price of property or services, (c) Liens granted by any Subsidiary to secure such Subsidiary's Indebtedness (if any) to the Borrower, or (d) Liens granted to, or in favor of, the Bank.

"Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, institution, entity, party or government (whether national, federal, state, county, city, municipal or otherwise, including without limitation, any instrumentality, division, agency, body or department thereof).

"Reference Rate" means the rate of interest publicly announced from time to time by Bank as its reference rate. The Reference Rate is set by Bank based on various factors, including Bank's costs and desired return, general economic conditions and other factors, and is used as a reference point in pricing some loans. The Bank may price loans to its customers at, above or below the Reference Rate. Any change in the Reference Rate will take effect at the opening of business on the day specified in the public announcement of a change in the Bank's Reference Rate.

"Restructuring Charges" means all costs, expenses and other charges paid or incurred by the Borrower in connection with the write-down of any fixed assets, accounts receivable, intangibles or inventory, severance and employee benefit costs, costs relating to the disposition of assets, and all other special charges paid or incurred in connection with the discontinuation of Borrower's North American One For All business, as more fully described in Borrower's Annual Report on SEC Form 10-K dated March 30, 1998.

"Revolving Loan" is defined in Section 2.1(a).

"Revolving Loan Commitment" is defined in Section 2.1(a).

"Special Collateral" is defined in Section 5.7.

"Stock" means all shares, interests, participants or other equivalents (however designated) of or in a corporation, whether or not voting, including but not limited to common stock, warrants, preferred stock, convertible debentures and all agreements, instruments and documents convertible, in whole or in part, into any one or more or all of the foregoing.

"Subsidiary" means any Person at least a majority of whose issued and outstanding Stock or other ownership interests now or at any time or times hereafter is owned by Borrower or Parent, as the case may be, and/or one or more of their respective Subsidiaries.

"Supplemental Documentation" is defined in Section 5.2.

"Termination Date" is defined in Section 2.1(a).

"UCC" means the Uniform Commercial Code as from time to time in effect in the State of Illinois or other applicable jurisdiction.

"Unmatured Event of Default" means any event which if it continues uncured will, with lapse of time or notice or lapse of time and notice, constitute an Event of Default.

Except as otherwise defined in this Agreement or the Other Agreements, all words, terms and/or phrases used herein and therein shall be defined by the applicable definition therefor (if any) in the UCC.

ARTICLE II
COMMITMENTS OF THE BANK; BORROWING PROCEDURES

SECTION 2.1 Commitments. Subject to the terms and conditions of this Agreement, Bank agrees:

(a) Revolving Loan Commitment. To make loans to Borrower (herein collectively called the "Revolving Loans" and individually called a "Revolving Loan") on a revolving basis from time to time from the Effective Date to the Termination Date, in such amounts as Borrower may from time to time request; provided that the aggregate principal amount of all Revolving Loans from time to time outstanding shall not exceed \$15,000,000 minus the aggregate amount of all Letter of Credit Liabilities. The foregoing commitment is herein called the "Revolving Loan Commitment". The Revolving Loan Commitment shall terminate on the date which is the earlier of (i)

_____, 2001 or (ii) if sooner, the date upon which the Commitments are terminated pursuant to Section 14.2 hereof (the "Termination Date"). Subject to this Agreement, Revolving Loans which have been repaid may be reborrowed.

(b) Letter of Credit Commitment. To issue standby or commercial Letters of Credit from time to time on any Banking Day from the Effective Date to the Banking Day immediately prior to the Termination Date in an aggregate outstanding amount not exceeding the Letter of Credit Facility Amount. Each Letter of Credit shall be issued pursuant to an Application and shall be subject to the applicable provisions of Section 3 hereof.

The Revolving Loans are herein collectively called the "Loans" and individually called a "Loan" and the Revolving Loan Commitment and the Letter of Credit Commitment are herein collectively called the "Commitments" and individually called a "Commitment".

SECTION 2.2 Absence of Defaults. Each request for a Revolving Loan or any Letter an Credit shall constitute an automatic warranty and representation by Borrower to Bank that there does not then exist an Event of Default or an Urnaturated Event of Default on the date of such request and on the date of receipt of the proceeds of such Loan or such Letter of Credit.

SECTION 2.3 Disbursements to Other Persons. Borrower hereby authorizes and directs Bank to disburse, for and on behalf of Borrower and for Borrower's account, each Letter of Credit and the proceeds of Loans made by Bank to Borrower pursuant to this Agreement to such Person or Persons as Borrower or any Person specified in writing by Borrower shall direct in writing.

SECTION 2.4 Borrowing Procedure.

(a) Adjusted Reference Rate Loans. Each request for a proposed borrowing of an Adjusted Reference Rate Loan shall be made on a Banking Day upon written or telephonic notice from Borrower received by Bank prior to 2:00 p.m., Chicago, Illinois time, on such Banking Day. Such notice shall specify (i) the borrowing date (which shall be a Banking Day) and (ii) the amount of such Loan. Subject to the satisfaction of the applicable conditions precedent set forth herein, Bank shall pay over such funds to Borrower on the requested borrowing date. Each Adjusted Reference Rate Loan shall be in a minimum amount of \$100,000 and an integral multiple of \$100,000.

(b) IBOR Loans. Each request for a proposed borrowing of an IBOR Loan shall be made upon at least two (2) Banking Days' prior written or telephonic notice from Borrower received by the Bank prior to 2:00 p.m., Chicago, Illinois time. Such notice shall specify (i) the borrowing date (which shall be a Banking Day), (ii) the amount of such Loan, and (iii) the initial Interest Period for such Loan. Subject to the satisfaction of the applicable conditions precedent set forth herein, the Bank shall pay over such funds to Borrower on the requested borrowing

date. Each IBOR Loan shall be in a minimum amount of \$500,000 and an integral multiple of \$100,000.

(c) Fixed Rate Loans. Each request for a proposed borrowing of a Fixed Rate Loan shall be made on a Banking Day upon written or telephonic notice from Borrower received by the Bank prior to 2:00 p.m., Chicago, Illinois time. Such notice shall specify (i) the borrowing date (which shall be a Banking Day), (ii) the amount of such Loan, and (iii) the initial Interest Period for such Loan. Subject to the satisfaction of the applicable conditions precedent set forth herein, the Bank shall pay over such funds to Borrower on the requested borrowing date. Each Fixed Rate Loan shall be in a minimum amount of \$10,000 and an integral multiple of \$1,000.

SECTION 2.5 Various Types of Loans. On the terms and subject to the conditions of this Agreement, all or any portion of the Loans shall be maintained as either Adjusted Reference Rate Loans, IBOR Loans, Fixed Rate Loans or combinations thereof (each a "type" of Loan), as Borrower shall specify. Not more than 5 IBOR Loans having different Interest Periods shall be outstanding at any one time. Not more than 3 Fixed Rate Loans having different Interest Periods shall be outstanding at any one time.

SECTION 2.6 Continuation and Conversion of Loans. Borrower may elect to (i) continue any outstanding IBOR Loan or Fixed Rate Loan from the then current Interest Period for such Loan into a subsequent Interest Period to begin on the last day of such current Interest Period or (ii) convert all or any part (subject to the limits set forth below) of any outstanding IBOR Loan or Fixed Rate Loan into a different type of Loan by giving Bank prior written or telephonic notice of such continuation or conversion by 2:00 p.m., Chicago time, (a) in the case of conversion into an Adjusted Reference Rate Loan, on the day of such conversion and (b) in the case of continuation of or conversion into an IBOR Loan or Fixed Rate Loan, at least one Banking Day with respect to Fixed Rate Loans and three Banking Days with respect to IBOR Loans prior to the date of such continuation or conversion; provided that any conversion of an IBOR Loan or Fixed Rate Loan on a day other than the last day of an Interest Period therefor shall be subject to the provisions of Section 15.3. Each such notice shall specify (i) the effective date of continuation or conversion (which shall be a Banking Day), (ii) the IBOR Loan or Fixed Rate Loan (or portion thereof) to be continued or converted and (iii) if applicable, the Interest Period for such IBOR Loan or Fixed Rate Loan after giving effect to such continuation or conversion. Absent timely notice of continuation or conversion, each IBOR Loan or Fixed Rate Loan shall automatically convert to an Adjusted Reference Rate Loan on the last day of the current Interest Period or at any time an Event of Default exists.

ARTICLE III

NOTE EVIDENCING LOANS; REPAYMENTS AND RECORD KEEPING

SECTION 3.1 Revolving Note. The Revolving Loans shall be evidenced by a promissory note (herein called the "Note" or "Revolving Note") substantially in the form set forth as Exhibit A, with appropriate insertions, dated the date hereof, payable to the order of

Bank in the maximum principal amount of \$15,000,000, which Note shall mature and be payable in full on the Termination Date.

SECTION 3.2 Voluntary Repayments. In addition to the application of collections to the Liabilities contemplated by Article VI, Borrower may from time to time, on any Banking Day voluntarily repay the principal of the Revolving Loans in whole or in part without any premium or penalty, except as contemplated by Article XV; provided, however, that any partial repayment of principal shall be in a minimum amount of \$500,000 and in an integral multiple of \$100,000. Borrower shall promptly confirm any telephonic notice of repayment in writing.

SECTION 3.3 Recordkeeping. Bank shall record in its records the date and amount of each Loan made and Letter of Credit issued hereunder, each repayment thereof and the other information provided for thereon. The aggregate unpaid principal amount so recorded shall be rebuttable presumptive evidence of the principal amount owing and unpaid on the Note and any Letter of Credit. The failure to so record any such information shall not however limit or otherwise affect the obligations of Borrower hereunder, under the Note or any Application to pay the principal amount of all Revolving Loans, Letters of Credit or any other of the Liabilities.

ARTICLE IV INTEREST, FEES AND LETTERS OF CREDIT

SECTION 4.1 Interest, Etc. Borrower hereby promises to pay interest on the unpaid principal amount of any Loan for the period commencing on the date such Loan is made until such Loan is paid in full, as follows:

(a) with respect to any portion of the Loan being maintained as Adjusted Reference Rate Loan, at a rate per annum equal to the Adjusted Reference Rate from time to time in effect;

(b) with respect to any portion of the Loan being maintained as an IBOR Loan, at a rate per annum equal to the IBOR Rate (Adjusted) applicable to each Interest Period for such Loan plus the Applicable Margin; and

(c) with respect to any portion of the Loan being maintained as a Fixed Rate Loan, at a rate per annum equal to the Fixed Rate applicable to each Interest Period for such Loan plus the Applicable Margin.

(d) with respect to all Loans at any time any Event of Default shall exist, at a rate per annum equal to the Adjusted Reference Rate in effect from time to time plus two percent (2.0%)

SECTION 4.2 Nonuse Fee. The Borrower agrees to pay to the Bank a nonuse fee equal to the product of the Applicable Margin times the daily average of the unused amount of

the Revolving Loan Commitment during the period from and including the Effective Date to and including the Termination Date. Such nonuse fee shall be payable on each Payment Date and on the Termination Date for any period then ending for which such nonuse fee shall not have been paid.

SECTION 4.3 Closing Fee. Concurrently with its execution and delivery of this Agreement, the Borrower shall pay to Bank, in full, a nonrefundable closing fee of \$25,000.

SECTION 4.4 Computation of Interest and Fees. Interest, the nonuse fee set forth in Section 4.2 and the letter of credit fee set forth in Section 4.6 shall be computed on the actual number of days elapsed on the basis of a year consisting of 360 days. The interest rate applicable to each Adjusted Reference Rate Loan shall change simultaneously with each change in the Adjusted Reference Rate.

SECTION 4.5 Payment Dates for Interest. Interest shall be payable, in arrears, on each Payment Date.

SECTION 4.6 Letter of Credit Fees. The Borrower hereby agrees to pay to Bank a letter of credit fee with respect to all standby letters of credit (but not with respect to commercial letters of credit) calculated upon the aggregate amount available to be drawn under outstanding standby Letters of Credit at a per annum rate equal to 50% of the Applicable Margin with respect to IBOR Loans. Such fee shall be payable, in arrears, on each Payment Date and on the Termination Date for any period then ending for which such fee shall not have been paid following the issuance of a standby Letter of Credit. In addition to, and not in lieu of, the foregoing, Borrower hereby agrees to pay to Bank, upon demand from time to time, all fees and administrative expenses of Bank in connection with the issuance, amendment, maintenance, modification (if any) and administration of each Letter of Credit (whether standby or commercial Letters of Credit), in accordance with Bank's standard schedule of fees as in effect from time to time.

SECTION 4.7 Request for Issuance of Letters of Credit. From time to time, upon receipt by Bank of a properly completed Application for a Letter of Credit, together with such other documents, instruments and/or agreements as Bank may reasonably require, Bank shall issue a Letter of Credit on such terms as have been requested by Borrower and are consistent with this Agreement and satisfactory to Bank. Notwithstanding the foregoing, Bank shall not be required to issue any Letter of Credit if, before or after giving effect to the issuance of such Letter of Credit (a) the Letter of Credit Liabilities exceed or would exceed the Letter of Credit Facility Amount or (b) an Event of Default or an Unmatured Event of Default exists or would result therefrom.

SECTION 4.8 Letter of Credit Provisions. Each standby Letter of Credit shall, by its terms, expire on a date (its "Expiry Date") which is not later than 365 days from its date of issuance. Each commercial Letter of Credit shall, by its terms, expire on a date (its "Expiry Date") which is not later than 180 days from its date of issuance. As long as no Event of

Default or Unmatured Event of Default then exists, by delivery to Bank of a written request therefor at least thirty (30) days prior to the Expiry Date of any Letter of Credit, Bank shall extend the Expiry Date of such Letter of Credit for an additional period not to exceed 365 days in the case of standby Letters of Credit, and 180 days in the case of commercial Letters of Credit, from its then Expiry Date. Any Letter of Credit which has an Expiry Date on or after the Termination Date must be secured by cash collateral or other collateral acceptable to the Bank in an amount not less than the stated amount of such Letter of Credit.

SECTION 4.9 Disbursements. Bank will notify Borrower promptly of the presentment for payment of any Letter of Credit, together with notice of the date (a "Disbursement Date") such payment shall be made. Subject to the terms and provisions of such Letter of Credit, Bank shall make such payment to the beneficiary (or its designee) of such Letter of Credit. In the event Bank shall make payment of any Letter of Credit prior to 5:00 p.m., Chicago, Illinois time on any Disbursement Date, provided there are sufficient available funds in the Collateral Proceeds Account (as determined pursuant to Section 6.4 hereof) on the Disbursement Date, Bank shall charge such Account on the Disbursement Date in the amount so paid by the Bank with respect to such Letter of Credit and interest shall not be payable with respect to such amount. Subject to Section 4.10, if the available funds in the Collateral Proceeds Account on the Disbursement Date are insufficient to reimburse the Bank for the amount so paid with respect to any Letter of Credit, such Account shall be so charged on the next Business Day immediately following the Disbursement Date when sufficient available funds have been deposited in the Collateral Proceeds Account and, subject to Section 4.1(d), interest shall be payable and so charged to the Account for the period from, and including, the Disbursement Date to, but not including, the date of such reimbursement at the then applicable Fixed Rate.

SECTION 4.10 Reimbursement By Borrower of Drawings Under Letters of Credit. Borrower irrevocably agrees to immediately reimburse Bank, on demand, and without setoff, protest, defense or counterclaim of any kind, for each payment made by Bank under or pursuant to any Letter of Credit. Borrower's obligation to reimburse Bank for payments and disbursements made by Bank under any Letter of Credit shall be absolute and unconditional under, other than with respect to Bank's gross negligence or willful misconduct, irrespective of any setoff, counterclaim or defense to payment which Borrower may have or have had against Bank or any other Person, including, without limitation, (a) any defense based on the failure of the demand for payment under such Letter of Credit, (b) any draft, demand or certificate or other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient, (c) the legality, validity, regularity or enforceability of such Letter of Credit, (d) the identity of the transferee of such Letter of Credit, and (e) the sufficiency of any transfer if such Letter of Credit is transferable. Borrower assumes all risks of the acts or omissions of the user of any Letters of Credit and all risks of the misuse of a Letter of Credit other than due to Bank's gross negligence, or willful misconduct. Neither Bank nor any of its correspondents shall be responsible, (i) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document specified in an Application even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent, or forged, (ii) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or

any of the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason, (iii) for errors, omissions, interruptions or delays in transmission of delivery of any messages, by mail, cable, telegraph, telex or otherwise, (iv) for any error, neglect, default, suspension or insolvency of any correspondents of Bank, (v) for errors in translation or for errors in interpretation of technical terms not constituting gross negligence or willful misconduct, (vi) for any loss or delay, in the transmission or otherwise, of any such document or draft or of proceeds thereof, (vii) for the misapplication by the beneficiary of a Letter of Credit or of the proceeds of any drawing under such Letter of Credit, (viii) for any consequences arising from causes beyond the control of Bank including, without limitation, any act or omission, rightful or wrongful, of any present or future de jure or de facto governmental authority or (ix) for any other circumstances whatsoever, in making or failing to make payment under any Letter of Credit, except only that Borrower shall have a claim against Bank, and Bank shall be liable to Borrower, to the extent of any direct, as opposed to consequential, damages suffered by Borrower which Borrower proves were caused by Bank's gross negligence or willful misconduct. None of the above shall affect, impair or prevent the vesting of any of the rights or powers of Bank. Bank shall have the right to transmit the terms of any Letter of Credit without translating them.

ARTICLE V
COLLATERAL; GENERAL TERMS

SECTION 5.1 Collateral. To secure the prompt payment to Bank of the Liabilities and the prompt, full and faithful performance by Borrower of all of the provisions to be kept, observed or performed by Borrower under this Agreement and/or the Other Agreements, Borrower grants to Bank a security interest in and to all of Borrower's now existing and/or owned and hereafter arising and/or acquired: (a) accounts, chattel paper, contract rights, instruments, documents, patents, trademarks, tradenames, and general intangibles (sometimes hereinafter individually and collectively referred to as "Accounts"), and all goods whose sale, lease or other disposition by Borrower has given rise to Accounts and have been returned to or repossessed or stopped in transit by Borrower; (b) inventory ("Inventory"); (c) goods (other than Inventory), equipment, machinery, vehicles and fixtures, together with all accessions thereto and all substitutions, renewals, improvements and replacements of and additions thereto (sometimes hereinafter individually and collectively referred to as "Equipment"); (d) monies, reserves, deposits, deposit accounts and interest or dividends thereon, securities, cash, cash equivalents and other property now or at any time or times hereafter in the possession or under the control of Bank or its bailee; (e) books and records and (f) all products and proceeds of the foregoing including without limitation proceeds of insurance policies insuring the foregoing (all of the foregoing personal property and any property pursuant to which a lien is granted in favor of the Bank pursuant to the Supplemental Documentation is hereinafter sometimes individually and sometimes collectively referred to as "Collateral"). Borrower shall make appropriate entries upon its financial statements and its books and records disclosing Bank's security interest in the Collateral.

SECTION 5.2 Further Assurances. Borrower shall execute and/or deliver to Bank, at any time and from time to time hereafter at the request of Bank, all agreements, instruments, documents and other written matter (hereinafter, individually and/or collectively, referred to as "Supplemental Documentation"), including but not limited to a Patent and Trademark Collateral Assignment substantially in the form of Exhibit B hereto (the "Patent and Trademark Assignment"), that Bank reasonably may request, in a form and substance acceptable to Bank, to perfect and maintain perfected Bank's security interest in the Collateral and to consummate the transactions contemplated in or by this Agreement and the Other Agreements. Borrower, irrevocably, hereby makes, constitutes and appoints Bank (and all Persons designated by Bank for that purpose) as Borrower's true and lawful agent (and attorney-in-fact) to sign the name of Borrower on the Supplemental Documentation and to deliver the Supplemental Documentation to such Persons as Bank in its sole and absolute discretion, may elect. Borrower agrees that a carbon, photographic or photostatic copy, or other reproduction, of this Agreement or of any financing statement, shall be sufficient as a financing statement.

SECTION 5.3 Inspections. Bank (by any of its officers, employees and/or agents) shall have the right, upon reasonable notice, at any time or times during Borrower's usual business hours, to inspect the Collateral and all related records (and the premises upon which it is located) and to verify the amount and condition of or any other matter relating to the Collateral. All costs, fees and expenses incurred by Bank, or for which Bank has become obligated, in connection with such inspection and/or verification shall constitute part of the Liabilities, payable by Borrower to Bank on demand.

SECTION 5.4 Perfection; Locations. Borrower warrants and represents to, and covenants with, Bank that: (a) Bank's security interest in the Collateral is now and at all times hereafter shall be perfected (other than with respect to Non-Domestic Inventory, but subject to this Section 5.4) and has and shall at all times have a first priority, subject to Liens permitted by Section 12.15; (b) the offices and/or locations where Borrower keeps the Collateral and Borrower's books and records concerning the Collateral are at the locations specified on Schedule 5.4 hereto, and Borrower shall not remove such books and records and/or the Collateral therefrom and shall not keep any of such books and records and/or the Collateral at any other office or location unless Borrower gives Bank written notice thereof at least ten days prior thereto and the same is within the continental United States of America (unless such Collateral or books and records are located outside of the United States of America as of the date hereof as disclosed on Schedule 5.4, in which event any change in the locations of such Collateral or books and records may be made to another location outside of the United States of America with the Bank's prior written consent, which shall not be unreasonably withheld); and (c) the address of the Borrower's chief executive office is set forth on Schedule 5.4. Borrower, by written notice delivered to Bank at least ten days prior thereto, shall advise Bank of Borrower's opening of any new office or place of business, any change in the location of its chief executive office, or its closing of any existing office or place of business and any new office or place of business shall be within the continental United States of America. Borrower hereby covenants and agrees that upon the occurrence of any Event of Default, upon the request of Bank made at its sole and absolute discretion, Borrower shall take such actions as shall be

necessary or desirable in order to perfect the Bank's security interest and Lien in and to the Borrower's Non-Domestic Inventory. Borrower shall provide evidence of such perfection, including opinions of counsel, as Bank shall require and all costs and expenses of such perfection, including recording fees and taxes, counsel fees and expenses, and all other amounts shall be payable by Borrower. All costs, fees and expenses which are incurred by Bank in connection with any matter referred to in this Section 5.4 shall be part of the Liabilities, payable by Borrower to Bank on demand.

SECTION 5.5 Power-of-Attorney. Effective at any time that there shall be an Event of Default, Bank, in its sole and absolute discretion, may take control of, in any manner, and may endorse Borrower's name to any of the items of payment or proceeds of any Collateral above and, pursuant to the provisions of this Agreement, Bank shall apply the same to and on account of the Liabilities. For the purposes of this Section, Borrower, irrevocably, hereby makes, constitutes and appoints Bank (and all persons designated by Bank for that purpose) as Borrower's true and lawful agent (and attorney-in-fact), with power, without notice to Borrower, to take any such actions.

SECTION 5.6 Assignments. Bank, in its sole and absolute discretion, without waiving or releasing any obligation, liability or duty of Borrower under this Agreement or the Other Agreements or any Event of Default, may at any time or times hereafter, but shall be under no obligation to, pay, acquire and/or accept an assignment of any security interest, lien, encumbrance or claim asserted by any Person against the Collateral. All sums paid by Bank in respect thereof and all costs, fees and expenses, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto incurred by Bank on account thereof shall be part of the Liabilities payable by Borrower to Bank on demand.

SECTION 5.7 Special Collateral. Immediately upon Borrower's receipt of that portion of the Collateral evidenced by an agreement, instrument and/or document other than as relates to Accounts as such ("Special Collateral") Borrower shall mark the same to show that such Special Collateral is subject to a security interest in favor of Bank and shall deliver the original thereof to Bank, together with appropriate endorsement and/or other specific evidence of assignment (in form and substance acceptable to Bank).

SECTION 5.8 Waivers, etc. No authorization given by Bank pursuant to this Agreement or the Other Agreements to sell any specified portion of Collateral or any items thereof, and no waiver by Bank in connection therewith shall establish a custom or constitute a waiver of any prohibition contained in this Agreement against such sales, with respect to any portion of the Collateral or any item thereof not covered by said authorization.

SECTION 5.9 Set-off. Borrower agrees that the Bank shall have all rights of setoff and bankers' liens provided under applicable law, and in addition thereto, Borrower agrees that at any time (a) any amount owing by Borrower under or in connection with this Agreement or the Note is then due to the Bank or (b) any Event of Default exists Bank may apply to the

payment of such amount any and all balances, credits, deposits, accounts or monies of the Borrower then or thereafter held by the Bank.

SECTION 5.10 Bank Accounts. Except as the Bank may expressly agree, Borrower agrees to maintain, and to cause its Domestic Subsidiaries to maintain, with the Bank all of its and their depository accounts. The Bank shall have a lien on and security interest in all such accounts of Borrower. Borrower shall obtain Bank's prior written approval of all disbursements or other accounts to be maintained by Borrower with any financial institution other than Bank. Nothing contained in this Section 5.10 shall be deemed to restrict the right of Borrower's Subsidiaries, other than Domestic Subsidiaries, to open depository accounts with banks or financial institutions other than Bank.

ARTICLE VI
APPLICATION OF COLLECTIONS TO LIABILITIES

SECTION 6.1 Collateral Proceeds Account and Lock Boxes. Borrower shall establish and shall maintain a special account at Bank's 231 South LaSalle Street, Chicago, Illinois office (the "Collateral Proceeds Account") into which are deposited all checks, drafts, cash and other remittances in payment or as proceeds of, or on account of, its Accounts or Collateral which are received in the Lock Boxes referred to below. Borrower shall establish and shall maintain one or more post office lock box arrangements acceptable to Bank (each, a "Lock Box") into which are received payments from such Borrower's Obligors.

SECTION 6.2 Bank as Attorney and Agent-in-Fact. In addition to any other agreements between Bank and Borrower regarding the Lock Boxes, Borrower hereby appoints Bank, or any Person whom Bank may from time to time designate, as Borrower's attorney and agent-in-fact with power to open and have access to each Lock Box, to remove mail and any checks, drafts, cash and other remittances in payment or as proceeds of, or on account of, its Accounts or other Collateral which are received in each such Lock Box, and to deposit any such drafts, cash and other remittances into the Collateral Proceeds Account. Neither Bank nor any of the directors, officers, employees or agents of Bank will be liable for any acts of commission or omission on or for any error in judgment or mistake of fact or law, unless the same shall have resulted from gross negligence or willful misconduct.

SECTION 6.3 Application of Proceeds. Borrower hereby authorizes Bank, and Bank will, subject to the provisions of this Section 6.3 apply the whole or any part of any amounts deposited in Borrower's Collateral Proceeds Account against the Liabilities in such order of application as Bank may determine, provided, however, that no check, draft or other instrument deposited in a Collateral Proceeds Account and applied to any Liabilities shall constitute final payment to Lender unless and until such item of payment has actually been collected. All available balances in the Collateral Proceeds Account (determined in accordance with Section 6.4, below) in excess of the Liabilities shall be credited to the Borrower's operating account at the Bank when and as such amounts become available pursuant to Section 6.4.

SECTION 6.4 Availability of Proceeds. Notwithstanding anything to the contrary herein, for purposes of determining the Banking Day on which a check, draft or other instrument deposited in a Collateral Proceeds Account is applied to payment of any Liabilities,

(a) cash, wire transfers and other immediately available funds shall be applied on the Banking Day actually received and deposited in the Collateral Proceeds Account if received herein on or before 12:30 p.m., Chicago time on such Banking Day, otherwise on the next Banking Day following receipt thereof;

(b) checks and other items of payment not constituting immediately available funds shall be applied on the first Banking Day on which such funds would be available to Lender if the drawee of such check or other item used the same "availability schedules" as that used by Bank; and

(c) Funds in the Collateral Proceeds Account are not available if, in the reasonable determination of the Bank, they are subject to any writ, levy, order or similar judicial or regulatory order or process.

SECTION 6.5 Other Provisions. Notwithstanding anything to the contrary herein

(a) If the balances in the Collateral Proceeds Account are not sufficient to pay Bank for any returned items, Borrower agrees to pay Bank on demand the amount due Bank. If the balances in the Collateral Proceeds Account are not sufficient to compensate Bank for any fees or charges due Bank in connection with the Lock Boxes or the Collateral Proceeds Account, Borrower agrees to pay Bank on demand the amount due Bank.

(b) Borrower hereby authorizes Bank, without prior notice, from time to time to debit any other account Borrower may have with Bank for the amount or amounts due Bank under subsection (a).

(c) Borrower may not terminate this Article VI except with the written consent of Bank or upon payment in full of the Liabilities and termination of this Agreement.

(d) Bank will not be liable to Borrower for any expense, claim, loss, damage or cost ("Damages") arising out of or relating to its performance under this Agreement, other than those Damages which result directly from its acts or omissions constituting negligence. In no event will Bank be liable for any special, indirect, exemplary or consequential damages, including but not limited to lost profits.

(e) Bank will be excused from failing to act or delay in acting, and no such failure or delay shall constitute a breach of Article VI hereof or otherwise give rise to any liability of Bank, if (i) such failure or delay is caused by circumstances beyond Bank's reasonable control, including but not limited to legal constraint, emergency

conditions, action or inaction of governmental, civil or military authority, fire, strike, lockout or other labor dispute, war, riot, theft, flood, earthquake or other natural disaster, breakdown of public or private or common carrier communications or transmission facilities, equipment failure, or act, negligence or default of Borrower or (ii) such failure or delay resulted from Bank's reasonable belief that the action would have violated any guideline, rule or regulation of any governmental authority.

(f) Borrower agrees that (i) it will not withdraw any monies from the Collateral Proceeds Account until such time as Bank no longer claims any interest in the Collateral Proceeds Account and the monies deposited and to be deposited in the Collateral Proceeds Account and (ii) it will not permit the Collateral Proceeds Account to become subject to any other pledge, assignment, lien, charge or encumbrance of any kind, nature or description, other than Bank's security interest referred to herein.

ARTICLE VII
COLLATERAL; ACCOUNTS

SECTION 7.1 Representations and Warranties with respect to Accounts. With respect to Accounts, except as otherwise disclosed by Borrower to Bank in writing, and except as would, individually or in the aggregate, have a Material Adverse Effect, Borrower warrants and represents to Bank that so long as this Agreement shall remain in effect and any Liabilities remain outstanding: (a) they are genuine, in all respects what they purport to be and are not evidenced by a judgment or a negotiable instrument; (b) they represent undisputed, bona fide transactions completed in accordance with the terms and provisions contained in the invoices and other documents delivered to Bank with respect thereto subject, however, to customary returns and disputed items arising in the ordinary course of business; (c) the amounts thereof, and/or all invoices and statements delivered to Bank with respect thereto, are actually and absolutely owing to Borrower and are not contingent for any reason; (d) there are no setoffs, counterclaims or disputes existing or asserted with respect thereto and Borrower has not made any agreement with any Obligor thereof for any deduction therefrom except a regular discount allowed by Borrower in the ordinary course of its business for prompt payment; (e) there are no facts, events or occurrences which in any way impair the validity or enforcement thereof or tend to reduce the amount payable thereunder from the amount thereof which may be shown on any invoices and statements delivered to Bank with respect thereto; (f) to Borrower's knowledge, all Obligors have the capacity to contract and are solvent; (g) the services furnished and/or goods sold giving rise thereto are not subject to any lien, claim, encumbrance or security interest except that of Bank; (h) Borrower has no knowledge of any fact or circumstance which would impair the validity or collectibility thereof; and (i) to the best of Borrower's knowledge, there are no proceedings or actions which are threatened or pending against any Obligor which might result in any material adverse change in its financial condition.

SECTION 7.2 Verification. Any of Bank's officers, employees or agents shall have the right, at any time or times hereafter, in Bank's name or in the name of a nominee of

Bank, to verify the validity, amount or any other matter relating to any Accounts by mail, telephone, telegraph or otherwise. All costs, fees and expenses relating thereto which are incurred by Bank (or for which Bank becomes obligated) shall be part of the Liabilities, payable by Borrower to Bank on demand.

SECTION 7.3 Covenants with respect to Accounts. Unless Bank notifies Borrower in writing to the contrary, Borrower shall: (a) promptly upon Borrower's learning thereof, inform Bank, in writing, of any material delay in Borrower's performance of any of its obligations to any Obligor and of any assertion of any claims, offsets or counterclaims by any Obligor and of any allowances, credits and/or other monies granted by Borrower to any Obligor other than as may arise in the ordinary course of the Borrower's business and which would not, individually or in the aggregate, result in a material adverse change in the Borrower's business or financial condition taken as a whole or its ability to pay the Liabilities; (b) not permit or agree to any extension, compromise or settlement or make any change or modification of any kind or nature with respect to any Account, including any of the terms relating thereto other than as may arise in the ordinary course of the Borrower's business and which would not, individually or in the aggregate, result in a material adverse change in the Borrower's business or financial condition taken as a whole or its ability to pay the Liabilities; (c) promptly upon Borrower's receipt or learning thereof, furnish to and inform Bank of all material adverse information relating to the financial condition of any Obligor; and (d) keep all goods returned by any Obligor and all goods repossessed or stopped in transit by Borrower from any Obligor segregated from other property of Borrower, immediately notify Bank of Borrower's possession of such goods, and hold the same as trustee for Bank until otherwise directed in writing by Bank.

SECTION 7.4 Accounts and Special Collateral. Bank shall have the right, at any time there shall exist any Event of Default, in its sole and absolute discretion, upon notice thereof to Borrower: (a) to notify any or all Obligors that the Accounts and Special Collateral have been assigned to Bank and that Bank has a security interest therein; (b) to direct such Obligors to make all payments due from them to Borrower upon the Accounts and Special Collateral directly to Bank; (c) to enforce payment of and collect, by legal proceedings or otherwise, the Accounts and Special Collateral in the name of Bank and Borrower; and (d) to take control, in any manner, of any item of payment or proceeds referred to Section 6.

SECTION 7.5 Power of Attorney. Effective at any time that there shall exist any Event of Default, Borrower irrevocably hereby designates, makes, constitutes and appoints Bank (and all Persons designated by Bank), as Borrower's true and lawful agent (and attorney-in-fact), without notice to Borrower and at such time or times hereafter as Bank, in its sole and absolute discretion, may determine, in Borrower's or Bank's name: (a) to demand payment of the Accounts and Special Collateral; (b) to enforce payment of the Accounts and Special Collateral by legal proceedings or otherwise; (c) to exercise all of Borrower's rights and remedies with respect to the collection of the Accounts and Special Collateral; (d) to settle, adjust, compromise, extend or renew the Accounts and Special Collateral; (e) to settle, adjust or compromise any legal proceedings brought to collect the Accounts and Special Collateral; (f) to

sell or assign the Accounts and Special Collateral upon such terms, for such amounts and at such time or times as Bank deems advisable; (g) to discharge and release the Accounts and Special Collateral; (h) to take control, in any manner, of any item of payment or proceeds referred to in Section 6; (i) to prepare, file and sign Borrower's name on any notice of lien, assignment or satisfaction of lien or similar document in connection with the Accounts and Special Collateral; (j) to prepare, file and sign Borrower's name on any proof of claim in bankruptcy or similar document against any Obligor; (k) to do all acts and things necessary, in Bank's sole discretion, to fulfill Borrower's obligations under this Agreement; (l) to endorse the name of Borrower upon any of the items of payment or proceeds referred to in Section 6 and to deposit the same to the account of Bank to and on account of the Liabilities; (m) to endorse the name of Borrower upon any chattel paper, document, instrument, invoice, freight bill, bill of lading or similar document or agreement relating to the Accounts and Special Collateral; and (n) to sign the name of Borrower to verifications of the Accounts and Special Collateral and notices thereof to Obligors.

SECTION 7.6 Records of Accounts. Borrower shall keep accurate and complete records of its Accounts, which records shall be made available to Bank at all times hereafter (during Borrower's customary business hours and upon reasonable notice) for Bank's inspection, copying, verification or otherwise.

ARTICLE VIII COLLATERAL; INVENTORY

SECTION 8.1 Inventory. Borrower warrants and represents to and covenants with Bank that so long as this Agreement shall remain in effect and any Liabilities remain outstanding and except as Bank may otherwise expressly agree in writing: (a) Inventory shall be kept only at the locations set forth on Schedule 5.4; (b) Borrower, immediately upon demand by Bank therefor, shall execute and deliver to Bank such information relating to Inventory as Bank may reasonably request; (c) Borrower does now keep and hereafter at all times shall keep correct and accurate records itemizing and describing the kind, type, quality and quantity of Inventory, Borrower's costs therefor and selling price thereof and the withdrawals therefrom and additions thereto all of which records shall be available (during Borrower's usual business hours upon reasonable notice), upon demand, to any of Bank's officers, employees or agents for inspection and copying thereof; (d) all Inventory is now and hereafter at all times shall be of good and merchantable quality, free from defects, other than Inventory which becomes scrap or obsolete in the ordinary course of business; (e) Domestic Inventory stored at Borrower's Cypress, California location or with Cal-Switch, Carson, California; Phillips Sound & Vision, El Paso, Texas or Cerritos Terminal Services, Anaheim, California or any other location containing a material amount of Domestic Inventory (as reasonably determined by Bank) shall at all times be subject to a third-party consent and waiver in form and substance satisfactory to Bank (each a "Third-party Consent"); provided that the Borrower shall have a reasonable period of time, not to exceed sixty (60) days following the Effective Date, to deliver to Bank such Third-party Consents with respect to the Domestic Inventory located at the four (4) specific locations identified in this Section 8.1(e); and (f) any of Bank's officers, employees or agents shall have

the right, upon reasonable notice, now and at any time or times hereafter during Borrower's usual business hours, to inspect and examine inventory and to check and test the same as to quality, quantity, value and condition. Upon the occurrence of any Event of Default, Bank, at its sole discretion, may require the Borrower to provide Third-Party Consents with respect to all Domestic and Non-Domestic Inventory. All costs, fees and expenses which are incurred by Bank in connection with any matter referred to in this Section 8.1 (or which Bank becomes obligated to pay) shall be part of the Liabilities, payable by Borrower to Bank on demand.

SECTION 8.2 Sale of Inventory. Until an Event of Default, Borrower may sell Inventory in the ordinary course of its business (which does not include a transfer in partial or total satisfaction of Indebtedness). In no event shall Borrower make any sale of Inventory which would cause a breach of Section 8.1.

SECTION 8.3 Responsibility for Inventory. Borrower shall be liable or responsible for: (a) the safekeeping of Inventory; (b) any loss or damage thereto or destruction thereof occurring or arising in any manner or fashion from any cause; (c) any diminution in the value thereof; or (d) any act or default of any carrier, warehouseman, bailee or forwarding agency thereof or other person whomsoever.

ARTICLE IX COLLATERAL EQUIPMENT

SECTION 9.1 Good Title. Borrower warrants and represents to Bank that Borrower has good, indefeasible, and merchantable title, free and clear of all liens, claims and encumbrances (other than Permitted Encumbrances), to, and ownership of, all Equipment (other than Equipment leased by Borrower under operating leases incurred in the ordinary course) and that all of such Equipment is and shall be located on each of Borrower's places of business specified in Schedule 5.4 and that Equipment shall be kept and/or maintained solely thereat.

SECTION 9.2 Maintenance of Equipment. Borrower shall keep and maintain the Equipment in good operating condition and repair (normal wear and tear excepted) and shall make all necessary replacements thereof and renewals thereto so that the value and operating efficiency thereof shall at all times be maintained and preserved. Borrower shall not permit any such items to become a fixture to real estate or accession to other personal property.

SECTION 9.3 Certificates of Title, etc. Borrower, immediately on demand by Bank, shall deliver to Bank any and all evidence of ownership of Equipment, including, without limitation, certificates of title to and applications for title to, any Equipment.

ARTICLE X
INSURANCE AND CHARGES

SECTION 10.1 Insurance. Borrower, at its sole cost and expense, shall keep and maintain: (a) the Collateral insured for the full insurable value against loss or damage by fire, theft, explosion, sprinklers and all other hazards and risks ordinarily insured against by other owners or users of such properties in similar businesses; and (b) business interruption insurance and public liability and property damage insurance relating to Borrower's ownership and use of its assets. All such policies of insurance shall be in form and with insurers recognized as adequate by prudent business persons and all such policies shall be in such amounts as may be satisfactory to Bank. Upon request of Bank, Borrower shall deliver at least annually to Bank, or sooner if requested by Bank, the original (or certified) copy of each policy of insurance, or a certificate of insurance, and evidence of payment of all premiums for each such policy. Schedule 10.1 hereto sets forth a description of each of such policies of insurance and evidence of payment therefor as of the date hereof. Such policies of insurance (except those of public liability and property damage) shall contain an endorsement, in a form and substance acceptable to Bank, showing loss payable to Bank. Such endorsement or an independent instrument furnished to Bank, shall provide that the insurance companies will give Bank at least thirty days' written notice before any such policy or policies of insurance shall be altered or cancelled and that no act or default of Borrower or any other person shall affect the right of Bank to recover under such policy or policies of insurance in case of loss or damage. Borrower shall direct all insurers under such policies of insurance (except those of public liability and property damage) that in the event of a loss or claim, to pay all proceeds payable thereunder directly to Bank for deposit in the Collateral Proceeds Account. During such time, if any, as there shall exist an Event of Default, Borrower, irrevocably, makes, constitutes and appoints Bank (and all officers, employees or agents designated by Bank) as Borrower's true and lawful agent (and attorney-in-fact) for the purpose of making, settling and adjusting claims under such policies of insurance, indorsing the name of Borrower on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect to such policies of insurance. In the event Borrower at any time or times hereafter shall fail to obtain or maintain any of the policies of insurance required above or to pay any premium in whole or in part relating thereto, then Bank, without waiving or releasing any obligation or Event of Default by Borrower hereunder, may at any time or times thereafter (but shall be under no obligation to) obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto which Bank deems advisable. All sums so disbursed by Bank, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be part of the Liabilities, payable by Borrower to Bank on demand.

SECTION 10.2 Charges. (a) Borrower shall pay promptly, when due, all of the Charges other than Permitted Encumbrances; and/or (b) Borrower shall not permit the Charges to arise, or to remain, and will promptly discharge the same, other than Permitted Encumbrances. In the event Borrower, at any time or times hereafter, shall fail to pay the Charges or to obtain such discharges, Borrower shall so advise Bank thereof in writing; Bank may, without waiving or releasing any obligation or liability of Borrower hereunder or any

Event of Default, in its sole and absolute discretion, at any time or times thereafter, make such payment, or any part thereof, or obtain such discharge and take any other action with respect thereto which Bank deems advisable. All sums so paid by Bank and any expenses, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be part of the Liabilities, payable by Borrower to Bank on demand.

ARTICLE XI
REPRESENTATIONS AND WARRANTIES

To induce the Bank to make each Loan and to issue each Letter of Credit, Borrower makes the following representations and warranties, all of which shall be true and correct as of the date each Loan is made and each Letter of Credit is issued:

SECTION 11.1 Organization. Except as disclosed on Schedule 11.1, Borrower and all of its Subsidiaries are corporations duly organized, validly existing and in good standing under the laws of the jurisdictions of their respective incorporation or formation. Borrower and all of its Subsidiaries are in good standing and are duly qualified to do business in each jurisdiction where, because of the nature of their respective activities or properties, such qualification is required except where the failure to be so qualified has not had not and could not reasonably be expected to have a Material Adverse Effect.

SECTION 11.2 Authorization. Borrower is duly authorized, has full corporate power and authority, and holds all requisite governmental licenses, permits and other approvals, to execute and deliver this Agreement, the Note, and any Other Agreements and is and will continue to be duly authorized, have full corporate power and authority and hold all requisite governmental licenses, permits and other approvals necessary to borrow monies hereunder and to perform its obligations under this Agreement, the Note and any such Other Agreements. The execution, delivery and performance by Borrower of this Agreement, the Note, and any Other Agreements and the borrowings hereunder, do not and will not require any consent or approval of any Governmental Authority except any that have been obtained and are in full force and effect or, as to which the failure to obtain and/or maintain in effect has not had and could not reasonably be expected to have a Material Adverse Effect.

SECTION 11.3 No Conflicts. The execution, delivery and performance by Borrower of this Agreement, the Note, and any Other Agreements do not and will not conflict with (a) any provision of law, (b) Borrower's articles of incorporation and by-laws, (c) any agreement binding upon Borrower or (d) any court or administrative order or decree applicable to Borrower, and do not and will not require, or result in, the creation or imposition of any Lien on any asset of Borrower (other than in favor of Bank) or any of its Subsidiaries.

SECTION 11.4 Validity and Binding Effect. This Agreement, the Note, and any Other Agreements, when duly executed and delivered, will be legal, valid and binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms,

except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

SECTION 11.5 No Default. Except as disclosed on Schedule 11.5, neither Borrower nor any of its Subsidiaries is in default under any agreement or instrument to which Borrower or such Subsidiary is a party or by which any of their respective properties or assets is bound or affected, which default has had or could reasonably be expected to have a Material Adverse Effect. No Event of Default or Unmatured Event of Default has occurred and is continuing.

SECTION 11.6 Financial Statements. Borrower's audited financial statements as at December 31, 1997 and unaudited consolidated financial statements as at March 31, 1998, copies of which have been furnished to the Bank, have been prepared in conformity with GAAP applied on a basis consistent with that of the preceding fiscal year and period and present fairly the consolidated financial condition of Borrower and its Subsidiaries as at such dates and the results of their operations for the periods then ended, subject (in the case of any interim financial statement) to year-end audit adjustments. Since March 31, 1998, there has been no material adverse change in the financial condition of Borrower, any of its Subsidiaries or Borrower and its Subsidiaries taken as a whole.

SECTION 11.7 Insurance. In addition to the insurance maintained by the Borrower pursuant to Section 10.1 hereof, Borrower and each of its Subsidiaries maintains insurance to the extent and against such hazards and liabilities as is commonly maintained by companies similarly situated and which is adequate to insure Borrower and each of its Subsidiaries against risks which could reasonably be expected to be encountered by it in the conduct of its business.

SECTION 11.8 Litigation; Continent Liabilities.

(a) Except for those referred to in Schedule 11.8 or disclosed in the financial statements referred to in Section 11.6, no claims, litigation, arbitration proceedings or governmental proceedings are pending or, to the knowledge of the Borrower, overtly threatened against or are affecting Borrower or any of its Subsidiaries, or any of their respective properties, assets or revenues, the results of which has had or could reasonably be expected to have a Material Adverse Effect.

(b) Other than any liability incident to the claims, litigation or proceedings disclosed in Schedule 11.8, or disclosed in the financial statements referred to in Section 11.6, neither Borrower nor any of its Subsidiaries has any contingent liabilities which are material to Borrower, any of its Subsidiaries or Borrower and its Subsidiaries taken as a whole.

SECTION 11.9 Ownership of Assets; Liens. Borrower and each of its Subsidiaries owns good and marketable title to all of its properties and assets, real and personal, tangible and

intangible, of any nature whatsoever which are material to the operation of its respective business. None of such property, revenues or assets of the Borrower or any of its Subsidiaries is subject to any Lien except: (a) Liens disclosed in the financial statements referred to in Section 11.6, (b) Liens listed on Schedule 11.9, and (c) Permitted Encumbrances.

SECTION 11.10 Subsidiaries. As of the date hereof, Borrower has no Subsidiaries except as listed on Schedule 11.10. Schedule 11.10 sets forth, for each Subsidiary of Borrower, a complete and accurate statement as of the date hereof of (a) Borrower's and each such Subsidiary's percentage ownership of each of their respective Subsidiaries and (b) the country, state or other jurisdiction of formation or incorporation of each such Subsidiary.

SECTION 11.11 Partnerships: Joint Venture. Neither Borrower nor any of its Subsidiaries is a partner or joint venturer in any partnership or joint venture other than the partnerships and joint ventures listed on Schedule 11.11. Schedule 11.11 sets forth, for each partnership or joint venture that is not a Subsidiary of Borrower, a complete and accurate statement as of the date hereof of (a) Borrower's and each Subsidiary's percentage ownership of each such partnership or joint venture and (b) the country, state or other jurisdiction of formation or incorporation, as appropriate, of each such partnership or joint venture.

SECTION 11.12 Pension and Welfare Plans. Each Pension Plan complies in all material respects with all applicable statutes and governmental rules and regulations; no Reportable Event has occurred and is continuing with respect to any Pension Plan; neither Borrower nor any ERISA Affiliate has withdrawn from any Multiemployer Plan in a "complete withdrawal" or a "partial withdrawal" as defined in sections 4203 or 4205 of ERISA, respectively; no steps have been instituted to terminate any Pension Plan; no contribution failure has occurred with respect to any Pension Plan sufficient to give rise to a Lien under section 302(f) of ERISA; no condition exists or event or transaction has occurred in connection with any Pension Plan or Multiemployer Plan which could result in the incurrence by Borrower, any Subsidiary, any ERISA Affiliate of any material liability, fine or penalty; and neither Borrower nor any Subsidiary nor any ERISA Affiliate is a "contributing sponsor" as defined in section 4001(a)(13) of ERISA of a "single-employer plan" as defined in section 4001(a)(15) of ERISA which has two or more contributing sponsors at least two of whom are not under common control. Except as listed in Schedule 11.12, neither Borrower nor any of its Subsidiaries has any contingent liability with respect to any post-retirement benefit under any Welfare Plan which covers retired or terminated employees and their beneficiaries, other than liability for continuation coverage described in Part 6 of Title I of ERISA.

SECTION 11.13 Regulation U. Neither Borrower nor any of its Subsidiaries is engaged in the business of purchasing or selling Margin Stock or extending credit to others for the purpose of purchasing or carrying Margin Stock, and no part of the proceeds of any borrowing hereunder will be used to purchase or carry any Margin Stock or for any other purpose which would violate any of the margin regulations of the Federal Reserve Board.

SECTION 11.14 Compliance. Except as described on Schedule 11.14, Borrower and all of its Subsidiaries are in compliance with all statutes, judicial or administrative orders, licenses, permits and governmental rules and regulations applicable to them, except where the failure to comply has not had and could not reasonably be expected to have a Material Adverse Effect.

SECTION 11.15 Taxes. Borrower and each of its Subsidiaries has filed all tax returns and reports which are required to have been filed by it and has paid all of its Taxes which are due and payable, except such taxes, if any, as are being diligently contested in good faith and by appropriate proceedings and as to which appropriate reserves or other appropriate provisions (including but not limited to any which may be required by GAAP) have been set aside on its books. Borrower is not aware of any proposed assessment against Borrower or any of its Subsidiaries for additional taxes (or any basis for any such assessment) which has had or could reasonably be expected to have a Material Adverse Effect.

SECTION 11.16 Investment Borrower Act Representation. Neither Borrower nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Borrower Act of 1940, as amended.

SECTION 11.17 Public Utility Holding Borrower Act Representation. Neither Borrower nor any of its Subsidiaries is a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of a "holding company" within the meaning of the Public Utility Holding Borrower Act of 1935, as amended.

SECTION 11.18 Environmental Matters. Except as disclosed on Schedule 11.18 and to the Borrower's knowledge, Borrower and each of its Subsidiaries is in compliance with all Environmental Laws.

SECTION 11.19 Accuracy of Information. All factual information heretofore or contemporaneously furnished by or on behalf of the Borrower in writing to Bank for purposes of or in connection with this Agreement or any Other Agreement, or any transaction contemplated hereby or thereby is, and all other such factual information hereafter furnished by or on behalf of the Borrower to Bank will be, true and accurate in every material respect on the date as of which such information is dated or certified and as of the date of execution and delivery of this Agreement by Bank, and such information is not, or shall not be, as the case may be, incomplete by omitting to state any material fact necessary to make such information not misleading.

SECTION 11.20 Year 2000 Problem. Borrower has conducted a comprehensive review and assessment of its and its Subsidiary's computer applications with respect to the Year 2000 Problem (as hereinafter defined). Based on the foregoing review and assessment, Borrower reasonably believes that (a) it will not incur material expenditures to modify or replace applications in order to address the Year 2000 Problem and (b) the Year 2000 Problem will not result in a material adverse change in the Borrower's and any Subsidiary's business condition

(financial or otherwise), operations, properties or prospects taken as a whole, or its ability to repay the Liabilities. Borrower has no knowledge of any Year 2000 Problem affecting any of its or its Subsidiary's material suppliers, vendors or customers which Borrower reasonably believes will result in a material adverse change in the Borrower's or such Subsidiary's business condition (financial or otherwise), operations, properties or prospects taken as a whole or its ability to repay the Liabilities. As used herein, the term "Year 2000 Problem" shall mean the capability of any applicable mainframe computer system, computer network, personal computer, computed assisted design or computer assisted manufacturing system to recognize and correctly calculate dates on or after January 1, 2000 or to otherwise perform its intended functions in a proper manner in connection with data containing any date on or after January 1, 2000.

ARTICLE XII
COVENANTS

From the date of this Agreement and thereafter until all Liabilities (other than Liabilities which expressly survive termination of this Agreement) are paid in full, Borrower agrees that, unless the Bank shall otherwise consent in writing, it will comply with the provisions of this Section 12.

SECTION 12.1 Financial Statements and Other Reports. Borrower will furnish, or cause to be furnished, to Bank:

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) Monthly Unaudited Financial Statements of Borrower. Within 30 days after the end of each calendar month (other than the last month of each year), a copy of the unaudited consolidated financial statements 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 balance sheet as at the close of such month and an income statement for the period from the beginning of the fiscal year to the close of such month;

(c) 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

(d) 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 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 containing a computation of, and showing compliance with, each of the financial ratios and restrictions contained in this Section 12.

SECTION 12.1.2 Other Reports:

(a) SEC and Other Reports. Copies of each filing and report made by Borrower or any of its Subsidiaries with or to any securities exchange or the Securities and Exchange Commission and of each written communication from Borrower or any of its Subsidiaries to shareholders generally, contemporaneously with the filing or making thereof;

(b) Report of Changes in Schedule Information. Promptly from time to time, a written report of any change in the information set forth in Schedules 11.10 or 11.11 concerning Borrower or any of its Subsidiaries;

(c) Other Reports. Any information required to be provided pursuant to other provisions of this Agreement or any Other Agreements, and promptly from time to time, such other reports or information as the Bank may reasonably request.

SECTION 12.2 Notices. The Borrower will notify the Bank in writing of any of the following immediately upon the occurrence thereof:

(a) Default. The occurrence of an Event of Default or Unmatured Event of Default;

(b) Litigation, Etc. The institution of any litigation, action or proceeding affecting Borrower or any of Borrower's Subsidiaries, whether or not considered to be covered by insurance, where the amount claimed or at issue is \$1,000,000 or more; the commencement of any labor controversy or dispute which has had or could reasonably be expected to have a Material Adverse Effect; or the occurrence of any adverse development with respect to any litigation, action, proceeding, labor controversy or dispute, or contract or agreement;

(c) Judgments, Etc. The entry of any judgment or decree in any litigation, action or proceeding involving Borrower or any Subsidiary of Borrower if the amount

for which any such Person will be liable or responsible as a result thereof, individually or in the aggregate, exceeds \$500,000;

(d) Pension Plans and Welfare Plans. The occurrence of a Reportable Event with respect to any Pension Plan; the filing of a notice of intent to terminate a Pension Plan by Borrower or any ERISA Affiliate; the institution of proceedings to terminate a Pension Plan by the PBGC or any other Person; the withdrawal in a "complete withdrawal" or a "partial withdrawal" as defined in sections 4203 and 4205, respectively, of ERISA by Borrower or any ERISA Affiliate from any Multiemployer Plan; the failure of Borrower or any ERISA Affiliate to make a required contribution to any Pension Plan, including but not limited to any failure to pay an amount sufficient to give rise to a Lien under section 302(f) of ERISA; the taking of any action with respect to a Pension Plan which could result in the requirement that Borrower or any ERISA Affiliate furnish a bond or other security to the PBGC or such Pension Plan; the occurrence of any other event with respect to any Pension Plan which could result in the incurrence by Borrower or any ERISA Affiliate of any liability, fine or penalty; or the incurrence of any material increase in the contingent liability of Borrower, or any of its Subsidiaries with respect to any Welfare Plan which covers retired or terminated employees and their beneficiaries;

(e) Material Adverse Effect. The occurrence of any event or condition, or the existence of any facts or circumstances, constituting, or which could reasonably be expected to have, a Material Adverse Effect;

(f) Other Notices. Any notices required to be provided pursuant to any Other Agreement or the other provisions of this Agreement, and notice of the occurrence of such other events as the Bank may reasonably from time to time specify.

SECTION 12.3 Existence. Except for any merger, consolidation, acquisition or similar transaction permitted under Section 12.12, subject to the Bank's prior written consent, which consent shall not be unreasonably withheld or delayed, Borrower will maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, its respective existence as a corporation or other form of business organization, as the case may be, and all rights, privileges, licenses, patents, patent rights, copyrights, trademarks, trade names, trade styles, franchises and other authority to the extent material and necessary for the conduct of its respective business in the ordinary course as conducted from time to time.

SECTION 12.4 No Change in Line of Business. Borrower will engage, and cause each of its Subsidiaries to engage, in substantially the same types and fields of business as it is engaged in on the date hereof, and such other activities as may be incidental or related thereto, and no other.

SECTION 12.5 Books, Records and Access. Borrower will maintain, and cause each of its Subsidiaries to maintain, complete and accurate books and records in which full and correct entries in conformity with GAAP shall be made of all dealings and transactions in

relation to its respective business and activities. Upon reasonable notice, Borrower will permit, and cause each of its Subsidiaries to permit, access by the Bank and its agents or employees to the Collateral in order to conduct field examinations or other reviews and to Borrower's and its Subsidiaries' books and records and its respective place or places of business at intervals to be reasonably determined by the Bank and without hindrance or delay.

SECTION 12.6 Insurance. In addition to any insurance which the Borrower is required to maintain pursuant to Section 10.1 hereof, the Borrower will maintain, and cause each of its Subsidiaries to maintain, insurance to such extent and against such hazards and liabilities as is hereof commonly maintained by companies similarly situated and which is adequate to insure the Borrower and each of its Subsidiaries against risks which could reasonably be expected to be encountered by it in the conduct of its business.

SECTION 12.7 Maintenance of Assets. The Borrower will maintain, preserve and keep, and cause each of its Subsidiaries to maintain, preserve and keep, its properties in operating condition and repair, ordinary wear and tear excepted, and from time to time make, and cause each of its Subsidiaries to make, all necessary and proper repairs, renewals, replacements, additions, betterments and improvements thereto so that at all times the efficiency thereof shall be fully preserved and maintained in all material respects unless the Borrower or such Subsidiary determines in good faith that the continued maintenance thereof is no longer economically desirable.

SECTION 12.8 Taxes. Borrower will pay, and will cause each of its Subsidiaries to pay, when due, all of its Taxes unless and only to the extent that Borrower or such Subsidiary is diligently contesting such Taxes in good faith and by appropriate proceedings and Borrower or such Subsidiary has set aside on its books appropriate reserves or other appropriate provisions therefor (including but not limited to any as may be required by GAAP).

SECTION 12.9 Compliance. The Borrower will comply, and cause each of its Subsidiaries to comply, with all statutes, judicial or administrative orders, licenses, permits, and governmental rules and regulations applicable to it, except where such noncompliance does not have and could not reasonably be expected to have a Material Adverse Effect.

SECTION 12.10 Use of Proceeds. The Borrower will use the proceeds of the Loans to refinance existing Indebtedness, to finance the working capital requirements of the Borrower and its Subsidiaries, for Investments permitted by Section 12.16, for Capital Expenditures to the extent permitted by Section 12.17 and to finance Approved Acquisitions. The Borrower will not use or permit any proceeds of the Loans to be used, either directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of "purchasing or carrying" any Margin Stock, and will furnish to Bank upon request, a statement in conformity with the requirements of Federal Reserve Form U-1 referred to in Regulation U of the Federal Reserve Board.

SECTION 12.11 Pension Plans. The Borrower will not, and will not permit any of its Subsidiaries to, permit any condition to exist in connection with any Pension Plan which

could constitute grounds for the PBGC to institute proceedings to have such Pension Plan terminated or a trustee appointed to administer such Pension Plan. The Borrower will not fail, and will not permit any of its Subsidiaries to fail, to make a required contribution to any Pension Plan if such failure is sufficient to give rise to a Lien under section 302(f) of ERISA. The Borrower will not engage in, or permit to exist or occur, or permit any of its Subsidiaries to engage in, or permit to exist or occur, any other condition, event or transaction with respect to any Pension Plan which could result in the incurrence by the Borrower or any of its Restricted Subsidiaries of any liability, fine or penalty.

SECTION 12.12 Consolidations, Mergers, Acquisitions. The Borrower will not, and will not permit any of its Subsidiaries to, be a party to any merger, liquidation, dissolution, consolidation, or Acquisition, except that

- (a) any Subsidiary of the Borrower may liquidate, or dissolve voluntarily into, or may merge with and into, the Borrower or any other wholly-owned Subsidiary of the Borrower;
- (b) the assets or stock of any Subsidiary of the Borrower may be purchased or otherwise acquired by the Borrower or any Domestic Subsidiary of the Borrower;
- (c) the Borrower may merge with any other Person, and any other Person may liquidate or dissolve voluntarily into the Borrower, as long as the Borrower is the surviving Person;
- (d) the Borrower may create additional Subsidiaries and may make Acquisitions of Subsidiaries pursuant to transactions which are Approved Acquisitions, provided that promptly following the creation or Acquisition of a Subsidiary which is a Domestic Subsidiary, the Borrower shall pledge the Stock or other equity interest in such newly-created or acquired Domestic Subsidiary to the Bank pursuant to documentation satisfactory to Bank pursuant to which the Borrower shall grant to the Bank a first-priority perfected lien and security interest in and to such Stock or equity interests and shall take such other actions as Bank shall reasonably request in order to perfect and confirm such lien and security interest; or
- (e) Borrower may complete the Acquisition described on Schedule 12.14.

provided, however, that no transaction otherwise permitted by this Section shall be permitted if immediately before or after giving effect thereto any Unmatured Event of Default or Event of Default shall have occurred and be continuing or would result therefrom.

SECTION 12.13 Dividends and Restricted Payments.

- (a) Without the prior written consent of the Bank, the Borrower will not apply declare, pay or make any dividend or distribution on any shares of any class of Stock

(now or hereafter outstanding) or on any warrants, options or other rights with respect to any Stock (now or hereafter outstanding), other than dividends or distributions payable in its common stock or warrants to purchase its common stock or split-ups or reclassifications of its stock into additional or other shares of its common stock; or

(b) Without the prior written consent of the Bank, the Borrower will not apply any of its property, funds or assets to the purchase, redemption, sinking fund or other retirement of any shares of its Stock or to any warrants, options or other rights with respect to such shares of its Stock; provided, however, the Borrower may redeem up to 1,000,000 shares of common Stock during the period from the Effective Date to the Termination Date so long as immediately before and after giving effect to any such redemption (i) neither an Event of Default nor an Unmatured Event of Default shall have occurred and be continuing and (ii) the ratio of (x) the Borrower's consolidated Indebtedness to (y) the Borrower's consolidated Indebtedness plus the Borrower's Consolidated Net Worth is less than 40.0%.

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 the date hereof and disclosed in the financial statements referred to in Section 11.6 or in Schedule 12.14; and

(c) Indebtedness existing on the date hereof 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.

SECTION 12.15 Liens. The Borrower will not, and will not permit any of its Subsidiaries to, create or permit to exist any Lien with respect to any of its property (whether real, personal or mixed), revenues or assets, whether now owned or hereafter arising or acquired, except:

(a) Liens granted in favor of the Bank;

(b) Liens of carrier's, warehousemen, mechanics, materialmen, repairmen, landlords and other like statutory Liens arising in the ordinary course of business securing obligations which are not overdue or which are being diligently contested in good faith and by appropriate proceedings and as to which such reserves or other appropriate provisions as may be required by GAAP are being maintained on its books;

(c) Liens incurred in the ordinary course of business in connection with worker's compensation, unemployment insurance or other forms of governmental insurance or benefits;

(d) judgment Liens in existence less than 30 days after the entry thereof or with respect to which execution has been stayed or the payment of which is covered in full (subject to a customary deductible) by insurance maintained with responsible insurance companies;

(e) Liens in existence on the date hereof and identified on Schedule 12.15; and

(f) Permitted Encumbrances.

SECTION 12.16 Investments. The Borrower will not, and will not permit any of its Subsidiaries to, make or permit to exist any Investment in any Person, except for, without duplication:

(a) Investments existing on the date hereof and identified and disclosed in the financial statements referred to in Section 11.6 or Schedule 12.16;

(b) advances to its employees or employees of any of its Subsidiaries for travel or other ordinary business expenses, in amounts which are reasonable and consistent with the Borrower's past practices;

(c) shares of stock, obligations or other securities received in settlement of claims arising in the ordinary course of business;

(d) Investments permitted under Section 12.12;

(e) minority Investments in less than all or substantially all of the Stock, equity interests or assets of another Person in any transaction or series of transactions not constituting an Acquisition; and

(f) Cash Equivalents.

SECTION 12.17 Capital Expenditures. The Borrower will not, and will not permit any Subsidiary to, make any Capital Expenditures in any fiscal year of the Borrower if, after giving effect thereto, the aggregate of all Capital Expenditures made by the Borrower and its Subsidiaries in such fiscal year would exceed \$4,000,000;

SECTION 12.18 Financial Covenants.

SECTION 12.18.1 Consolidated EBITDA. The Borrower will not permit its Consolidated EBITDA plus Restructuring Charges, determined as of the last day of each fiscal

quarter of each fiscal year of the Borrower on a trailing, four-fiscal quarter basis, to be less than (a) \$5,000,000 for the fiscal quarters ending June 30, 1998, September 30, 1998 and December 31, 1998 and (b) \$7,500,000 for the fiscal quarter ending March 31, 1999 and \$7,500,000 for each fiscal quarter thereafter.

SECTION 12.18.2 Consolidated Net Worth. The Borrower will not permit its Consolidated Net Worth, determined as of the last day of each fiscal quarter of each fiscal year of Borrower, to be less than the "Minimum Required Amount". As used herein, the Minimum Required Amount shall mean \$38,000,000 and such Minimum Required Amount shall increase as of January 1, 1998 and each January 1, thereafter, by an amount equal to 50% of the Borrower's cumulative positive Consolidated Net Income earned in the fiscal year completed on the December 31 immediately preceding the relevant January 1 of each year (but without subtraction for any negative Consolidated Net Income for such fiscal year); provided, however, that for purposes of this Section 12.18.2, the calculation of Consolidated Net Worth shall not be reduced by the redemption of up to 1,000,000 shares of the Borrower's common Stock made in accordance with Section 12.13(b) hereof during the period from the Effective Date to the Termination Date.

SECTION 12.18.3 Indebtedness to EBITDA Ratio. The Borrower will not permit the ratio of its (a) consolidated Indebtedness to (b) Consolidated EBITDA plus Restructuring Charges, determined as of the last day of each fiscal quarter of each fiscal year of the Borrower on a trailing, four-fiscal quarter basis, to be greater than (i) 3.0:1.0 for the fiscal quarters ending June 30, 1998, September 30, 1998 and December 31, 1998 and (ii) 2.0:1.0 for the fiscal quarter ending March 31, 1999 and 2.0:1.0 for each fiscal quarter thereafter.

SECTION 12.18.4 Asset Coverage Ratio. The Borrower will not permit its Asset Coverage Ratio, determined as of the last day of each calendar month, to be less than 1.25:1.00. As used herein, the term "Asset Coverage Ratio" shall mean the ratio of (a) the sum of (i) cash on deposit in demand deposit accounts maintained by Borrower with Bank plus (ii) Cash Equivalents of Borrower and its Subsidiaries plus (iii) Borrower's Domestic Accounts, as reflected on Borrower's books and records plus (iv) Borrower's Domestic Inventory, valued at lower of (x) the Borrower's cost (on a "first in-first out" basis) or (y) fair market value, but not exceeding the Maximum Inventory Value (as hereinafter defined) to (b) the outstanding principal amount of the Loans hereunder plus the aggregate amount of Letter of Credit Liabilities; and the term "Maximum Inventory Value" shall mean an amount equal to 75% of the sum of (1) cash on deposit in demand deposit account maintained by Borrower with Bank, plus (ii) Cash Equivalents of the Borrower and its Subsidiaries; plus (iii) Borrower's Domestic Accounts, as reflected on Borrower's books and records.

SECTION 12.19 Other Agreements. The Borrower will not, and not permit any of its Subsidiaries to, enter any agreement containing any provision which would be violated or breached by the performance by Borrower or such Subsidiary of its obligations hereunder or under any Other Agreement or any instrument or document to be delivered by Borrower in connection herewith.

SECTION 12.20 Unconditional Purchase Options. The Borrower will not, and will not permit any of its Subsidiaries to, enter into or be a party to any contract for the purchase of materials, supplies or other property or services, if such contract requires that payment be made by it regardless of whether or not delivery is ever made of such materials, supplies or other property or services.

SECTION 12.21 Subsidiary Payments, etc. The Borrower will not, and not permit any of its Subsidiaries to, enter into any agreement prohibiting the ability of any of the Borrower's Subsidiaries to make any payments, directly or indirectly, to the Borrower by way of dividends, advances, repayments of loans or advances, reimbursements of management and other intercompany charges, expenses and accruals or other returns on investments, or any other agreement or arrangement which restricts the ability of any such Subsidiary to make any payment, directly or indirectly, to the Borrower.

ARTICLE XIII
CONDITIONS PRECEDENT

SECTION 13.1 Initial Loan and Letter of Credit. The obligation of Bank to make the initial Loan or issue the initial Letter of Credit is, in addition to the conditions precedent set forth in Section 13.2, subject to the condition precedent that Bank shall have received all of the following, each duly executed and dated such date as shall be satisfactory to Bank, and in form and substance satisfactory to Bank:

(a) Agreements. This Agreement, the Note, the Patent and Trademark Assignment, and in the case of a Letter of Credit, the Application therefor.

(b) Authorization. Evidence of the due authorization and incumbency of the officers of Borrower executing and delivering this Agreement and the Other Agreements, including specimen signatures of each such officer.

(c) Consents, etc. Certified copies of all documents evidencing any necessary consents and governmental approvals (if any) with respect to this Agreement or any other document provided for hereunder.

(d) Opinions of Counsel. The opinions of Rose Helen Perez and Richard A. Firehammer, counsels to the Borrower, addressed to Bank, substantially in the forms of Exhibit C hereto.

(e) Confirmatory Certificate. A duly completed certificate confirming satisfaction of the conditions set forth in Section 13.2 signed by the President, a Senior Vice President or Chief Financial Officer of Borrower.

(f) Articles and By-Laws. Copies of the articles of incorporation and by-laws of Borrower, certified by the Secretary, Assistant Secretary or other senior officer of Borrower.

(g) Financing Statements, etc. Duly executed and completed UCC financing statements, together with such documents as Bank may require pursuant to Section 5.1 and 5.2.

(h) Lien Searches. UCC, tax lien and judgment searches recently performed against Borrower in such jurisdictions as the Bank may require and the results of all such searches shall be satisfactory to Bank.

(i) Good Standing. Evidence of recent date of the good standing of Borrower in the States of Delaware, Ohio, California and such other jurisdictions as the Bank may require. Evidence of Insurance. Evidence of insurance as required by Section 10.1 of this Agreement.

(k) Lien Terminations. The Bank shall have received such UCC termination statements and other releases and satisfactions with respect to all existing UCC filings and other liens against Borrower as shall be necessary to terminate of record all such filings, other than with respect to Liens permitted by Section 12.15.

(l) Payment of Expenses. Borrower shall have paid, in full, all costs and expenses of Bank, including reasonable fees and expenses of counsel to the Bank, contemplated by Section 17.3.

(m) Lock Boxes and Collateral Proceeds Account. Borrower shall have opened the Lock Boxes and Collateral Proceeds Account contemplated by Article VI hereof, all required notices to Obligors and other third-parties referred to thereunder shall have been given and the Lock Boxes and Collateral Proceeds Account shall, in all respects, be operational.

(n) Closing Fee. Borrower shall have paid, in full, the closing fee referred to in Section 4.3.

(o) Other. Such other documents as Bank may reasonably request.

SECTION 13.2 All Loans and Letter of Credit. The obligation of the Bank to make the initial Loan or issue the initial Letter of Credit and each subsequent Loan or Letter of Credit is subject to the following conditions precedent that: (a) No Event of Default or Unmatured Event of Default, shall have occurred and be continuing on the date of such requested Loan or

Letter of Credit or will result from the making of such Loan or the issuance of such Letter of Credit, (b) the warranties of Borrower contained in this Agreement and the Other Agreements shall be true and correct as of the date of such requested Loan or Letter of Credit, with the same effect as though made on the date of such Loan or Letter of Credit, (c) no Material Adverse Effect shall have occurred and be continuing and (d) in the case of any Letter of Credit, the Borrower shall have executed and delivered an Application therefor and all warranties of Borrower contained therein shall be true and correct as of the date of issuance of such Letter of Credit.

ARTICLE XIV
EVENTS OF DEFAULT

SECTION 14.1 Event of Default. Each of the following shall constitute an Event of Default under this Agreement:

(a) Non-Payment. Default in the payment when due of (i) any principal of any Loan and the continuance of such default for two (2) Banking Days after notice thereof to the Borrower from the Bank or (ii) any interest on any Loan or any fee hereunder and the continuance of such default for five (5) Banking Days after notice thereof to the Borrower from the Bank.

(b) Non-Payment of Other Indebtedness. Default in the payment when due, whether by acceleration or otherwise (subject to any applicable grace period), of any Indebtedness in a principal amount equal to or greater than \$250,000 of, or guaranteed by, the Borrower or any Subsidiary (other than (i) any Indebtedness of any Subsidiary to the Borrower or to any other Subsidiary and (ii) the Indebtedness evidenced by the Note).

(c) Acceleration of Other Indebtedness. Any event or condition shall occur which results in the acceleration of the maturity of any Indebtedness in a principal amount equal to or greater than \$250,000 of, or guaranteed by, the Borrower or any Subsidiary (other than (i) any Indebtedness of any Subsidiary to the Borrower or to any other Subsidiary and (ii) the Indebtedness evidenced by the Note) or enables the holder or holders of such other Indebtedness or any trustee or agent for such holders (any required notice of default having been given and any applicable grace period having expired) to accelerate the maturity of such other Indebtedness.

(d) Other Obligations. Default in the payment when due, whether by acceleration or otherwise, or in the performance or observance (subject to any applicable grace period) of (i) any obligation or agreement of the Borrower or any Subsidiary to or with the Bank (other than any obligation or agreement of the Borrower hereunder, under the Other Agreements or under the Note), or (ii) any material obligation or agreement of the Borrower or any Subsidiary to or with any other Person providing for payments

in a total amount equal to a greater than \$250,000 (other than (x) any such material obligation or agreement constituting or related to Indebtedness, (y) trade accounts payable, and (z) any material obligation or agreement of any Subsidiary to the Borrower or to any other Subsidiary), except only to the extent that the existence of any such default is being contested by the Borrower or such Subsidiary, as the case may be, in good faith and by appropriate proceedings and the Borrower or such Subsidiary shall have set aside on its books such reserves or other appropriate provisions therefor as may be required by GAAP.

(e) Insolvency. The Borrower or any Subsidiary becomes insolvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they mature, or applies for, consents to, or acquiesces in, the appointment of a trustee, receiver or other custodian for the Borrower or such Subsidiary or for a substantial part of the property of the Borrower or such Subsidiary, or makes a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for the Borrower or any Subsidiary or for a substantial part of the property of the Borrower or any Subsidiary and is not discharged within 30 days; or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is instituted by or against the Borrower or any Subsidiary and, if instituted against the Borrower or any Subsidiary is consented to or acquiesced in by the Borrower or such Subsidiary or remains for 30 days undismissed; or any warrant of attachment or similar legal process is issued against any substantial part of the property of the Borrower or any Subsidiary which is not released within 30 days of service.

(f) Pension Plans. (i) The institution by the Borrower or any ERISA Affiliate of steps to terminate any Pension Plan if, in order to effectuate such termination, (a) the Borrower or any ERISA Affiliate would be required to make a contribution to such Pension Plan or would incur a liability or obligation to such Pension Plan and immediately after giving effect to the payment or satisfaction of such contribution, liability or obligation (if made or undertaken by the Borrower or any Subsidiary) an Event of Default or Unmatured Event of Default would exist and be continuing; (ii) the institution by the PBGC of steps to terminate any Pension Plan; or (iii) a contribution failure occurs with respect to any Pension Plan sufficient to give rise to a Lien under section 302(f) of ERISA.

(g) Agreements. Default in the performance of any of the Borrower's agreements in this Agreement or in any Other Agreement (and not constituting an Event of Default under any of the other subsections of this Section 14.1) and continuance of such default for 30 days after notice thereof to the Borrower from the Bank.

(h) Warranty. Any warranty made by the Borrower in this Agreement or in any Other Agreement is untrue or misleading in any material respect when made or deemed made; or any schedule, statement, report, notice, certificate or other writing

furnished by the Borrower to the Bank is untrue or misleading in any material respect on the date as of which the facts set forth therein are stated or certified; or any certification made or deemed made by the Borrower to the Bank is untrue or misleading in any material respect on or as of the date made or deemed made.

(i) Litigation. There shall be entered against the Borrower or any Subsidiary one or more judgments or decrees in excess of \$1,500,000 in the aggregate at any one time outstanding for the Borrower and all Subsidiaries, excluding those judgments or decrees (i) that shall have been outstanding less than 30 calendar days from the entry thereof or (ii) for and to the extent which the Borrower or any Subsidiary is insured and with respect to which the insurer has assumed responsibility in writing or for and to the extent which the Borrower or any Subsidiary is otherwise indemnified if the terms of such indemnification and the Person providing such indemnification are satisfactory to the Bank.

(j) Lock Boxes and Collateral Proceeds Amount. Except as contemplated by Section 6.5 hereof, the Lock Boxes and the Collateral Proceeds Account are terminated or are no longer in effect as set forth herein.

SECTION 14.2 Termination of Commitments and Effect of Event of Default. Upon an Event of Default, Bank may declare the Commitments to be terminated and the Note and all other Liabilities to be due and payable, whereupon the Commitments shall immediately terminate and the Note and all other Liabilities shall become immediately due and payable, all without further notice of any kind. Bank shall promptly advise Borrower of any such declaration but failure to do so shall not impair the effect of such declaration. Notwithstanding the foregoing, the effect as an Event of Default of any event described in Section 14 may be waived by Bank. Upon any such termination, the Borrower shall provide cash collateral or other collateral satisfactory to the Bank with respect to the Letter of Credit Liabilities. All of Bank's rights and remedies under this Agreement and the Other Agreements are cumulative and non-exclusive. Notwithstanding any provision of this Article XIV to the contrary, it shall not be an Event of Default under this Agreement so long as (a) Borrower notifies Bank promptly upon occurrence of the event or events constituting such Event of Default, (b) Borrower promptly and in good faith commences such actions as shall be necessary or appropriate to cure such Event of Default, if such Event of Default is, by its nature, in Bank's reasonable opinion, capable of such cure and Borrower completes such cure within thirty (30) days of such notice or such longer period as shall be agreed to by Bank and (c) at the time of such Event of Default and during the pendency of such cure as set forth herein, there shall not exist any Material Adverse Effect.

SECTION 14.3 Collateral. Upon an Event of Default, Bank, in its sole and absolute discretion, may: (a) exercise any one or more of the rights and remedies accruing to a secured party under the UCC (b) enter, with or without process of law and without breach of the peace, any premises where the Collateral or the books and records of Borrower related thereto is or may be located, and without charge or liability to Bank therefor seize and remove the Collateral

(and copies of Borrower's books and records in any way relating to the Collateral) from said premises and/or remain upon said premises and use the same (together with said books and records) for the purpose of collecting, preparing and disposing of the Collateral, and Borrower hereby grants Bank a security interest in said books and records for the purpose above stated; and (c) sell or otherwise dispose of the Collateral at public or private sale on commercially reasonable terms for cash or credit. The proceeds of such dispositions shall first be applied toward the payment of the Liabilities, then toward the payment of expenses reasonably and actually incurred by the Bank in effecting any such sale or other disposition of the Collateral, including without limitation reasonably and actually incurred attorneys' fees and expenses, and then the remaining balance, if any, shall be remitted to the Borrower.

SECTION 14.4 Assembly of Collateral. Upon an Event of Default, Borrower, immediately upon demand by Bank, shall assemble the Collateral and make it available to Bank at a place or places to be designated by Bank which is reasonably convenient to Bank and Borrower. Borrower recognizes that in the event Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Agreement or the Other Agreements, no remedy of law will provide adequate relief to Bank, and agrees that Bank shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

SECTION 14.5 Notice. Any notice required to be given by Bank of a sale, lease, other disposition of the Collateral or any other intended action by Bank, shall be made as set forth in Section 17.2 hereof not less than five Banking Days prior to such proposed action and shall constitute commercially reasonable and fair notice to Borrower thereof.

SECTION 14.6 Sale of Collateral. Upon an Event of Default, Borrower agrees that Bank may, if Bank deems it reasonable, postpone or adjourn any such sale of the Collateral from time to time by an announcement at the time and place of sale or by announcement at the time and place of such postponed or adjourned sale, without being required to give a new notice of sale. Borrower agrees that Bank has no obligation to preserve rights against prior parties to the Collateral. Further, Borrower waives and releases any cause of action and claim against Bank as a result of Bank's possession, collection or sale of the Collateral, any liability or penalty for failure of Bank to comply with any requirement imposed on Bank relating to notice of sale, holding of sale or reporting of sale of the Collateral.

SECTION 14.7 Waiver of Borrower. In the event Bank seeks possession of the Collateral through replevin or other court process, Borrower hereby irrevocably waives: (a) any bond, surety or security required as an incident to such possession, and (b) any demand for possession of the Collateral prior to the commencement of any suit or action to recover possession thereof. The Bank shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if it takes such action for that purpose as the Borrower shall request in writing, but failure of the Bank to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and no failure of the Bank to preserve or protect any rights with respect to the Collateral against prior parties, or to do any act with respect to

preservation of the Collateral not so requested by the Borrower shall be deemed a failure to exercise reasonable care in the custody of preservation of any Collateral.

ARTICLE XV
INCREASED COSTS AND OTHER SPECIAL PROVISIONS

SECTION 15.1 Increased Costs. If (i) Regulation D of the Board of Governors of the Federal Reserve System, or (ii) after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Bank (or any IBOR Office of Bank) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency

(A) shall subject Bank (or any IBOR Office of Bank) to any tax, duty or other charge with respect to its IBOR Loans, the Notes or its obligation to make IBOR Loans, or shall change the basis of taxation of payments to Bank of the principal of or interest on its IBOR Loans or any other amounts due under this Agreement in respect of its IBOR Loans or its obligation to make IBOR Loans (except for changes in the rate of tax on the overall net income of Bank or its IBOR Office imposed by the jurisdiction in which Bank's principal executive office or IBOR Office is located); or

(B) shall impose, modify or deem applicable any reserve (including, without limitation, any reserve imposed by the Board of Governors of the Federal Reserve System, but excluding any reserve included in the determination of interest rates pursuant to Section 4), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, Bank (or any IBOR Office of Bank); or

(C) shall impose on Bank (or its IBOR Office) any other condition affecting its IBOR Loans, the Notes or its obligation to make IBOR Loans;

and the result of any of the foregoing is to increase the actual cost to (or in the case of Regulation D referred to above, to impose an actual cost on) Bank (or any IBOR Office of Bank) of making or maintaining any IBOR Loan, or to reduce the actual amount of any sum received or receivable by Bank (or its IBOR Office) under this Agreement or under the Notes with respect thereto, then within 10 days after demand by Bank (which demand shall be accompanied by a statement setting forth in reasonable detail the basis of such demand), Borrower shall pay directly to Bank such additional amount or amounts as will compensate Bank for such actual increased cost or such actual reduction.

SECTION 15.2 Changes in Law Rendering Certain Loans Unlawful. In the event that any change in (including the adoption of any new) any applicable law or regulation, or any change in the interpretation of any applicable law or regulation by any governmental or other

regulatory body charged with the administration thereof, should make it (or in the good faith judgment of Bank raise a substantial question as to whether it is) unlawful for Bank to make, maintain or fund IBOR Loans, then Bank shall promptly notify Borrower and, so long as such circumstances shall continue, (a) Bank shall have no obligation to make or convert into IBOR Loans and (b) on the last day of the current Interest Period for each IBOR Loan (or, in any event, if Bank so requests, on such earlier date as may be required by the relevant law, regulation or interpretation), such IBOR Loan shall, unless then repaid in full, automatically convert to an Adjusted Reference Rate Loan.

SECTION 15.3 Funding Losses; Prepayment of Fixed Rate Loans.

(a) Borrower hereby agrees that upon demand by Bank (which demand shall be accompanied by a statement setting forth in reasonable detail the basis for the calculations of the amount being claimed) Borrower will indemnify Bank against any net loss or expense which Bank (or its IBOR Office) may sustain or incur (including, without limitation, any net loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Bank (or its IBOR Office) to fund or maintain any IBOR Loan), as reasonably determined by Bank, as a result of (a) any payment or prepayment or, conversion of any IBOR Loan on a date other than the last day of an Interest Period for such Loan (other than any such payment made at the request of the Bank pursuant to Section 15.2 as required by any relevant law, regulation or interpretation) or (b) any failure of Borrower to borrow or convert any Loan (or any portion thereof) on a date specified therefor in a notice of borrowing or conversion pursuant to this Agreement. For this purpose, all notices to Bank pursuant to this Agreement shall be deemed to be irrevocable.

(b) Each prepayment of a Fixed Rate Loan, whether voluntary, by reason of acceleration or otherwise, will be accompanied by the amount of accrued interest on the amount prepaid, and a prepayment fee as described below. A "prepayment" is a payment of an amount on a date earlier than the scheduled payment date for such amount as required by this Agreement. The prepayment fee shall be equal to the amount (if any) by which:

(i) the additional interest which would have been payable during the interest period on the amount prepaid had it not been prepaid, exceeds

(ii) the interest which would have been recoverable by the Bank by placing the amount prepaid on deposit in the domestic certificate of deposit market, the eurodollar deposit market, or other appropriate money market selected by the Bank for a period starting on the date on which it was prepaid and ending on the last day of the interest period for such Portion (or the scheduled payment date for the amount prepaid, if earlier).

SECTION 15.4 Basis for Determining Interest Rate Inadequate or Unfair. If with respect to any Interest Period deposits in Dollars (in the applicable amount) are not being offered to Bank in the interbank IBOR market for such Interest Period, or Bank determines (which determination shall be binding and conclusive on Borrower) that by reason of circumstances affecting the interbank IBOR market adequate and reasonable means do not exist for ascertaining the applicable IBOR Rate or Bank otherwise determines that the IBOR Rate will not adequately and fairly reflect the cost to Bank of maintaining or funding such Loans for such Interest Period; Bank shall promptly notify Borrower thereof and, so long as such circumstances shall continue, (a) Bank shall be under no obligation to make or convert into IBOR Loans and (b) on the last day of the current Interest Period for each IBOR Loan, such Loan shall, unless then repaid in full, automatically convert to an Adjusted Reference Rate.

SECTION 15.5 Right of Bank to Fund through Other Offices. Bank may, if it so elects, fulfill its commitment as to any IBOR Loan by causing a foreign branch or affiliate of Bank to make such Loan, provided that in such event for the purposes of this Agreement such Loan shall be deemed to have been made by Bank and the obligation of Borrower to repay such Loan shall nevertheless be to Bank and shall be deemed held by it, to the extent of such Loan, for the account of such branch or affiliate.

SECTION 15.6 Discretion of Bank as to Manner of Funding. Notwithstanding any provision of this Agreement to the contrary, Bank shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if Bank had actually funded and maintained each IBOR Loan during each Interest Period for such Loan through the purchase of deposits having a maturity corresponding to such Interest Period and bearing an interest rate equal to the IBOR Rate for such Interest Period.

SECTION 15.7 Conclusiveness of Statements; Survival of Provisions. Determinations and statements of Bank pursuant to Section 15 shall be conclusive absent demonstrable error. Bank may use reasonable averaging and attribution methods in determining its costs and compensation under Section 15, and the provisions of such Section shall survive termination of this Agreement.

ARTICLE XVI
ENVIRONMENTAL, SAFETY AND HEALTH INDEMNITY AND WAIVER

(a) Environmental and Safety and Health Indemnity. The Borrower hereby indemnifies the Bank and agrees to hold the Bank harmless from and against any and all losses, liabilities, damages, injuries, costs, expenses and claims of any and every kind whatsoever (including, without limitation, court costs and attorneys' fees) (i) relating to or arising under any Environmental Law with respect to any period of time when Borrower held a fee, leasehold or other possessory interest in or to any premises subject to such Environmental Law; or (ii) which otherwise may be paid, incurred or suffered

by or asserted against the Bank for, with respect to, or as a direct or indirect result of the violation by the Borrower or any Subsidiary (or any of their predecessors) of any Environmental Law or Occupational Safety and Health Law; or (iii) with respect to, or as a direct or indirect result of (a) the presence on or under, or the escape, seepage, leakage, spillage, disposal, discharge, emission, threat of release, or release of any Hazardous Material from, any property allegedly owned or operated by the Borrower or any Subsidiary (or any of their predecessors), or any property at which Hazardous Materials allegedly generated by the Borrower or any Subsidiary (or any of their predecessors) may have come to be located, or (b) the existence of any unsafe or unhealthy condition on or at any premises utilized by the Borrower or any Subsidiary (or any of their predecessors). The provisions of the undertakings and indemnification set forth in this Section 16 shall survive satisfaction and payment of the Note and other liabilities of the Borrower hereunder and any termination of this Agreement.

(b) Waiver. The Borrower and its successors and assigns hereby release the Bank from all liability under any Environmental Law, and waive and agree not to make any claim or bring any cost recovery or contribution action against the Bank under the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. section 9601 et seq., as amended or hereafter amended, or any other Environmental Law now existing or hereafter enacted, other than with respect to any act or inaction attributable to the Bank.

ARTICLE XVII
MISCELLANEOUS

SECTION 17.1 Waiver and Amendments. No failure or delay on the part of the Bank or the holder of the Note in the exercise of any power or right, and no course of dealing between the Borrower and the Bank or the holder of the Note, shall operate as a waiver of such power or right, nor shall any single or partial exercise of any power or right preclude other or further exercise thereof or the exercise of any other power or right. The remedies provided for herein are cumulative and not exclusive of any remedies which may be available to the Bank at law or in equity. No notice to or demand on the Borrower not required hereunder or under the Note shall in any event entitle the Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of the right of the Bank or the holder of the Note to any other or further action in any circumstances without notice or demand. No amendment, modification or waiver of, or consent with respect to, any provision of this Agreement or the Note shall in any event be effective unless the same shall be in writing and signed and delivered by the Bank. Any waiver of any provision of this Agreement or the Note, and any consent to any departure by the Borrower from the terms of any provision of this Agreement or the Note, shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 17.2 Notices. Except as otherwise expressly provided herein, any notice hereunder to the Borrower or the Bank shall be in writing (including telecopy communication)

and shall be given to the Borrower or the Bank at its address or telecopier number set forth on the signature pages hereof or at such other address or telecopier number as the Borrower or the Bank may, by written notice, designate as its address or telecopier number for purposes of notice hereunder. All such notices shall be deemed to be given when transmitted by telecopier and a confirmation of receipt is received, personally delivered or, in the case of a mailed notice, five (5) Banking Days after being sent by registered or certified mail, postage prepaid, in each case addressed as specified in this Section 17.2, provided, however, that notices to the Bank under Sections 2.4 or 2.6 shall not be effective until actually received by the Bank; and provided further that notices sent by registered or certified mail shall also be sent by telecopy on the date such notice is mailed.

SECTION 17.3 Expenses. The Borrower agrees, whether or not any Loan is made hereunder, to pay the Bank upon demand for all reasonable expenses, including reasonable attorneys' fees and other legal expenses and costs of collection, incurred by the Bank in connection with (a) the preparation, negotiation and execution of this Agreement, the Note, the Other Agreements and any other instrument or document provided for herein or delivered or to be delivered hereunder or in connection herewith, (b) the preparation, negotiation and execution of any and all amendments to this Agreement, the Note or any such Other Agreements, (c) the enforcement of the Borrower's obligations hereunder, under the Other Agreements or under the Note and (d) all reviews, audits and field examinations of its books and records and of the Collateral. The Borrower also agrees to (i) indemnify and hold the Bank harmless from any loss or expense which may arise or be created by the acceptance of telephonic or other instructions for making Loans or disbursing the proceeds thereof, and (ii) pay, and save the Bank harmless from all liability for, any stamp or other tax which may be payable with respect to the execution or delivery of this Agreement or the issuance of the Note or any other instrument or document provided for herein or delivered or to be delivered hereunder or in connection herewith. The Borrower's foregoing obligations shall survive satisfaction and payment of the Note and other liabilities of the Borrower hereunder and any termination of this Agreement.

SECTION 17.4 General Indemnity. The Borrower hereby indemnifies, exonerates, and holds the Bank and any holder of the Note and each of the officers, directors, employees and agents of the Bank and any such holder (collectively, the "Indemnitees") harmless from and against any and all obligations, losses, liabilities, damages, costs, expenses, actions, suits, judgments, penalties and claims of any kind whatsoever (including, without limitation, court costs and reasonable attorneys' fees and disbursements in connection with any investigative, administrative or judicial proceeding commenced or threatened (whether or not such Indemnitee shall be designated a party thereto)) which may be imposed on, incurred by or asserted against any Indemnitee, in any a manner relating to or arising out of (a) this Agreement or any other agreement, instrument or document executed and delivered by the Borrower in connection herewith, (b) the use or intended use of the proceeds of any Loan or Letter of Credit, or (c) the Borrower's failure to comply with any tax law or any other law, statute or governmental rule or regulation applicable to the Borrower (the "Indemnified Liabilities"); provided, however, that the Borrower shall have no obligation to any Indemnitee hereunder with respect to (i) Indemnified Liabilities arising from the gross negligence or willful misconduct of such

Indemnitee, (ii) any third-party contractual rights to which any Indemnitee is bound or (iii) the violation of any law, rule, regulation or court or administrative decree to which any Indemnitee is bound. If and to the extent that the foregoing undertaking may be unenforceable for any reason whatsoever, the Borrower hereby agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. The provisions of and undertakings and indemnification set forth in this Section 17.4 shall survive satisfaction and payment of the Note and other liabilities of the Borrower hereunder and any termination of this Agreement.

SECTION 17.5 Information. The Bank may furnish any information concerning the Borrower in the possession of the Bank from time to time to assignees of the rights and/or obligations of the Bank hereunder and to participants in any Loan (including prospective assignees and participants) and may furnish information in response to credit inquiries consistent with general banking practice.

SECTION 17.6 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 17.7 Law. THIS AGREEMENT AND THE NOTE SHALL BE CONTRACTS MADE UNDER, AND GOVERNED BY, THE INTERNAL LAWS OF THE STATE OF ILLINOIS.

SECTION 17.8 Successors. This Agreement shall be binding upon the Borrower and the Bank and their respective successors and assigns, and shall inure to the benefit of the Borrower and the Bank and the successors and assigns of the Bank. The Borrower shall not assign its rights or duties hereunder without the consent of the Bank.

SECTION 17.9 WAIVER OF JURY TRIAL. THE BORROWER AND THE BANK WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS (a) UNDER THIS AGREEMENT OR ANY OTHER AGREEMENT OR UNDER ANY AMENDMENT. INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR ANY OTHER

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AGREEMENT OR (b) ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT, AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered at Chicago, Illinois, as of the day and year specified at the beginning hereof.

Attest: UNIVERSAL ELECTRONICS, INC.

/s/ RICHARD A. FIREHAMMER

Secretary
Richard A. Firehammer, Jr.

By: /s/ PAUL D. ARLING

Name: Paul D. Arling
Title: President and Chief Operating Officer
Address: 6101 Gateway Drive
Cypress, California 90630
Attention: Mr. Paul D. Arling
President and Chief Operating Officer
Facsimile Number: (714) 820-1042
Telephone Number: (714) 820-1060

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By: /s/ CHARLES W. A. HAGEL

Name: Charles W. A. Hagel

Title: VICE PRESIDENT

Address: 231 South LaSalle Street
Chicago, Illinois 60697
Attention: Mr. Charles W. A. Hagel
Vice President
Facsimile Number: (312) 828-1974
Telephone Number: (312) 828-4360

STATE OF CALIFORNIA)
)SS.:
COUNTY OF ORANGE)

I, JAMES W. TAYLOR, a Notary Public duly qualified, commissioned, sworn and acting in and for the County and State aforesaid, do hereby certify that Paul D. Arling, personally known to me to be the President and Chief Operating Officer of Universal Electronics, Inc., a Delaware corporation, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that as such President and Chief Operating Officer he signed and delivered the said instrument as his free and voluntary act, and as the free and voluntary act and deed of Universal Electronics, Inc., for the uses and purposes therein set forth.

Given under my hand and official seal, this 18 day of OCTOBER, 1998.

My Commission expires:

JULY 9, 2001

/s/ JAMES W. TAYLOR

Notary Public

(NOTARIAL SEAL)

[SEAL] JAMES W. TAYLOR
COMMISSION #1141744
NOTARY PUBLIC-CALIFORNIA
ORANGE COUNTY
My Comm. Expires July 9, 2001

STATE OF ILLINOIS)
)SS.:
COUNTY OF COOK)

I, ROXANE S. VENENGA, a Notary Public duly qualified, commissioned, sworn and acting in and for the County and State aforesaid, do hereby certify that Charles W. A. Hagel, personally known to me to be a Vice President of Bank of America National Trust and Savings Association, a national banking association, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that as such Vice President, he signed and delivered the said instrument as his free and voluntary act, and as the free and voluntary act and deed of Bank of America National Trust and Savings Association, for the uses and purposes therein set forth.

Given under my hand and official seal, this 22nd day of October, 1998.

My Commission expires:

3-16-2002

/s/ ROXANE S. VENEVGA

Notary Public

(NOTARIAL SEAL)

OFFICIAL SEAL
ROXANE S. VENENGA
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 3-16-2002

SCHEDULE 5.4
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.

LOCATIONS OF COLLATERAL, BOOKS AND RECORDS, CHIEF EXECUTIVE OFFICE AND LIST OF
AFFILIATES

Locations of Collateral and Books and Records

BORROWER'S LOCATIONS

6101 Gateway Drive
Cypress, California 90630

Phone # (714) 820-1000

1864 Enterprise Parkway West
Twinsburg, Ohio 44087
Phone # (330) 487-1110

See also Borrower's List of Affiliates

Borrower also has employee sales representatives living in
various States operating out of their homes.

THIRD PARTIES' LOCATIONS

Amity Pen
16006 Montoya St.
Azusa, CA 91072
Phone # (626) 969-0863

Amros - Packaging
5712 Brookpark Rd
Cleveland, Ohio 44129
Phone # (216) 741-6070

Circuit Solutions Inc.
34425 Lorain Rd.
N. Ridgeville, Ohio

SCHEDULE 5.4
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.

LOCATIONS OF COLLATERAL, BOOKS AND RECORDS, CHIEF EXECUTIVE OFFICE AND LIST OF
AFFILIATES (CONT.)

Cal-Switch
1010 Sandhill Avenue
Carson, CA 90746-1313
Phone # (310) 669-4140

Philips Sound & Vision
12435 Rojas Drive
El Paso, TX
Phone # (915) 778-3191

Cerritos Terminal Services
905 East Katella St.
Anaheim, CA 92806
Phone # (714) 991-0470

Pentex Inc.
6836 Commerce Ave
El Paso, TX 79915
Phone # (915) 774-9100

Kimex Electronics
330-11 Sinjung-Dong, Yangchon-Gu
Seoul, Korea
Phone # 011-822-653-2461

Philips Singapore Pte. Ltd.
Remote Control Systems
Tuner Factory
Toa Payoh, Lorong 1
Singapore 319762
Phone # 011-65-350-2927

SCHEDULE 5.4
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.

LOCATIONS OF COLLATERAL, BOOKS AND RECORDS, CHIEF EXECUTIVE OFFICE AND LIST OF
AFFILIATES (CONT.)

SMK Corp.
5-5 Togoshi 6-chrome, Shinagawa-Ku
Tokyo 142 Japan
Phone # 011-813-3785-2136

WKK Industries
WKK Building
418A Kwun Tong Road
Kowloon, Hong Kong
Phone # 011-852-2357-8888

System X-10 Ltd
Room 1103-4, Hilder Center
2 Sung Ping Street
Hungnam, Kowloon, Hong Kong

Cablevision Technologies
Plot 232, Jalan Pknk 2
Sungai Petani Industrial Estate
Kedah Darulaman, Malaysia
Phone # 011-604-441-3999

Computime Ltd.
7/F How Ming Fty. Bldg.
99 How Ming Street
Kwun Tong, Kowloon, Hong Kong
Phone # 011-852-2970-3938

Displaytech Ltd.
1501-2 Empress Plaza
17-19, Chatham Road South
Tsin Sha Tsui, Kowloon, Hong Kong
Phone # 011-852-2311-2080

SCHEDULE 5.4
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.

LOCATIONS OF COLLATERAL, BOOKS AND RECORDS, CHIEF EXECUTIVE OFFICE AND LIST OF AFFILIATES (CONT.)

Jetta Company Ltd.
Jetta House
19 On Kui Street
On Lok Tsuen
Fanling, Hong, Kong
Phone # 011-852-2680-0268

Jeckson Inc.
1/F, 8/F, &11F DJ Building
173 Hol Bun Road
Kwun Tong, Kowloon, Hong Kong
Phone # 011-852-2389-7337

Some of Borrower's Books and Records are located at Borrower's outside counsels' offices located in various States.

Chief Executive OFFICE

6101 Gateway Drive
Cypress, California 90630
Phone # (714) 820-1000

Wholly-owned Subsidiaries

One For All (UK) -	Not operating
Universal Electronics B.V. - (formerly One For All B.V.)	Javastraat 92 7512 Enschede Netherlands
One For All GmbH -	Postfach 1740 48578 Gronau Germany

SCHEDULE 5.4
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.

LOCATIONS OF COLLATERAL, BOOKS AND RECORDS, CHIEF EXECUTIVE OFFICE AND LIST OF AFFILIATES (CONT.)

Business and Trade Names under which Borrower does Business

Borrower transacts business under its corporate name "Universal Electronics Inc.", and sometimes under the names "Universal" and/or "Universal Electronics", none of which have been registered as a trade name or Trademark. In addition, Borrower's corporate name is extremely common, with a variety of unrelated and unaffiliated companies incorporated and operating under names substantially similar to Borrower's corporate name. This has caused Borrower to qualify to do business in Ohio, California and Florida under names different than Borrower's corporate name. In Ohio, Borrower is qualified to do business under the name One For All, Inc.; in California, Borrower is qualified to do business under the name Delaware Universal Electronics, Inc.; and in Florida, Borrower is qualified to business under the name Universal Electronics of Delaware, Inc. (with the restructuring, Borrower no longer maintains an office in Florida).

Additionally, in July 1990, an unrelated and unaffiliated corporation was incorporated in Delaware and qualified to do business under the name "One For All Incorporated". In Europe, Borrower transacts business through itself and through its wholly owned subsidiaries (see List of Affiliates).

Other

Borrower is a publicly-traded corporation and has received a copy of one Schedule 13D and one Schedule 13G, each filed by Geoffrey Nixon, Mission Partners, L.P., Liberty Nominees Limited, Horizon Offshore, Ltd., and M Partners L.P. (copies of which are attached hereto). Other than the Schedules 13D and 13G stated above, since November 21, 1995, Borrower has not received copies of any filings required under the Federal securities laws or the securities laws under any state from any person, entity or group that such person, entity or group has acquired a sufficient number of shares of the issued and outstanding common stock of Borrower so as to be or be deemed to be an affiliate of Borrower; and therefore, to the best of Borrower's knowledge, there are no other Affiliates of Borrower.

SCHEDULE 8.1
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.

INVENTORY STORED WITH BAILEE, WAREHOUSEMAN OR OTHER THIRD-PARTY

See Schedule 5.4.

SCHEDULE 10.1
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.
LIST AND EVIDENCE OF INSURANCE

See attached 4 pages.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

LOSS PAYABLE PROVISIONS

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
 BUILDERS' RISK COVERAGE FORM
 CONDOMINIUM ASSOCIATION COVERAGE FORM
 CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
 STANDARD PROPERTY POLICY

SCHEDULE

PROVISIONS APPLICABLE

 LOSS PAYABLE LENDER'S LOSS PAYABLE CONTRACT OF SALE

XXX

PREM. NO.	BLDG. NO.	DESCRIPTION OF PROPERTY	LOSS PAYEE (NAME & ADDRESS)
	1 & 2	BLANKET REAL & PERSONAL PROPERTY	BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION 231 SOUTH LA SALLE STREET CHICAGO, IL 60697

A. When this endorsement is attached to the STANDARD PROPERTY POLICY CP 00 99 the term Coverage Part in this endorsement is replaced by the term Policy.

The following is added to the LOSS PAYMENT Loss Condition, as indicated in the Declarations or by an "X" in the Schedule:

B. LOSS PAYABLE

For Covered Property in which both you and a Loss Payee shown in the Schedule or in the Declarations have an insurable interest, we will:

1. Adjust losses with you; and

CERTIFICATE OF LIABILITY INSURANCE

CSR JK DATE (MM/DD/YY)
 UNIV100 10/13/98

PRODUCER

Aon Risk Services, Inc.
 707 Wilshire Blvd., Ste. 6000
 Los Angeles CA 90017

Carole Mitchell
 Phone NO. 213-630-3200 Fax No. _____

 THIS CERTIFICATE IS ISSUED AS A MATTER
 OF INFORMATION ONLY AND CONFERS NO
 RIGHTS UPON THE CERTIFICATE HOLDER. THIS
 CERTIFICATE DOES NOT AMEND, EXTEND OR
 ALTER THE COVERAGE AFFORDED BY THE
 POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

 COMPANY
 A Federal Insurance Company

COMPANY
 B

COMPANY
 C

Universal Electronics, Inc.
 6101 Gateway Drive
 Cypress CA 90630

COMPANY
 D

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN
 ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED
 NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER
 DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY
 PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT
 TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN
 MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
	GENERAL LIABILITY	3533-58-31	04/30/98	04/30/99	GENERAL AGGREGATE \$2,000,000	
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY				PRODUCTS-COMP/OP AGG \$2,000,000	
	<input type="checkbox"/> [] CLAIMS MADE <input checked="" type="checkbox"/> OCCUR					
	<input type="checkbox"/> OWNERS & CONTRACTOR'S PROT				PERSONAL & ADV INJURY \$1,000,000	
	<input type="checkbox"/> _____				EACH OCCURRENCE \$1,000,000	
	<input type="checkbox"/> _____				FIRE DAMAGE (Any one fire) \$1,000,000	
	<input type="checkbox"/> _____				MED EXP (Any one person) \$ 10,000	
	AUTOMOBILE LIABILITY	7323-09-95	04/30/98	04/30/99	COMBINED SINGLE LIMIT \$1,000,000	
A	<input type="checkbox"/> ANY AUTO				BODILY INJURY (Per person) \$	
	<input type="checkbox"/> ALL OWNED AUTOS					
	<input checked="" type="checkbox"/> HIRED AUTOS				BODILY INJURY (Per accident)	
	<input checked="" type="checkbox"/> NON-OWNED AUTOS					
	<input type="checkbox"/> _____				PROPERTY DAMAGE \$	
	<input type="checkbox"/> _____					
	GARAGE LIABILITY				AUTO ONLY--EA ACCIDENT \$	
	<input type="checkbox"/> ANY AUTO					
	<input type="checkbox"/> NON-OWNED AUTOS				OTHER THAN AUTO ONLY	
	<input type="checkbox"/> _____				EACH ACCIDENT \$	
	<input type="checkbox"/> _____				AGGREGATE \$	
	EXCESS LIABILITY				EACH OCCURRENCE \$	
	<input type="checkbox"/> UMBRELLA FORM					
	<input type="checkbox"/> OTHER THAN UMBRELLA FORM				AGGREGATE \$	
	<input type="checkbox"/> _____				\$	
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY				X WC STATU- OTH- TORY LIMITS ER	
A	THE PROPRIETOR/ PARTNERS/EXECUTIVE OFFICERS ARE	<input type="checkbox"/> INCL <input type="checkbox"/> EXCL	7162-97-58	04/30/98	04/30/99	EL EACH ACCIDENT \$1,000,000
						EL DISEASE-POLICY LIMIT \$1,000,000
						EL DISEASE-EA EMPLOYEE \$1,000,000
	OTHER					

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

Certificate Holder is named as Additional Insured as respects their interest in the Named Insures.

CERTIFICATE HOLDER

Bank of America National Trust
and Savings Association
231 South LaSalle Street
Chicago IL 60697

ACORD 25-S (1/95)

BOUNTS

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED
BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL
ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE
HOLDER NAMED TO THE LEFT. SUCH NOTICE SHALL IMPOSE NO
OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS
AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

/s/ CAROLE MITCHELL

Carole Mitchell

(C) ACCORD CORPORATION 1988

[LOGO]

Aon Risk Services

October 13, 1998

Mr. Peter H. Barrow

Neal, Gerber & Eisenberg
Two North LaSalle Street
Chicago, IL 60602

RE: Universal Electronics, Inc.
Bank Line Request
Commercial Insurance - Premium Payment Confirmation

Dear Mr. Barrow:

Per your request, the following is confirmation of Universal Electronics, Inc.'s current payment status of their Commercial Insurance policies.

- 1) Commercial Package - Quarterly Installments, Current To Date (4/30/98-99)
- 2) Automobile - Paid In Full (4/30/98-99)
- 3) Workers' Compensation - Quarterly Installment, Current To Date (4/30/98-99)
- 4) Umbrella Liability - Paid In Full (4/30/98-99)
- 5) DIC/Earthquake - Paid In Full (2/11/98-4/30/99)
- 6) Directors & Officers Liability - Paid In Full (4/30/98-99)
- 7) Fiduciary Liability - Paid In Full (5/9/98-4/30/99)
- 8) Employment Practices Liability - Paid In Full (2/12/98 to 4/30/99)
- 9) Foreign Package - Quarterly Installments, Current To Date (4/30/98-99)
- 10) Marine Cargo - Quarterly Installments, Current To Date (4/30/98-99)

Should you have any questions, please contact our office.

Sincerely,

/s/ JOHN MCKINLEY

John McKinley
Account Manager

[LETTERHEAD]

SCHEDULE 11.1
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.

ORGANIZATION

Borrower's United Kingdom subsidiary may no longer be in good standing due to Borrower ceasing such subsidiary's operations.

SCHEDULE 11.5
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.

DEFAULTS

By virtue of the restructuring of Borrower, the shutting down of its Twinsburg, Ohio facility, and the relocation of its headquarters to its Cypress, California facility, Borrower may be in violation of certain provisions of that certain Enterprise Zone Agreement between Borrower and the City of Twinsburg dated June 20, 1995.

SCHEDULE 11.8
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.

LITIGATION AND CONTINGENT LIABILITIES

UNIVERSAL ELECTRONICS INC. v. THE UNITED STATES, 93-11-00740 IN THE UNITED STATES COURT OF INTERNATIONAL TRADE. Consolidated complaints filed by Borrower on various dates against the United States seeking a correct interpretation of the United States Harmonized Tariff Schedules with respect to the importation of certain of the Company's remote control products.

UNIVERSAL ELECTRONICS INC. Prior Disclosure Administrative Matter brought to the attention of US Customs by Borrower regarding incorrect classification of earlier entries. Action reactivated due to recent decision by United States Court of international Trade in United States v. Snuggles, Inc. (Slip Opinion 96-141) decided on August 20, 1996.

FURST ENERGY INCORPORATED AND DAVID A. BENOIT V. UNIVERSAL ELECTRONICS INC., CASE NO. 97CV1479(JEI) IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEW JERSEY. Action filed by Furst Energy Incorporated and David A. Benoit Inc. in March 1997 against the Company alleging that the Company misappropriated certain proprietary ideas and trade secrets, committed fraud and constructive fraud, made negligent misrepresentations, engaged in unfair competition, tortiously interfered with Furst's and Benoit's business and breached a contract with them. On August 29, 1997, the Court granted the Company's motion to dismiss Furst's and Benoit's claims for tortious business interference, fraud and constructive fraud. In addition, the Company filed its answer denying these claims and has and will continue to vigorously defend against them.

CIRCUIT SOLUTIONS, INC. V. UNIVERSAL ELECTRONICS INC., Case No. 98CV121418 IN THE COURT OF COMMON PLEAS, LORAIN COUNTY, OHIO. Action filed on June 23, 1998 by Circuit Solutions, Inc. against Borrower, alleging breach of contract and further alleging damages in the amount of \$110,000. On July 20, 1998, due to a motion by Borrower, the suit was transferred to the United States District Court for the Northern District of Ohio, Eastern Division, CIRCUIT SOLUTIONS, INC. V. UNIVERSAL ELECTRONICS INC., CASE NO. 1:98 CV 1647. This case is in the preliminary stages of pleading, with Borrower filing its answer on July 24, 1998 denying plaintiff's allegations and claims. Borrower intends to vigorously defend this action.

SCHEDULE 11.8
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.

LITIGATION
(CONT.)

BRUCE V. VERECKEN v. UNIVERSAL ELECTRONICS INC., CASE NO. CV 98 06 2506 IN THE COURT OF COMMON PLEAS, SUMMIT COUNTY, OHIO. Action filed on June 25, 1998 by Bruce V. Vereecken, a former executive officer of Borrower, alleging the Company has breached its Separation Agreement and General Release with him, and in addition, claiming promissory estoppel, unjust enrichment and bad faith. Vereecken is seeking damages in excess of \$25,000. This case is in the preliminary stages of pleading, with Borrower filing its answer on August 13, 1998 denying plaintiff's allegations and claims. Borrower intends to vigorously defend this action.

Various other administrative claims for workers' compensation and unemployment.

See also Schedule 11.5.

SCHEDULE 11.9
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.

LIENS

Society National Bank
The Provident Bank

SCHEDULE 11.10
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.
SUBSIDIARIES

See Schedules 5.4 and II.1.

SCHEDULE 11.11
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.

PARTNERSHIPS; JOINT VENTURES

Presently, Borrower has no Partnerships or Joint Ventures in which it is participating; however, within its business plan, Borrower intends to actively seek and enter into such relationships when it is determined that it makes strategic sense. Presently, Borrower is in such discussions with General Instrument Corporation, Microsoft, Philips, and Scientific Atlanta.

SCHEDULE 11.12
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.

ERISA MATTERS

Universal Electronics Inc. 401K and Profit Sharing Plan.

Borrower has granted options to acquire shares of Borrower's common stock at an option price equal to the then fair market value of the stock to various employees and members of Borrower's Board of Directors in 1992 as the Board of Directors authorized, and in subsequent years pursuant to Borrower's Universal Electronics Inc. 1993 Stock Incentive Plan, Universal Electronics Inc. 1995 Stock Incentive Plan, Universal Electronics Inc. 1996 Stock Incentive Plan, and Universal Electronics Inc. 1998 Stock Incentive Plan.

Borrower also provides a standard package of medical, health, vision, dental, disability and life insurance, and vacations to its employees. Borrower also provides certain of its executives with additional life insurance. In addition, Borrower provides certain of its employees with incentive compensation, tuition reimbursement, and relocation programs, and in certain instances, a severance program. Also, due to the restructuring of Borrower's organization and relocation of Borrower's corporate headquarters, Borrower is obligated to continue certain of Borrower's employees' medical, vision, dental, disability and life insurance for periods of time ranging from 2 months to 24 months following such employees' termination from employment.

Borrower has also entered into Salary Continuation Agreements with certain of its executive officers and non-executive officers.

Borrower is insured for worker's compensation matters in the State of Ohio through the State of Ohio insurance program.

SCHEDULE 11.14
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.

COMPLIANCE WITH LAWS

In the event that Borrower is found liable under any of the litigation matters to which Borrower is a party, Borrower would be deemed to have violated the applicable laws related to the claims made in connection with such matters.

See also Schedules 11.1 and 11.5.

SCHEDULE 11.18
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.
ENVIRONMENTAL MATTERS

None to Borrower's knowledge.

SCHEDULE 12.14
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.

OUTSTANDING INDEBTEDNESS

Pursuant to an agreement to acquire certain assets ("Purchase Agreement"), Borrower has a contingent obligation to pay \$1,000,000 in two installments of \$500,000 each, with the first payable on January 29, 1999 and the second payable on September 30, 1999, for additional assets described in the Purchase Agreement, in the event the seller thereunder elects during the month of January 1999 to sell those assets to Borrower. The Purchase Agreement also grants Borrower the option to acquire those assets on the same terms.

SCHEDULE 12.15
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.
EXISTING LIENS

See Schedule 11.9.

SCHEDULE 12.16
TO THE REVOLVING LOAN AND SECURITY AGREEMENT
BETWEEN
BANK OF AMERICA NATIONAL TRUST
AND
UNIVERSAL ELECTRONICS INC.

EXISTING INVESTMENTS

None, other than as described in the financial statements referred to in Section 11.6.

REVOLVING NOTE

Due: On the Termination Date
Chicago, Illinois
October 2, 1998

\$15,000,000

FOR VALUE RECEIVED, on or before the Termination Date (as defined in the Revolving Loan and Security Agreement referred to below) or such earlier date as Bank may declare in accordance with the Revolving Loan and Security Agreement hereinafter referred to, UNIVERSAL ELECTRONICS INC., a Delaware corporation ("Borrower"), promises to pay to order of BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION ("Bank"), at such place as Bank may from time to time designate in writing, the principal sum of FIFTEEN MILLION DOLLARS (\$15,000,000), or if less, the aggregate principal amount then outstanding of all Revolving Loans made by Bank to Borrower pursuant to the Revolving Loan and Security Agreement.

Borrower further promises to pay interest on the unpaid principal amount of Borrower's obligations and liabilities to Bank under this Note from time to time outstanding, payable as provided in the Revolving Loan and Security Agreement. Payments of both principal and interest are to be made in lawful money of the United States of America.

This Note evidences indebtedness incurred under, and is entitled to the benefits of, a Revolving Loan and Security Agreement dated as of October 2, 1998 (herein, as amended, supplemented or otherwise modified, called the "Revolving Loan and Security Agreement"), between Borrower and Bank, to which Revolving Loan and Security Agreement reference is hereby made for a statement of the terms and provisions under which this Note may be paid prior to its due date or its due date accelerated. Terms used but not otherwise defined herein are used herein as defined in the Revolving Loan and Security Agreement.

This Note is secured pursuant to the Revolving Loan and Security Agreement and reference is hereby made to such Revolving Loan and Security Agreement for a description of the collateral securing this Note and the rights of the holder of this Note with respect thereto.

In addition to, and not in limitation of the foregoing and the provisions of the Revolving Loan and Security Agreement, Borrower further agrees, subject only to any limitation imposed by applicable law, to pay all expenses, including reasonable attorneys' fees and legal expenses, incurred by the holder of this Note in endeavoring to collect any amounts payable hereunder which are not paid when due, whether by acceleration or otherwise.

If any provision of this Note or the application thereof to any party or circumstances is held invalid or unenforceable, the remainder of this Note and the application of such

provision to other parties or circumstances will not be affected thereby and the provisions of this Note shall be severable in any such instance.

This Note is submitted by Borrower to Bank at Bank's place of business in Chicago, Illinois and shall be deemed to have been made thereat. Presentment, demand, notice of dishonor and protest are hereby waived.

This Note shall be governed and controlled by the internal laws of the State of Illinois, without regard to principles of conflicts of law.

UNIVERSAL ELECTRONICS INC.

ATTEST: /s/ [SIGNATURE ILLEGIBLE]

Secretary

By: /s/ PAUL ARLING

Name: PAUL ARLING

Title: PRESIDENT, COO

PATENT AND TRADEMARK COLLATERAL ASSIGNMENT

This Patent and Trademark Collateral Assignment, dated as of October 2, 1998 from UNIVERSAL ELECTRONICS INC., a Delaware corporation (herein called the "Company"), to BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association (herein called the "Bank").

WHEREAS, the Company has entered into a certain Revolving Loan and Security Agreement, dated as of even date herewith (herein, as the same may be amended, modified, supplemented or renewed called the "Loan Agreement") with the Bank pursuant to which the Bank has agreed to make loans to, and issue letters of credit to or for the account of, the Company;

WHEREAS, the Company is the owner of certain patents as more particularly specified in Schedule I attached hereto and of certain registered trademarks as more particularly specified in Schedule II attached hereto; and

WHEREAS, the Loan Agreement provides for the Company to execute and deliver to the Bank a Patent and Trademark Collateral Assignment in the form of this Assignment, and to assign to the Bank all such patents and trademarks, all as more fully hereinafter set forth;

NOW, THEREFORE, in consideration of any loan or letter of credit heretofore or hereafter made or issued to or for the benefit of the Company and for other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions. When used herein, the following terms shall have the following meanings:

The terms "Commitments", "Event of Default", "Liabilities", "Note", "Unmatured Event of Default", and all other terms used but not defined herein shall have the meanings assigned thereto in the Loan Agreement.

"Patents" - see Section 2 hereof.

"Trademarks" - see Section 2 hereof.

SECTION 2. Assignment. Solely as security for the payment of the Note and all other Liabilities, the Company hereby grants, assigns, and conveys unto the Bank, its successors and assigns, a security interest, with power of sale (but only to the extent permitted herein), in and to the following, whether now-owned or hereafter acquired or arising: (a) all foreign and United States patents, including but not limited to those listed in Schedule I attached hereto, and in and to any and all, and all patents for, reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, the right to sue for past, present and future infringements thereof, all rights corresponding thereto throughout the world, and all proceeds

of the foregoing (including, without limitation, license royalties and proceeds of suits) (all of the foregoing being herein called collectively the "Patents"); and (b) all foreign and United States trademarks, including but not limited to those listed on Schedule II hereto, and all of the goodwill of the business connected with the use of, and symbolized by, each trademark, and all continuations and extensions thereof, the right to sue for past, present, and future infringements or dilutions thereof or for injury to the goodwill associated therewith, all rights corresponding thereto throughout the world, and all proceeds of the foregoing (including, without limitation, license, royalties and proceeds of suit) (all of the foregoing being herein called collectively the "Trademarks"). In the event the Company shall at any time purchase, acquire, receive or otherwise obtain title to (i) any foreign or United States Patents other than those listed on Schedule I attached hereto or (ii) any foreign or United States Trademarks other than those listed on Schedule II attached hereto, the Company shall promptly notify the Bank thereof and shall amend Schedules I and II, as the case may be, and take such actions as the Bank shall reasonably request in order to grant to the Bank a first priority perfected lien and security interest in and to all such Patents and Trademarks. All reasonable costs and expenses related thereto including, without limitation, reasonable costs and expenses of counsel to the Bank and costs and expenses related to the perfection of the Bank's security interest in such Patents and Trademarks shall be paid by the Company, on demand. Notwithstanding the foregoing, the Bank hereby agrees that it will not perfect its lien (A) on any Patent referred to on Schedule I attached hereto or hereafter subject to this Agreement which is issued by a country other than the United States or (B) on any Trademark referred to on Schedule II attached hereto or hereafter subject to this Agreement which is registered in any country other than the United States unless an Event of Default has occurred and is continuing.

SECTION 3. Warranties and Covenants. The Company hereby warrants and agrees that: (a) each of the Patents and Trademarks is subsisting and has not been adjudged invalid or unenforceable, in whole or in part; (b) each of the Patents and Trademarks is valid and enforceable, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws, both state and federal, affecting the enforcement of creditor's rights or remedies in general from time to time in effect and the exercise by courts of equity powers or their application of principles of public policy; (c) except as disclosed by Company to Bank in the Loan Agreement and schedules and attachments thereto, the Company is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Patents and Trademarks, free and clear of any liens, charges and encumbrances, including, without limitation, licenses, shop rights and covenants by the Company not to sue third persons; (d) the Company has the unqualified right to enter into this Assignment and perform its terms; (e) except as disclosed by Company to Bank in the Loan Agreement and schedules and attachments thereto, no litigation is pending or to the Company's knowledge, threatened which contains allegations respecting the validity of any of the Patents or Trademarks; and (f) except to the extent that the Bank shall consent in writing, the Company (either itself or through licensees) will, unless the Company shall reasonably determine that a Trademark is of negligible economic value to the Company, (i) continue to use each Trademark on each and every trademark class of goods applicable to its current line as reflected in its current catalogs, brochures and price lists in order to maintain each Trademark in full force

free from any claim of abandonment for non-use, (ii) maintain as in the past the quality of products and services offered under each Trademark, (iii) employ each Trademark with the appropriate notice of ownership, (iv) not adopt or use any mark which is confusingly similar or a colorable imitation of any Trademark, (v) not use any Trademark except in accordance with its customary practices, and (vi) except as permitted or as otherwise provided herein, not (and not permit any licensee or sublicensee thereto to) do any act or knowingly omit to do any act whereby any Trademark may become invalidated.

SECTION 4. Protection of Patents and Trademarks. The Company shall have the duty to protect, preserve and maintain all rights in each of the Patents and Trademarks, including but not limited to the duty to prosecute and/or defend against any and all suits contesting infringement or dilution of the Patents or Trademarks, any other suits containing allegations respecting the validity of the Patents or the Trademarks, and any suits claiming injury to the goodwill associated with any of the Trademarks but only in the event that the Company shall reasonably determine that any such Patent or Trademark is of such value to the Company as to warrant such protection, preservation or maintenance. Any expenses incurred in protecting, preserving and maintaining the Patents or Trademarks shall be borne by the Company. Upon the occurrence and during the continuation of any Event of Default, the Bank shall have the right to bring suit to enforce any or all Patents, Trademarks, or licenses thereunder, in which event, subject to the first sentence of this Section 4, the Company shall at the request of the Bank do any and all lawful acts and execute any and all proper documents to effectuate such enforcement and the Company shall promptly, upon demand, reimburse and indemnify the Bank for all costs and expenses incurred by the Bank in the exercise of its rights under this Section 4. Notwithstanding the foregoing, the Bank shall have no obligations or liabilities regarding the Patents or Trademarks or any of them by reason of, or arising out of, this Assignment.

SECTION 5. Reissues, etc. If, before the Liabilities shall have been paid in full, the Company shall become entitled to any patent for any reissue, division, continuation, renewal, extension, or continuation-in-part of any of the Patents or any improvement on any Patent, the provisions of Section 2 shall automatically apply thereto and the Company shall give to the Bank prompt notice thereof in writing. The Company hereby authorizes the Bank to modify this Assignment by amending Schedule I attached hereto to include any future patents and patent applications which are Patents under Section 2 hereof or this Section 5.

SECTION 6. Reassignment. At such time as the Company shall completely satisfy all of the Liabilities, the Bank shall execute and deliver to the Company all deeds, assignments and other instruments as may be necessary or proper to reassign to the Company the interest in the Patents and Trademarks assigned pursuant to this Assignment, subject to any disposition thereof which may have been made by the Bank in accordance with the terms of this Assignment. Any such reassignment shall be without recourse upon or warranty by the Bank.

SECTION 7. Remedies. Whenever an Event of Default shall exist, all Liabilities shall become immediately due and payable, as provided in the Loan Agreement. If any Event of Default shall exist, the Bank shall have, in addition to all other rights and remedies given it by this Assignment, those allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Patents or Trademarks or any thereof may be located and, without limiting the generality of the foregoing, the Bank may immediately, without demand of performance and without other notice (except as set forth next below) or demand whatsoever to the Company, all of which are hereby expressly waived, and without advertisement, sell on commercially reasonable terms at public or private sale or otherwise realize upon, in Chicago, Illinois or elsewhere, the whole or from time to time any part of the Patents or Trademarks or any interest which the Company may have therein. Notice of any such sale or other disposition of the Patents or Trademarks or any thereof shall be given to the Company at least five (5) Banking Days before the time of any such intended public or private sale or other disposition of the Patents or Trademarks or any thereof is to be made, which the Company hereby agrees shall be reasonable notice of such sale or other disposition. The proceeds of such dispositions shall first be applied toward the payment of the Liabilities, then toward the payment of expenses reasonably and actually incurred by the Bank in effecting any such sale or other disposition of the Patents and Trademarks, including without limitation reasonably and actually incurred attorneys' fees and expenses, and then the remaining balance, if any, shall be remitted to the Company.

SECTION 8. General. The Company will, upon request of the Bank, execute such financing statements and other documents (and pay the cost of filing or recording the same in all public offices deemed necessary by the Bank), and do such other acts and things, all as the Bank may from time to time reasonably request to establish and maintain a valid assignment of the Patents and Trademarks.

This Assignment, and the terms, covenants and conditions hereof, shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Company shall not be permitted to assign this Assignment or any interest herein or in the Patents or Trademarks, or any part thereof except if any such complete or partial assignment or transfer occurs in connection with a merger, consolidation, or sale of all or substantially all of the Company's assets permitted by the Loan Agreement.

Neither this Assignment nor any provision hereof may be amended, modified, waived, discharged or terminated except by an instrument in writing duly signed by or on behalf of the Bank.

No delay on the part of the Bank in exercising any rights, power or remedy hereunder shall operate as a waiver thereof nor shall any single or partial exercise of any such right, power or remedy preclude any other further exercise thereof or the exercise of any other right, power or remedy. No amendment, modification or waiver of, or any consent with respect to, any provision of this Assignment shall in any event be effective unless the same shall be in writing, and signed and delivered by the party to be bound thereby, and then such amendment,

modification, waiver of consent shall be effective only in the specific instance and for the purpose for which given.

All obligations of the Company and all rights, powers and remedies of the Bank expressed herein are in addition to all other rights, powers and remedies possessed by them, including, without limitation, those provided by applicable law or in any other written instrument or agreement relating to any of the Liabilities or security therefor.

Except as otherwise provided herein, the provisions of the Loan Agreement shall apply as to the giving of notices hereunder.

At the Bank's option this Assignment, or a photographic or other reproduction of this Assignment or of any Uniform Commercial Code financing statement covering the Patents and Trademarks or any portion thereof, shall be sufficient as the Uniform Commercial Code financing statement and may be filed.

Section captions used in this Assignment are for convenience of reference only, and shall not affect the construction of this Assignment.

This Assignment shall in all respects be a continuing agreement and shall remain in full force and effect until expiration or termination of all of the Commitments and final payment in full of all Liabilities.

This Assignment shall be construed in accordance with and governed by the laws of the State of Illinois, without regard to conflict of laws principles. Wherever possible each provision of this Assignment shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Assignment shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Assignment.

This Assignment is made by the Company and is accepted by the Bank for collateral security purposes only and by its acceptance thereof, the Bank shall have only the rights of a secured party under the Uniform Commercial Code or other applicable law and shall not be deemed the owner of the Patents and Trademarks or responsible for the maintenance, registration or any other actions with respect to the Patents or Trademarks referred to herein.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have caused this Assignment to be executed as of the date first above written.

UNIVERSAL ELECTRONICS, INC.

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

Richard A. Firehammer, Jr.

By: /s/ PAUL ARLING

Name: Paul D. Arling

Title: President and Chief Operating

Officer

Address: 6101 Gateway Drive
Cypress, California 90630
Attention: Mr. Paul D. Arling
President and Chief
Operating Officer
Facsimile Number: (714) 820-1042
Telephone Number: (714) 820-1060

BANK OF AMERICA NATIONAL
TRUST AND SAVINGS ASSOCIATION

By: /s/ CHARLES W. A. HAGEL

Name: Charles W. A. Hagel

Title: Vice President

Address: 231 South LaSalle Street
Chicago, Illinois 60697
Attention: Mr. Charles W. A. Hagel
Vice President
Facsimile Number: (312) 828-1974
Telephone Number: (312) 828-4360

SCHEDULE I

UEI PATENT SCHEDULE

14-Oct-98

TITLE - - - - -	COUNTRY - - - - -	PATENT NUMBER - - - - -	ISSUE DATE - - - - -
UNIVERSAL REMOTE CONTROL SYSTEM	AU	648277	09-Aug-1994
UNIVERSAL REMOTE CONTROL WITH FUNCTION SYNTHESIS	AU	673185	31-Oct-1996
INFRARED REMOTE CONTROL DEVICE FOR A PERSONAL DIGITAL ASSISTANT	CA	2158947	23-Mar-1994
KEY MOVER	DE	G9318890.0	03-Feb-1994
MODULAR CASE DESIGN	DE	G9309894.4	11-Nov-1993
UNIVERSAL REMOTE CONTROL WITH FUNCTION SYNTHESIS	DE	G9310317.4	05-Jan-1994
FAVORITE KEY MACRO COMMAND AND CHAINED MACRO COMMAND IN A REMOTE CONTROL	IL	P/107952	16-Feb-1997
UNIVERSAL REMOTE CONTROL SYSTEM	JP	2085314	23-Aug-1996
FAVORITE KEY MACRO COMMAND AND CHAINED MACRO COMMAND IN A REMOTE CONTROL	MX	186389	13-Oct-1997
MINIMAL FUNCTION REMOTE CONTROL WITHOUT DIGIT KEYS AND WITH A POWER TOGGLE PROGRAM AND WITH A CHANNEL ROTATION PROGRAM	MX	188429	27-Mar-1998
DIRECT ENTRY REMOTE CONTROL WITH CHANNEL SCAN	US	5481256	02-Jan-1996
FAVORITE KEY MACRO COMMAND AND CHAINED MACRO COMMAND IN A REMOTE CONTROL	US	5414426	09-May-1995
INFRARED REMOTE CONTROL DEVICE FOR A PERSONAL DIGITAL ASSISTANT	US	5778256	07-Jul-1998
MAGNETIC MODEM IN A REMOTE CONTROL	US	5537463	16-Jul-1996
MEANS FOR LOCATING A REMOTE CONTROL DEVICE	US	5686891	11-Nov-1997
MEANS FOR LOCATING A REMOTE CONTROL DEVICE	US	5638050	10-Jun-1997
METHOD FOR SELECTING A REMOTE CONTROL COMMAND SET	US	5614906	25-Mar-1997
MINIMAL FUNCTION REMOTE CONTROL WITHOUT DIGIT KEYS AND WITH A POWER TOGGLE PROGRAM AND WITH A CHANNEL ROTATION PROGRAM	US	5481251	02-Jan-1996

TITLE -----	COUNTRY -----	PATENT NUMBER -----	ISSUE DATE -----
MODULAR CASE DESIGN	US	5422783	06-Jun-1995
REMOTE CONTROL	US	5552917	03-Sep-1996
REMOTE CONTROL (BASEBALL)	US	D372479	06-Aug-1996
REMOTE CONTROL (BASKETBALL)	US	D370915	18-Jun-1996
REMOTE CONTROL (FOOTBALL)	US	D371794	16-Jul-1996
REMOTE CONTROL WITH KEY LIGHTING	US	5568367	22-Oct-1996
REMOTE CONTROL WITH TWO-WAY DATA COUPLING	US	5689353	18-Nov-1997
REMOTELY UPGRADEABLE UNIVERSAL REMOTE CONTROL	US	5228077	13-Jul-1993
SINGLE WIRE KEYBOARD ENCODE AND DECODE CIRCUIT	US	5619196	08-Apr-1997
TIME ENABLED PHOTSENSING CIRCUIT	US	5272418	21-Dec-1993
UNIVERSAL REMOTE CONTROL	US	D354490	17-Jan-1995
UNIVERSAL REMOTE CONTROL	US	D342259	14-Dec-1993
UNIVERSAL REMOTE CONTROL	US	D366263	16-Jan-1996
UNIVERSAL REMOTE CONTROL DEVICE	US	5255313	19-Oct-1993
UNIVERSAL REMOTE CONTROL DEVICE	US	4959810	25-Sep-1990
UNIVERSAL REMOTE CONTROL SYSTEM	US	5414761	09-May-1995
UNIVERSAL REMOTE CONTROL WITH FUNCTION SYNTHESIS	US	5515052	07-May-1996
WARNING LIGHT SYSTEM FOR USE WITH A SMOKE DETECTOR	US	5177461	05-Jan-1993

SCHEDULE II

UEI Trademark Schedule

14-Oct-98

TRADEMARK	COUNTRY	REGISTRATION NUMBER	REGISTRATION DATE
EVERSAFE	AR	1346060	10-May-89
EVERSAFE	AR	1346059	10-May-89
ONE FOR ALL	AR	1493628	30-Dec-93
ONESHOT	AR	1524004	31-May-94
BIG EASY	AU	703943	20-Jun-97
EVERSAFE	AU	B507918	28-May-92
EVERSAFE	AU	B507917	28-May-92
ONE FOR ALL	AU	B534572	10-Nov-92
ONESHOT	AU	729188	13-Mar-98
EVERSAFE	BH	12374	09-Jan-90
EVERSAFE	BH	12373	07-May-90
EVERSAFE	BI	2478/BUR	01-Mar-90
BIG EASY	BO	60469-C	09-Feb-96
EVERSAFE	BO	49191	15-Sep-89
LITTLE EASY	BO	60445-C	07-Feb-96
ONESHOT	BO	60436-C	07-Feb-96
ALL IN ONE	BR	817453148	06-Jun-95
BIG EASY	BR	817543996	10-Jun-97
BIG EZ	BR	817544003	09-Jan-96
EVERSAFE	BR	814899170	13-Feb-91
EVERSAFE	BR	815234074	28-Jan-92
LITTLE EASY	BR	817588302	22-Aug-95
ONE FOR ALL	BR	817453130	06-Jun-95
ONESHOT	BR	817666931	21-Feb-96
EVERSAFE	BS	13899	18-Feb-91
EVERSAFE	BS	13898	07-Aug-91

TRADEMARK	COUNTRY	REGISTRATION NUMBER	REGISTRATION DATE
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EVERSAFE	BS	13900	11-Mar-91
ALL IN ONE	BX	534980	03-Jan-94
BIG EASY	BX	511144	04-Mar-92
EVERSAFE	BX	457280	02-Oct-89
KEY MAGIC	BX	523711	01-Jul-93
LITTLE EASY	BX	534820	01-Mar-94
MAGIC KEYS	BX	521192	27-Oct-92
ONE FOR ALL	BX	484964	02-May-91
ONESHOT	BX	495457	02-Dec-91
SO EASY	BX	534423	02-Aug-93
SPEAK EASY	BX	533066	22-Jun-93
VCRPRO	BX	510679	04-Mar-92
VIDEOPRO	BX	510338	30-Mar-92
EVERSAFE	CA	368895	25-May-90
KEY MAGIC	CA	439452	17-Feb-95
LITTLE EASY	CA	444904	07-Jul-95
ONE FOR ALL	CA	445945	11-Aug-95
ONESHOT	CA	440933	24-Mar-95
SO EASY	CA	440931	24-Mar-95
VCRPRO	CA	440932	24-Mar-95
ONE FOR ALL	CH	401606	02-Jan-93
BIG EZ	CL	415096	26-Oct-93
EVERSAFE	CL	351038	16-Jan-90
EVERSAFE	CL	344181	27-Jun-89
ONE FOR ALL	CL	443330	13-Apr-95
ONESHOT	CL	429857	08-Aug-94
BIG EASY	CO	1676535	25-Oct-94

TRADEMARK	COUNTRY	REGISTRATION NUMBER	REGISTRATION DATE
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EVERSAFE	CO	170362	21-Nov-94
LITTLE EASY	CO	170753	25-Oct-94
ONE FOR ALL	CO	167652	25-Oct-94
ONESHOT	CO	182216	29-Sep-95
BIG EASY	DE	2029764	08-Feb-93
EVERSAFE	DE	1164666	25-Sep-90
KEY MAGIC	DE	2046261	04-Oct-93
LITTLE EASY	DE	2055696	02-Feb-94
MAGIC KEYS	DE	2046262	04-Oct-93
ONE FOR ALL & DESIGN	DE	2042950	20-Aug-93
ONESHOT	DE	2073692	02-Aug-94
SPEAK EASY	DE	2093805	28-Mar-95
VCRPRO	DE	2028941	28-Jan-93
VIDEOPRO	DE	2029765	08-Feb-93
ONE FOR ALL	DK	VR06385	17-Jul-92
EVERSAFE	DO	47740	14-Nov-89
EVERSAFE	DO	47746	14-Nov-89
EVERSAFE	DZ	41010	08-May-89
BIG EASY	EC	1356-95	17-Apr-95
EVERSAFE	EC	5430-95	16-Dec-90
EVERSAFE	EC	5521-95	07-Jun-90
EVERSAFE	EC	5522-95	07-Jun-90
LITTLE EASY	EC	1357-95	17-Apr-95
ONE FOR ALL	EC	2683-94	29-Aug-94
ONESHOT	EC	1354-95	17-Apr-95
VCRPRO	EC	1345-95	17-Apr-95
EVERSAFE	EG	74103	08-Mar-93

TRADEMARK	COUNTRY	REGISTRATION NUMBER	REGISTRATION DATE
EVERSAFE	EG	74104	08-Mar-93
EVERSAFE	EG	74105	08-Mar-93
BIG EASY	ES	1782873	20-Sep-94
KEY MAGIC	ES	1781455	03-Apr-96
MAGIC KEYS	ES	1781456	03-Apr-96
ONESHOT	ES	1781457	24-Sep-93
SPEAK EASY	ES	1786121	05-Apr-94
ONE FOR ALL	FI	125070	22-Feb-93
ALL IN ONE	FR	93/479530	21-Jan-94
BIG EASY	FR	93/483244	04-Mar-94
EVERSAFE	FR	1549486	06-Sep-89
KEY MAGIC	FR	93460382	03-Sep-93
LITTLE EASY	FR	93483246	04-Mar-94
MAGIC KEYS	FR	93460383	18-Mar-93
ONE FOR ALL	FR	1715378	27-Dec-91
ONESHOT	FR	93/483243	04-Mar-94
SO EASY	FR	93/483245	09-Sep-93
SPEAK EASY	FR	93/494804	30-Nov-93
VCRPRO	FR	92427718	22-Jul-92
VIDEOPRO	FR	92418017	23-Oct-92
BIG EASY	GB	1493477	12-Nov-93
EVERSAFE	GB	B1488908	26-Aug-94
EVERSAFE	GB	B1488907	03-Jan-95
KEY MAGIC	GB	B1517331	21-Sep-92
LITTLE EASY	GB	B1517950	14-Oct-92
ONE FOR ALL	GB	B1425401	18-Dec-92
ONESHOT	GB	1451507	20-Sep-94

TRADEMARK	COUNTRY	REGISTRATION NUMBER	REGISTRATION DATE
SPEAK EASY	GB	1539582	10-Mar-95
VIDEOPRO	GB	1495556	27-Mar-93
EVERSAFE	GN	79/82	25-Jul-89
EVERSAFE	GR	93130	17-Feb-92
ONE FOR ALL	GR	115574	17-May-96
EVERSAFE	GT	60408	22-May-90
EVERSAFE	GT	60407	22-May-90
KEY MAGIC	HK	B8167/94	21-Sep-92
ONE FOR ALL	HK	B4417/94	11-Nov-91
EVERSAFE	ID	268042	24-Oct-91
ONE FOR ALL	IE	155762	03-Aug-93
ONE FOR ALL	IL	1610477	03-Jun-98
EVERSAFE	IS	949/1989	08-Dec-89
BIG EASY	IT	661767	08-Nov-95
KEY MAGIC	IT	666279	29-Dec-95
MAGIC KEYS	IT	666277	29-Dec-95
ONE FOR ALL	IT	636902	19-Dec-94
SPEAK EASY	IT	663196	24-Nov-95
VIDEOPRO	IT	661766	08-Nov-95
BIG EASY	JP	4077026	31-Oct-97
EVERSAFE	JP	2721983	06-Jun-97
EVERSAFE	JP	2579835	30-Sep-93
KEY MAGIC	JP	3127131	29-Mar-96
LITTLE EASY	JP	3134428	29-Mar-96
ONE FOR ALL	JP	3241813	25-Dec-96
VCRPRO	JP	2709493	31-Aug-95
KEY MAGIC	KR	283103	13-Jan-94

TRADEMARK	COUNTRY	REGISTRATION NUMBER	REGISTRATION DATE
MAGICKEYS	KR	283102	13-Jan-94
ONE FOR ALL	KR	252372	21-Oct-92
BIG EZ	MX	466731	18-Jul-94
EVERSAFE	MX	368741	23-Oct-89
EVERSAFE	MX	365547	09-Aug-89
KEY MAGIC	MX	481617	06-Dec-94
LITTLE EASY	MX	503441	08-Sep-95
ONE FOR ALL	MX	473944	20-Sep-94
ONE SHOT	MX	476578	11-Oct-94
SPEAK EASY	MX	509976	24-Nov-95
EVERSAFE	NG	50701	06-Jun-89
EVERSAFE	NG	50702	06-Jun-89
ONE FOR ALL	NO	1588455	26-Aug-93
EVERSAFE	NT	15424	11-Sep-89
EVERSAFE	NZ	189587	13-Jul-95
EVERSAFE	NZ	B189588	28-May-92
ONE FOR ALL	NZ	229095	04-Aug-93
EVERSAFE	PA	053745	27-Aug-91
EVERSAFE	PA	053743	27-Aug-91
BIG EASY	PE	8654	19-Jul-94
EVERSAFE	PE	80556	26-Jul-89
EVERSAFE	PE	80557	26-Jul-89
LITTLE EASY	PE	8588	11-Jul-94
ONE FOR ALL	PE	7783	22-Jun-94
ONESHOT	PE	8589	11-Jul-94
VCRPRO	PE	15107	30-Mar-95
BIG EASY	PY	174310	27-Dec-94

TRADEMARK	COUNTRY	REGISTRATION NUMBER	REGISTRATION DATE
EVERSAFE	PY	137091	01-Nov-89
EVERSAFE	PY	135813	16-Aug-89
LITTLE EASY	PY	174311	27-Dec-94
ONE FOR ALL	PY	168155	05-Apr-94
ONESHOT	PY	174309	27-Dec-94
VCRPRO	PY	178584	26-Jul-95
EVERSAFE	RK	2579835	30-Sep-93
EVERSAFE	RK	6820	12-Dec-90
EVERSAFE	RU	88175	05-Mar-90
ONE FOR ALL	SE	300289	07-Apr-95
EVERSAFE	SO	3688	01-Aug-89
EVERSAFE	SR	12468	10-Apr-89
EVERSAFE	SV	125	27-Sep-90
EVERSAFE	TH	131809	17-Nov-89
EVERSAFE	TI	7190	24-Apr-89
EVERSAFE	TN	EE89.0545	15-Jun-89
EVERSAFE	TR	1114990	13-Apr-89
EVERSAFE	TT	18351	03-Jan-95
EVERSAFE	TW	470180	16-Dec-89
ONE FOR ALL	TW	583970	15-Jan-93
ALL IN ONE	US	1879123	14-Feb-95
BIG EASY	US	1789855	24-Aug-93
EVERSAFE	US	1565671	14-Nov-89
EVERSAFE	US	1564267	07-Nov-89
EVERSAFE	US	1563242	31-Oct-89
KEY MAGIC	US	1802632	02-Nov-93
LITTLE EASY	US	1826857	15-Mar-94

TRADEMARK	COUNTRY	REGISTRATION NUMBER	REGISTRATION DATE
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ONE CALL	US	2005111	01-Oct-96
ONE FOR ALL	US	1610477	21-Aug-90
ONE FOR ALL & DESIGN	US	1923489	03-Oct-95
ONE FOR ALL LITE	US	1922854	26-Sep-95
ONE SHOT	US	1841190	21-Jun-94
PUTTING YOU IN CONTROL OF TODAY'S TECHNOLOGY	US	2146387	24-Mar-98
PUTTING YOU IN CONTROL OF TODAY'S TECHNOLOGY	US	2146388	24-Mar-98
SO EASY	US	1916015	05-Sep-95
SPORTS CLICKER	US	2019647	26-Nov-96
SPORTS CLICKER & DESIGN	US	2030693	14-Jan-97
UNIVERSAL ELECTRONICS & DESIGN	US	2150809	14-Apr-98
UNIVERSAL ELECTRONICS & DESIGN	US	2150807	14-Apr-98
UNIWAND	US	1736318	01-Dec-92
EVERSAFE	UY	229392	16-Nov-89
LITTLE EASY	UY	269348	04-Nov-96
ONE SHOT	UY	269350	14-Feb-96
VCRPRO	UY	269351	04-Aug-95
EVERSAFE	ZA	29127	27-Jun-90
ONE FOR ALL	ZA	93/6647	05-Aug-93
EVERSAFE	ZR	1886/89	26-Mar-91
EVERSAFE	ZW	B398/89	05-Jul-89
EVERSAFE	ZW	B397/89	05-Jul-89

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT ("Agreement") is made this eighth day of November 1998 by and between UNIVERSAL ELECTRONICS INC., a Delaware corporation with offices at 6101 Gateway Drive, Cypress, California 90630 and GENERAL INSTRUMENT CORPORATION, a Delaware corporation with offices at 101 Tournament Drive, Horsham, Pennsylvania 19044. Seller and Buyer are sometimes referred to individually as a "Party" and collectively as the "Parties".

The Parties, intending to be legally bound, agree as follows:

1. SCOPE Buyer shall purchase from Seller and Seller shall sell to Buyer, upon the terms and conditions set forth herein, remote controls, keyboards and peripheral devices (excluding dedicated devices such as single function remotes) (the "Products") which are offered for sale by Buyer with Buyer's analog and digital set top terminals. The Products will be developed by Seller in accordance with the schedule (the "Milestone Schedule") set forth on Exhibit A. The Milestone Schedule and the initial Specifications referred to therein (the "Specifications") will be mutually agreed to by the Parties within sixty days after the date hereof and may be changed only upon the written consent of the Parties.

2. BUYER'S REQUIREMENTS

(a) Subject to the terms and conditions set forth in this Agreement, from and after the date of Buyer's acceptance of the first shipment of the Products in commercial quantities (which, for purposes of this Agreement, shall mean quantities that in the aggregate equal or exceed 5,000 units of the Products) and until the termination of this Agreement (the "Exclusive Period"), Buyer shall purchase from Seller all of Buyer's requirements for Products offered for sale in the United States with Buyer's analog and digital set top terminals. Notwithstanding the foregoing, Buyer shall have the right to purchase Products from other suppliers under the following circumstances:

(i) Until such time as Seller can provide Buyer with such Products in commercial quantities, Buyer shall be entitled to purchase from other suppliers Products necessary for the replacement of Products sold by Buyer prior to the commencement of the Exclusive Period and to fulfill Buyer's other customary product support obligations with respect to such Products sold prior to the commencement of the Exclusive Period; provided, however, that Buyer shall be entitled to continue purchasing Products from such other suppliers regardless of whether Seller is able to provide such Products, if Buyer's customer specifically requests such other Products;

(ii) Buyer shall be entitled to purchase from other suppliers Products offered for sale by Buyer outside of the United States; except that in the event Buyer is selling or will sell Products outside of the United States, Buyer shall first give Seller an opportunity to demonstrate to Buyer's reasonable satisfaction that Seller has an appropriate database library for

such Products offered or to be offered for sale outside of the United States, and upon such showing, Seller and Buyer shall in good faith negotiate a mutually acceptable agreement for the exclusive purchase and sale of such Products outside of the United States during the Exclusive Period;

(iii) Buyer may purchase Products from other suppliers under the circumstances set forth in Sections 3 and 6(a);

(iv) Buyer may purchase Products from other suppliers to satisfy a request made by a customer for a Product manufactured by such other suppliers, so long as Buyer does not promote, directly or indirectly, such other suppliers' Products; and

(v) In the event that a Product is offered by another supplier to Buyer with new technology which Seller is not willing to manufacture and sell to Buyer on terms (including, without limitation, dates of availability and price) no less favorable to Buyer than those offered by such other supplier, Buyer shall have the right to purchase such Product from such supplier on the offered terms; provided however, that Buyer shall provide Seller, to the extent it is able after exerting its best efforts to obtain and release such information, all information necessary to allow Seller to reasonably determine whether or not it is willing to provide such Product. In the event Buyer is not able or fails to release all such information to Seller, Seller reserves the right to dispute the existence of the new technology or the favorableness of the terms.

(b) Seller shall not, whether during or after the term of this Agreement, sell to any party other than Buyer any product utilizing the same or substantially similar exterior design as the Product.

3. TERM Unless otherwise terminated pursuant to the terms hereof, this Agreement shall commence on the date first above written and shall continue for the five (5) years thereafter (the "Term"), provided, however, that during the ninety (90) day period immediately preceding the third (3rd) anniversary of this Agreement, Buyer shall have the right to obtain good faith competitive price quotes from other suppliers of products which are substantially similar to the Products in design, functionality and quantities and Seller shall have to right to meet or beat any such competitive price quote for such products. If Seller meets or beats such competitive price quote for such products after receiving from Buyer, to the extent Buyer is able after exerting its best efforts to obtain and release such information, all information necessary to reasonably determine that such products are substantially similar to the Products and to reasonably prepare a price quote, this Agreement shall remain exclusive as to those specific products during the balance of the Term. If Seller does not meet or beat such competitive price quote, the provisions of Section 2(a) as to the specific products to which Seller was unable to meet or beat the competitive price quote shall be of no further force or effect. Nothing in this Section, however, shall cause Seller to lose exclusivity as to any Products that are not the subject of the good faith competitive price quote. In addition, in the event Buyer is not able or fails to release all such information to Seller, Seller reserves the right to dispute Buyer's belief that Seller was unable to meet or beat such competitive price quote.

4. FORECAST Beginning on the first day of the first calendar month after the Products are available for shipment in commercial quantities and continuing during the Term, Buyer shall provide to Seller on or before the first day of each calendar month a forecast of expected aggregate monthly delivery requirements for Products for that month and the immediately succeeding five calendar months (each a "Forecast"). In each Forecast, Buyer shall state its anticipated requirements by calendar month. The first four months of each Forecast shall set forth binding commitment levels, as provided below, and the remaining two months shall be non-binding commitment levels, as provided below, and the remaining two months shall be non-binding forecasts without any related purchase or sale obligations. The commitment levels shall be carried forward, and may be adjusted, as follows in successive Forecasts:

(a) Quantities stated for the first month of each Forecast must equal one hundred percent (100%) of the quantities forecasted for the second month of the immediately preceding Forecast;

(b) Quantities stated for the second month of each Forecast must be not less than eighty-five percent (85%) or more than one hundred fifteen percent (115%), of the quantities forecasted for the third month of the immediately preceding Forecast; and

(c) Quantities stated for the third month of each Forecast must be not less than seventy-five percent (75%) or more than one hundred twenty-five percent (125%), of the quantities forecasted for the fourth month of the immediately preceding Forecast; and

(d) Quantities stated for the fourth month of each Forecast must be not less than fifty percent (50%) or more than one hundred fifty percent (150%), of the quantities forecasted for the fifth month of the immediately preceding Forecast.

5. PURCHASE ORDERS Except as the Parties otherwise agree in writing, concurrent with the delivery of the Forecast as set forth in Section 4 above, Buyer shall issue a purchase order or purchase orders for, and Seller shall be obligated to sell and deliver, the Products specified in the second month of the most recent Forecast delivered with the purchase order or purchase orders; except that the first purchase order or purchase orders issued by Buyer shall be for the Products specified in the first and second months of the Forecast delivered with such first purchase order or purchase orders. This purchase order or purchase orders shall be applied toward and reduce all forecasted quantities for the applicable month or months and then toward any subsequent month or months of the Forecast. Except as provided in subsection 6(b) below, the failure of Buyer to provide a schedule or to accept delivery pursuant to the terms hereof for ninety (90) consecutive days or one hundred (100) days in the aggregate, except for reasons excusing performance under Section 16 hereof, shall be deemed a material breach of this Agreement and Seller may terminate this Agreement by giving written notice to Buyer at any time thereafter prior to the time Buyer schedules or accepts delivery in conformity with the terms hereof.

6. CANCELLATION OF PURCHASE ORDERS

(a) FOR CAUSE If Seller fails to deliver the Products set forth in a purchase order within thirty (30) days after the date specified for delivery in such purchase order (or such later date as Buyer authorizes in writing), regardless of whether performance by Seller is excused under Section 16 hereof, Buyer may, upon written notice to Seller, cancel all or a portion of the relevant purchase order without liability to Seller for such termination. If Seller fails to deliver the Products within thirty (30) days after the dates specified for delivery in the purchase orders issued by Buyer for three consecutive months (or such later dates as Buyer authorizes in writing), except if performance by Seller is excused under Section 16 hereof, Buyer, may, upon written notice to Seller, (i) suspend its obligation under Section 5 to submit purchase orders pursuant to a Forecast, and (ii) purchase Products and products comparable to the Products from other suppliers, provided that, Buyer agrees that such suspension shall only continue until such time as Seller is able to resume timely delivery of Product; provided further that if Buyer has not resumed such delivery after ninety (90) days, Buyer may notify Seller in writing of Buyer's intent to terminate this Agreement, and if Seller shall fail to resume delivery within thirty (30) days after receipt of such notification to cure, this Agreement shall terminate at the end of the thirty (30) day period without further notice from Buyer.

(b) FOR CONVENIENCE Upon proper written notice to Seller, Buyer may cancel all or a portion of a purchase order prior to the shipment of any Products pursuant to such purchase order or elect not to submit a purchase order required under Section 5, in each case for Buyer's convenience. In the event of such a cancellation or such an election not to submit a required purchase order, Buyer and Seller shall have the following sole and exclusive rights and obligations:

(i) PAYMENTS BY BUYER In the case of a purchase order properly canceled, in whole or in part, Buyer shall be responsible for and shall pay to Seller within fifteen (15) days after receipt of an invoice from Seller the sum of (1) the purchase price for all canceled Products which have been completed by Seller as of the date Seller receives Buyer's notice of cancellation, and (2) the actual direct labor and material costs incurred by Seller for all work in process for canceled Products as of the date Seller receives Buyer's notice of cancellation, and (3) to the extent not included in clause (2), Seller's actual cost of all components purchased for the canceled Products, and (4) re-stocking charges, and (5) other commercially reasonable costs incurred by Seller due to such cancellation.

(ii) SELLER'S ACTIONS UPON NOTICE Upon receiving Buyer's notice of its cancellation of a purchase order or its election to not submit a purchase order required under Section 5, Seller shall take the following actions to the extent commercially reasonable and permitted by its suppliers:

(A) Provide Buyer with an identification of all components for which Buyer must make a payment under Section 6(b)(i), Seller's actual cost of such components, and the potential options for their disposition;

(B) Cooperate with Buyer to identify whether current work in process should be completed, scrapped, or shipped to Buyer "as is";

(C) Make all commercially reasonable efforts to the extent permitted by its suppliers to use the components for which Buyer must make a payment under Section 6(b)(i) in other programs of Seller, in which case Buyer shall be entitled to a credit against such payment in an amount equal to the lesser of (1) Seller's actual cost of such components or (2) the amount received by Seller due to the use of such components in the other programs;

(D) Reduce or cancel component orders to the extent commercially reasonable and permitted by its suppliers.

(E) Attempt to return to the original vendor all components for which Buyer must make a payment under Section 6(b)(i), in which case Buyer shall be entitled to a credit against such payment in an amount equal to the credit or refund received from each such vendor; and

(F) Attempt to sell to third parties on commercially reasonable terms all components for which Buyer must make a payment under 6(b)(i), in which case Buyer shall be entitled to a credit against such payment in an amount equal to the proceeds of such sales.

(iii) DELIVERY OF FINISHED PRODUCTS, WORK IN PROCESS, AND COMPONENTS Upon receipt of Buyer's payment for finished Products pursuant to Section 6(b)(i), all such finished Products shall be delivered to, or at the direction of, Buyer and such Products will be subject to all of the terms and conditions set forth in this Agreement, including, without limitation, the acceptance and warranty provisions hereof. Upon receipt of Buyer's payment for work in process and components, all such work in process and components shall be delivered to Buyer, or at Buyer's direction, in accordance with the delivery provisions of Section 7; provided however that any such work in process and components shall not be subject to any of the terms and conditions set forth in this Agreement, including without limitation, the acceptance and warranty and indemnification provisions hereof. Buyer shall bear the risk, and all costs and expenses, including, without limitation, storage, transportation, shipping, recalling, repackaging, reshipping, and the like, associated with the shipment and delivery of all such Product, work in process and components.

(iv) AUDIT Before any payment is made to Seller pursuant to Section 6(b)(i), Buyer shall have the right to audit Seller's records at reasonable times, using a nationally recognized accounting firm of its choice, to substantiate any and all charges payable to Seller. Buyer shall notify Seller of its election to have such audit performed within ten (10) days of its receipt of Seller's invoice and such audit will take place within fifteen (15) days from Buyer's receipt of Seller's invoice and shall be completed within twenty (20) days of start of such audit, after which Buyer shall immediately pay to Seller all charges as determined by the audit. Such accounting firm and each of the persons actually performing the audit will, if requested, execute Seller's standard non-disclosure agreement with respect to such audit. Seller may dispute the findings of any such audit and in such case, Buyer and Seller shall meet within ten (10) days from

Buyer's receipt of Seller's notice of dispute to negotiate and settle any costs that are not mutually agreed upon.

7. DELIVERY

(a) PLACE AND TIME OF DELIVERY All deliveries of the Product shall be FOB, shipping port. The first delivery of the Product shall occur on such date as set forth within the Milestone Schedule. All Products shall be delivered on the delivery dates specified in Buyer's purchase order.

(b) TESTING PRIOR TO DELIVERY Prior to each shipment of Products, Seller shall test, or cause its suppliers to test, the Products in accordance with such established quality assurance procedures as mutually agreed to by the Parties, a copy of which is attached hereto as Exhibit E (the "QA Procedures"). Seller shall not ship any Product that does not satisfy such tests. Seller shall maintain or cause its suppliers to maintain records accurately reflecting the results of all such testing and shall provide copies thereof to Buyer upon its request made from time to time.

(c) LATE DELIVERY PAYMENTS Should Seller anticipate inability to meet a designated delivery date, it shall immediately notify Buyer by phone or facsimile and seek instructions on procedures to be used in order to meet the specified delivery date(s). The costs of any expediting shipping requested by Buyer to mitigate the delay by Seller shall be borne by Seller, except if such delay or inability is excused under Section 16 hereof, in which case such costs shall be borne by Buyer. If Seller fails to deliver any conforming Product within ten (10) days after the time period required by a purchase order (the "Grace Period"), except in circumstances where performance is excused under Section 16 hereof, as Buyer's sole and exclusive remedy, Seller shall pay to Buyer an amount equal to (i) 0.33% of the purchase price of such Product for each day delivery is late beyond the Grace Period, up to a maximum of ten percent (10%) of the purchase price of such Product, plus (ii) the lesser of (A) such additional amount actually and reasonable incurred by Buyer, if any, charged by its customers as a result of the late delivery of the Product or (B) an additional 0.33% of the purchase price of such Product for each day such delivery is late beyond the Grace Period, up to a maximum of ten percent (10%) of the purchase price of such Product. Notwithstanding the above, in the event that Buyer exercises its rights to cancel all or any portion a purchase order pursuant to Section 6(a), Buyer shall have waived its rights to any and all amounts due it pursuant to this Section 7(c).

(d) EARLY DELIVERY Buyer reserves the right to hold Seller's invoice until the date it would ordinarily be due if delivery has been made more than three (3) days prior to the designated date in Buyer's purchase order.

8. INSPECTION; REJECTION

(a) INSPECTION All Products shall be subject to inspection and testing by Buyer within thirty (30) days after they have been received at the facility designated by Buyer, to determine conformity with Buyer's order and the Specifications. Buyer shall, however, be under no duty to inspect Products prior to Buyer's use or resale of the Products and neither the receipt, retention, use, resale nor payment of or for the Products shall be construed to constitute a waiver of any obligations of Seller with respect to the warranty relating to such Products.

(b) RIGHT TO REJECT If any Products delivered do not conform to Buyer's purchase order or the Specifications, Buyer shall have the right to reject any Products within thirty (30) days after its receipt thereof. Within such thirty (30) day period, Buyer may reject an entire "lot" (as defined below) of Products if the quantity of defective Product within such lot equals or exceeds the Average Quality Level (AQL) percentage set forth within the QA Procedures. In such case, upon Seller's approval, the expenses of Buyer in sorting and testing the Products in order to find defective Products shall be reimbursed to Buyer by Seller. Seller shall promptly and without expense to Buyer replace or correct defects in any nonconforming Products or, at Buyer's request and upon Seller's approval, make a full refund of the purchase price, to the extent it has been paid, to Buyer with respect to such nonconforming Products. Seller shall bear the risk, and all costs and expenses, including, without limitation, storage, transportation, shipping, recalling, repacking, reshipping, and the like, associated with the repair or replacement of defective Products. In the event of Seller's failure to promptly replace or repair any defective Product, Buyer may, without obligation and after ten (10) business days' notice to Seller, make such commercially reasonable corrections and replacements and charge Seller for the costs actually and reasonably incurred by Buyer in doing so. For purposes of this Section 8 (b), a lot is a quantity of Products which were manufactured during the same calendar week and which bears the same manufacture date code.

9. PURCHASE PRICE

(a) PURCHASE PRICE The purchase price for the Products and other payment terms are set forth on Exhibit B.

(b) TAXES Except where the law otherwise provides, Buyer shall pay to Seller, in addition to the purchase price, the amount of all governmental taxes, excises, duties and/or other charges (except for taxes on or measured by Seller's income) that Seller may be required to pay with respect to the sale or transportation of any Products delivered hereunder.

(c) COST REDUCTION TARGETS The Parties agree to cooperate in good faith to implement a product cost reduction program involving new technologies, component cost reduction, productivity, quality and reliability improvements, and manufacturing processes. Buyer shall provide Seller with reasonable assistance in the selection of raw materials, components and manufacturing processes. Buyer shall also review the test requirements for Product assembly. Seller shall provide Buyer with all information necessary to verify the impact of any proposed cost reduction measures, including, without limitation, Seller's direct material costs and direct labor

hours. The goal of the cost reduction program target shall be to reduce the prices stated in Exhibit B to this Agreement by a minimum of 6% per year. Any cost savings which are achieved by Seller as a result of implementing cost reductions, whether proposed by Buyer or Seller, shall reduce the purchase price of the Products by fifty percent (50%) of the cost reduction. On each anniversary of this Agreement, the costs to which future cost reductions shall be compared shall be the costs of the Product in effect on the day immediately preceding such anniversary. Buyer acknowledges and agrees this Section sets forth goals of the Parties to improve efficiencies and costs and Buyer agrees that under no circumstances shall Seller be liable to Buyer for any amount or in any other fashion in the event such goals are not achieved.

(d) MOST FAVORED CUSTOMER Seller warrants that the prices, payment terms and other terms and conditions stated for the Products and services covered by this Agreement are not less favorable than prices, payment terms or other terms and conditions accorded to Seller's most favored customers for like products for use in similar applications and sale or use in similar markets and sales in similar quantities. If at any time during the term of this Agreement, Seller gives any other customer more favorable payment terms and other terms and conditions for equipment, parts and services which are substantially comparable to those sold to Buyer hereunder, Seller shall immediately extend such prices, payment terms and other terms and conditions to Buyer as well.

10. SOFTWARE LICENSE For the life of the Products within which any "Software" is delivered by Seller, Seller hereby grants to Buyer, Buyer's customers, and each of their successors and assigns (hereinafter collectively, "Licensees"), a fully paid, nonexclusive worldwide license to use only, and for no other purpose whatsoever, such Software in connection with such Licensees' use and operation of the Products. The prices of the Products include the fee and any royalties for this license of the Software. For purposes of this Section, the term "Software" shall mean the portions of the Products consisting of programs, data, and routines for use in the Product. Software shall include such programs, data, and routines embodied in the Products as are commonly referred to as "firmware" and computer programs comprising a series of statements or instructions in machine readable or human readable form in any medium, including magnetic tape, disks, printed listings or optical media, and related materials such as flow charts, logic diagrams, manuals, and other documentation and Seller's Library of infrared codes. Each Licensee agrees, that except for the use specified in this Section 10, such Licensee shall (i) not use, copy or reproduce the Software in any manner; (ii) not modify or adapt the Software in any way; (iii) not translate, reverse assemble, reverse compile or reverse engineer, decompile, disassemble, or create derivative works of the Software; or (iv) not transfer, assign, rent, sell, distribute or otherwise dispose of the Software or this license (including granting sublicenses) to anyone or in any manner other than to another Licensee hereunder.

11. PRODUCT DESIGN The external designs for the Products made by Seller for Buyer hereunder as set forth on Exhibit D (the "External Designs") are works made for hire by Seller for Buyer. Except as otherwise agreed to between the Parties, Seller hereby confirms that Buyer has the sole right, title, and interest in and to all proprietary rights in the External Designs, all design patents and design patent applications relating to the External Designs and all documentation, methods, processes, and information relating to the External Designs. Seller

hereby acknowledges that it has no design patent or design patent applications or any other proprietary rights relating to the External Designs.

Except as otherwise agreed to between the Parties, Seller hereby assigns to Buyer, its successors and assigns, all right, title and interest in and to the External Designs, together with the right to seek protection by obtaining design patents therefor and to claim all rights or priority thereunder, and the same shall become and remain Buyer's property regardless of whether such protection is sought. Buyer shall have the right to cause design patent applications to be filed thereon through counsel designated by Buyer. Seller shall give Buyer and its counsel all reasonable assistance, at Buyer's sole expense, in connection with the preparation and prosecution of any such design patent application and shall cause to be executed and delivered to Buyer all such assignments or other instruments or documents as Buyer may reasonably request to carry out the intent of this paragraph.

12. **INSIGNIA** Neither Party shall use the other Party's name, trademarks, trade names, logos, nor any descriptions or representations made by the Parties without the prior written consent of the such other Party.

13. **WARRANTIES** Seller represents and warrants to Buyer that during the Warranty Period (as such term is defined below), (a) the Products will conform to the applicable Specifications set forth on Exhibit A attached hereto, (b) the Products will be free from defects in material or workmanship under normal use and service, (c) all services will be performed by Seller in a workmanlike manner in accordance with good commercial practices and in conformance with the Specifications, (d) Buyer's Software and the hardware incorporated in the Products shall perform so as to enable to Products to meet the Specifications, and (e) all Products shall function under ordinary use in conformance with the Specifications. The foregoing warranties shall apply to each Product for a period of fifteen (15) months from the date such Product is manufactured (the "Warranty Period").

Seller shall repair or replace all Products which do not conform to any of the foregoing warranties so long as Buyer (i) notifies Seller within the Warranty Period in reasonable specificity the Products which fail to conform to such warranties and (ii) return all such Products within fifteen (15) days after such notification is received by Seller. Seller shall repair or, at Seller's option, replace the defective Product within 15 days after it has been received by Seller. The repaired or replacement Product shall be warranted as set forth in this Section for a period equal to the greater of (a) the remaining balance of the original warranty period or (b) ninety (90) days; provided, that in the case of a defect discovered within the first 60 days of the warranty period with respect to a Product, the repaired or replaced Product shall be warranted as set forth in this Section for a period equal to 13 months from the date such Product is received by Buyer. Seller shall reimburse Buyer for all transportation costs associated with the return by Buyer of a defective Product to Seller for warranty repair and shall bear all risk of loss or damage to the Product while in transit. Seller shall reimburse Buyer for all transportation costs for the return of the repaired or replaced Product to Buyer and shall bear all risk of loss or damage to the Product while in transit. In the event any Product returned by Buyer to Seller is determined by Seller to not be defective, Seller shall notify Buyer of such determination and Buyer shall within ten (10)

days of receipt of such notice instruct Seller what to do with such Product. If Seller does not receive such instruction from Buyer, Seller shall have the right to scrap such Product with no other obligation or notice to Buyer.

In the event that statistical evidence as determined by Buyer suggests a catastrophic failure rate of more than 5% of the Products in the field and/or returned to Buyer for repair (a "Catastrophic Failure Condition"), then Seller shall reimburse Buyer for all of its actually and reasonably incurred costs associated with such Catastrophic Failure Condition, including the actually and reasonably incurred costs of recall from Buyer's customer if so requested by Buyer's customer. Seller shall replace all Products affected by a Catastrophic Failure Condition or, at Buyer's option, reimburse Buyer for cost of replacement products from other suppliers. In the event any Product returned by Buyer to Seller is determined by Seller to not be defective, Seller shall notify Buyer of such determination and Buyer shall mutually agree what to do with such Product. If the Parties are unable to agree within sixty (60) days of Seller's receipt of such Product, Seller shall have the right to scrap such Product with no other obligation or notice to Buyer.

In the event that statistical evidence as determined by Buyer suggests a catastrophic failure rate of more than fifteen (15) percent, then, in addition to the remedies in this Section, Buyer may terminate this Agreement by providing written notice to Seller. In the event that Seller, in good faith, disputes Buyer's determination, Buyer and Seller agree to mutually and in good faith resolve such dispute.

THE WARRANTIES MADE BY SELLER IN THIS AGREEMENT, WHEREVER LOCATED, ARE IN LIEU OF ALL OTHER WARRANTIES, WHETHER EXPRESS OR IMPLIED, AND SELLER NEITHER MAKES NOR INTENDS, NOR DOES IT AUTHORIZE ANY OF ITS AGENTS OR REPRESENTATIVES TO MAKE, ANY OTHER WARRANTY, WHETHER EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY INCIDENTAL, INDIRECT, CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES OF ANY KIND OR NATURE, ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT OR IN CONNECTION WITH THE USE OR PERFORMANCE OF ALL OR ANY PART OF THE PRODUCT, INCLUDING WITHOUT LIMITATION LOSS OF USE OR PERFORMANCE OF THE PRODUCT, LOST REVENUES OR PROFITS, WHETHER SUCH LIABILITY IS ASSERTED ON THE BASIS OF CONTRACT (INCLUDING, WITHOUT LIMITATION, THE BREACH OF THIS AGREEMENT OR ANY TERMINATION OF THIS AGREEMENT BUT EXCLUDING SELLER'S INDEMNIFICATION OBLIGATIONS UNDER SECTION 21), TORT (INCLUDING NEGLIGENCE OR STRICT LIABILITY), OR OTHERWISE EVEN IF THE OTHER PARTY HAS BEEN WARNED OR IS OTHERWISE AWARE OF THE POSSIBILITY OF ANY SUCH LOSS OR DAMAGE IN ADVANCE.

14. Changes to Specifications

(a) BY BUYER Buyer may from time to time request changes to the Specifications for the Products or the work required of Seller. If any change(s) requested by Buyer result(s) in any increase to Seller's costs or time of performance under this Agreement, then to the extent such change(s) and its/their effect(s) is/are not addressed by specific terms and conditions of this Agreement, Seller shall within ten (10) business days inform Buyer of all such changes and effects and Buyer and Seller shall promptly negotiate a reasonable adjustment of payments, schedules, lead times, and all other relevant items or issues in order to make a commercially reasonable and equitable adjustment for Seller.

(b) BY SELLER Seller shall make no change to the Specifications, to any materials or component parts described therein, or to the Products, including without limitation changes in form, fit function, design, appearance or place of manufacture of the of the Products or changes which would affect the reliability of any of the Products, without Buyer's express written consent which consent will not be unreasonably withheld or delayed.

15. CONSEQUENTIAL DAMAGES Neither Party shall be liable for any consequential damages as a result of the breach of this Agreement, including, without limitation, loss of profits, loss of good will, or business interruption, even if advised or otherwise aware of the possibility that such damages may arise, but excluding Seller's indemnification obligations under Section 21.

16. FORCE MAJEURE Notwithstanding anything contained herein to the contrary, neither Seller nor Buyer shall be liable or in default hereunder because of any failure to perform in accordance with the terms and conditions of this Agreement if such failure arises from any cause beyond its reasonable control, including, but not limited to, actions taken or failed to be taken by Buyer, compliance with regulations, law, orders or instructions of any foreign government, federal, state or municipal government or any department or agent thereof, acts of God, act or omissions of the other Party, acts of civil or military authority, fire, strikes, embargoes, war, riots or other forms of civil unrest ("Force Majeure"). The Party so effected shall resume performance promptly after the cessation of a Force Majeure. Nothing herein to the contrary shall relieve Buyer from its obligation to pay Seller in accordance with the terms hereof for any conforming Product ordered and accepted by Buyer.

17. ASSIGNMENT This Agreement may not be assigned or otherwise transferred nor may any duties be delegated by either Party hereto without the prior written consent of the other party, which consent will not be unreasonably withheld or delayed, except that either party may assign or delegate to a parent, subsidiary, or affiliate of the assignor, or to an entity acquiring substantially all of the assets due to merger, acquisition or consolidation, so long as the assignor remains liable for the full and faithful performance of the assignee hereunder. Any assignment or other transfer in violation of this Section 17 shall be void and of no effect. Subject to this restriction, the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties, their permitted successors and permitted assigns.

18. PERFORMANCE The failure by either Party to insist upon the strict performance of any of its rights or any of the terms or provisions of this Agreement in a particular instance shall not be construed as a waiver of the same or different rights or terms or provisions in subsequent instances. All remedies, rights, undertakings and obligations hereunder shall be cumulative, and none shall operate as a limitation of any other remedy, right, undertaking or obligation hereunder.

19. COPYRIGHT Seller represents and warrants to Buyer that Seller has obtained, and there are in full force and effect, all rights necessary to design, engineer, manufacture and sell the Products and otherwise to perform its obligations under this Agreement. The Products shall not infringe any copyright, mask work, patent or trademark or misappropriate any trade secret or any other right of any third party. To Seller's knowledge, no claims that the Products or any component thereof infringes any copyright, mask work, patent or trademark or misappropriates any trade secret or other right has been asserted or threatened against Seller, and no claim is pending against Seller or against any person or entity from which Seller obtained such rights.

20. INDEMNIFICATION

(a) BY SELLER Seller shall indemnify and hold harmless Buyer and its stockholders, directors, officers, employees, agents, subsidiaries, affiliates and subcontractors from and against any losses, damages, liabilities, expenses (including reasonable attorney's fees), costs, claims, suits, demands, actions, causes of action, proceedings, judgments, assessments, deficiencies and occasioned by, arising out of or resulting from (i) any misrepresentation or breach of warranty or covenant, default or non-fulfillment of any agreement by Seller under this Agreement; (ii) any costs on account of physical damage to tangible property and personal injuries, including death, to persons, arising from any breach of this Agreement by Seller, or any negligent act or omission or willful misconduct of Seller; and (iii) all costs resulting from, caused by, relating to or arising out of Seller's relationships with its employees, suppliers, subcontractors, agents and consultants in the course of its performance except matters for which Buyer has agreed to indemnify Seller; and (iv) negligent acts or omissions or willful misconduct of Seller in connection with the conduct of Seller's business, including any assertions regarding unfair competition or violations of laws by Seller.

(b) BY BUYER Buyer shall indemnify and hold harmless Seller, its stockholders, directors, officers, employees, agents, subsidiaries, affiliates and subcontractors from and against losses, damages, liabilities, expenses (including reasonable attorneys' fees and expenses, including without limitation any such fees and expenses incurred in connection with any appellate proceeding), costs, claims, suits, demands, actions, causes of action, proceedings, judgments, assessments, deficiencies and occasioned by, arising out of or resulting from (i) any misrepresentation or breach of warranty or covenant, default or non-fulfillment of any agreement by Buyer under this Agreement; (ii) any costs on account of physical damage to tangible property and personal injuries, including death, to persons, arising from any breach of this Agreement by Buyer, or any negligent act or omission or willful misconduct of Buyer; (iii) all costs resulting from, caused by, relating to or arising out of Buyer's relationships with its employees, suppliers,

subcontractors, agents and consultants in the course of its performance except matters for which Seller has agreed to indemnify Buyer; (iv) negligent acts or omissions or willful misconduct of Buyer in connection with the conduct of Buyer's business, including any assertions regarding unfair competition or violations of laws by Buyer; and (v) any costs occasioned by, arising out of or resulting from any dispute or disagreement between Buyer and any approved purchasers of the Product.

21. INTELLECTUAL PROPERTY CLAIMS If any claim, suit, action or proceeding is brought against Buyer or any of its officers, directors, stockholders, agents, subsidiaries, affiliates, subcontractors, assignees and employees) purchasing or using the Products hereunder on the basis of an allegation that the manufacture, use or sale of the Products, or use of associated software, infringes or violates United States or foreign letters patent, copyright, mask work, trademark, trade secret or other intellectual property rights of any third party (collectively, "Intellectual Property Claims"), Seller shall indemnify, defend and hold harmless such persons or entities from and against all costs, liabilities, expenses and damages, including without limitation court costs and reasonable attorney's fees, arising out of or resulting from Intellectual Property Claims. As part of its obligations under this Section 21, Seller shall: (i) at Seller's expense, defend and at its option with Buyer's written approval, which approval shall not be unreasonably withheld or delayed, settle the claim, suit, or action, and (ii) pay the costs and damages, including without limitation court costs and attorney's fees, awarded against such indemnified parties arising out of the Intellectual Property Claims. If a Product delivered or to be delivered under this Agreement becomes the subject of an Intellectual Property Claim, or if as a result of an Intellectual Property Claim, or the settlement thereof, the production, use, repair or sale of Products is prohibited, Seller shall, at its expense, do one or more of the following: (a) obtain for Buyer the right to sell, repair or use the infringing Product without any additional cost to Buyer, (b) modify the infringing Product so that it becomes non-infringing, while remaining in commercially reasonable compliance with the Specifications, subject to Buyer's technical approval, which approval will not be unreasonably withheld or delayed or (c) replace the infringing Product with a non-infringing unit that performs substantially the same functions in substantially the same manner, while remaining in commercially reasonable compliance with the Specifications. Notwithstanding, Seller shall have no liability for any infringement from (y) use of the Products in combination with other items, unless Seller sold, made or specifically recommended or approved them all as a combination, or the combination would be necessary for use in the ordinary course in connection with the Product, or (z) modification of Products after delivery, unless either Seller or an authorized agent of Seller made, specifically recommended or approved the modification, or the modification constitutes normal repair, replacement or implementation of Seller provided options and enhancements for the Products.

22. THIS SECTION INTENTIONALLY OMITTED.

23. YEAR 2000 COMPLIANCE

(a) PRODUCTS Seller warrants that the Products to be furnished pursuant to this Agreement shall, when used in accordance with the Product documentation, be able to accurately process date/time data (including, but not limited to, calculating, comparing, and sequencing) from, into, and between the twentieth and twenty-first centuries, and the years 1999 and 2000, including leap year calculations. Where a purchase requires that specific Products must perform as a package or system, this warranty shall apply to the products as a system. In the event of any breach of this warranty, Seller shall restore the Products to the same level of performance as warranted herein, or repair or replace the Products with conforming Products so as to minimize interruption to Buyer's customers' ongoing business processes, at Seller's sole cost and expense.

(b) SELLER'S OPERATIONS Seller warrants that all products it uses in connection with providing the Products and other services to Buyer under this Agreement shall be able to accurately process date/time data (including, but not limited to, calculating, comparing, and sequencing) from, into, and between the twentieth and twenty-first centuries, and the years 1999 and 2000, including leap year calculations. In the event of any breach of this warranty, Seller shall undertake all commercially reasonable efforts to replace non-compliant products with compliant products and to minimize interruption to Buyer's ongoing business operations, at Seller's sole cost and expense.

24. CERTAIN OBLIGATIONS

(a) SALES COLLATERAL Seller shall, at its sole cost and expense, provide Buyer with such quantities of quality printed sales literature, other similar sales tools and training as has been customarily provided by Seller to similarly situated customers under similar circumstances to permit Buyer to effectively promote the sale of the Products.

(b) SAFETY STOCK Seller shall, at its sole expense, keep in storage a supply of backup units and inventory of the Products equal to one-half of one months forecast which is averaged based on a rolling twelve-month rolling forecast, which will be used to satisfy its warranty, maintenance and other obligations.

(c) SUPPLIER MANAGEMENT MODEL The Parties agree to mutually develop a cost effective supplier management program whereby reduced inventory liabilities, product lead-time reductions and overall acquisition cost reductions are implemented. This program may include but is not limited to stocking of key components, kanban delivery methods, direct ship to customers, and other leading edge procurement practices as identified by the Parties. Seller will provide any incremental cost impacts to Buyer and the Parties will mutually determine the best program to implement.

(d) QUARTERLY BUSINESS REVIEWS ("QBR") Seller shall consult with Buyer no less than once each calendar quarter in order to perform a thorough review of Seller's performance under this Agreement, shall implement a continuous productivity program to reduce

lead times, improve quality, reduce costs, and achieve other manufacturing process improvements, and shall provide Buyer with such information, including analytical and manufacturing documentation, as Buyer may reasonably request from time to time regarding quality control of the Products. The locations of QBR meetings shall be held at sites alternately selected by Seller and Buyer and mutually agreed upon. A detailed QA Procedures are attached hereto for reference as Exhibit E. Seller shall use best efforts to address all production issues within its control according to Exhibit E, and shall provide Buyer with a monthly report of inventory.

25. TERMINATION This Agreement may be terminated:

(a) By either Party upon written notice to the other Party in the event of a material breach of this Agreement by the other Party (except for a breach covered within subsection 6(a)) which is not cured within thirty (30) days (five (5) days in the event of a breach of payment) after written notice of such breach; provided however, that where a given default, by its nature would require more than thirty (30) days to cure, the defaulting Party shall have more time within which to effect a cure, provided that it commences and continues to commercially and reasonably expend efforts to cure and completes such cure within no later than sixty (60) additional days; or

(b) By written notice by Buyer in the event that Seller engages in a sale of assets, merger, or the transfer of management or control of a significant ownership to a direct competitor of Buyer and such new controlling party does not affirm its obligations under this Agreement; or

(c) By Buyer pursuant to Section 6(a) or Section 13.

26. NOTICES All notices and demands of any kind which either the Buyer or the Seller may be required or desire to serve upon the other under the terms of this Agreement shall be in writing and shall be served to the Parties at the addresses set forth below or at such other addresses as may be designated hereafter by the Parties in writing. The personal delivery or the sending of a notice by Federal Express (or similar overnight delivery method) or by postage prepaid, certified mail, return receipt requested shall be sufficient service.

BUYER: General Instrument Corporation
101 Tournament Drive
Horsham, Pennsylvania 19044
Attention: Executive Vice President

With required copies to: General Instrument Corporation
101 Tournament Drive
Horsham, Pennsylvania 19044
Attention: Group General Counsel Commercial

General Instrument Corporation

101 Tournament Drive
Horsham, Pennsylvania 19044
Attention: Procurement Department

SELLER: Universal Electronics Inc.
6101 Gateway Drive
Cypress, California 90630
Attention: President and Chief Operating Officer

With a required copy to: Universal Electronics Inc.
6101 Gateway Drive
Cypress, California 90630
Attention: General Counsel

If by personal delivery, service shall be deemed complete upon such delivery. If by overnight delivery method or by certified mail, service shall be deemed complete upon the date shown on the return receipt where the signature of the Party's employee or agent appears or if no date is shown, on the date such receipt is received by the sending Party.

27. CONTINUATION In the event that any of the provisions of this Agreement or the application of any such provisions to the Parties hereto with respect to their obligations hereunder shall be held by a court of competent jurisdiction to be unlawful or unenforceable, the remaining portions of this Agreement shall remain in full force and effect and shall not be affected, impaired or invalidated in any manner.

28. PROPRIETARY INFORMATION Each Party, on behalf of itself and its officers, directors, employees and other authorized representatives (collectively, "Agents") agrees to maintain in confidence all Proprietary Information (as defined below) disclosed or to be disclosed to it by the other Party in connection with this Agreement which it obtains in the course of the transactions contemplated hereby. The Parties agree that all Proprietary Information shall remain the property of the disclosing Party. Each Party shall use its reasonable best efforts to cause its Agents to comply with the terms of this Section, and each Party shall be responsible for any breach of these provisions by such Party's Agents.

"Proprietary Information" as used herein means any proprietary plans and information, including, without limitation, information of a technological or business nature (including, without limitation, all trade secrets, technology, intellectual property, data, marketing plans, summaries, reports, mailing lists, or other non-public information relating to a Party's business, whether written or oral and, if written, however produced or reproduced) received by or otherwise disclosed to the receiving person from or by the disclosing person, that is marked proprietary or confidential, or bears the marking of like import, or that the disclosing person states to be considered proprietary or confidential at the time of disclosure and confirms in writing to be proprietary or confidential within ten (10) business days after such disclosure. Proprietary Information shall also include the terms of this Agreement.

Information shall not be deemed to be Proprietary Information, and the receiving Party shall have no obligation with respect thereto, or to any part thereof, to the extent such information: (i) is approved for release by prior written authorization of the disclosing person; (ii) is disclosed in order to comply with a judicial order issued by a court of competent jurisdiction, any order or directive of a governmental agency or other entity, or with government laws or regulations, in which event the receiving person shall give written notice to the disclosing person of such disclosure as soon as practicable and shall cooperate with the disclosing person in using all reasonable efforts but at disclosing Party's sole cost and expense to obtain an appropriate protective order or equivalent, provided that the information shall continue to be Proprietary Information to the extent it is covered by such protective order or equivalent; (iii) is already known to the receiving person at the time of receipt of disclosure, as evidenced by written records made prior to such receipt or disclosure, or subsequently becomes publicly available without any fault of the receiving person or is already publicly available prior to receipt or disclosure; or (iv) is independently developed or formulated by the receiving person, or its related companies without breach of this Agreement as evidenced by files of the receiving Party in existence at the time of disclosure by the disclosing Party.

Notwithstanding the above, however, a Party may disclose (subject to a reasonable nondisclosure agreement prohibiting further disclosure) the terms of this Agreement and related agreements or documents to a bona fide prospective purchaser (by merger, stock acquisition or otherwise) of substantially all the assets of such Party or its ultimate corporate parent, or to its legal or financial advisors who have signed nondisclosure agreements or are otherwise obligated to maintain the confidential nature thereof; provided, however, that each Party shall remain liable for any breach of this provision by those persons to whom it discloses such Proprietary Information.

29. ENTIRE AGREEMENT This Agreement constitutes the final agreement between the Parties pertaining in any manner to the subject matter hereof, and contains all of the covenants and undertakings between the Parties with respect to said subject matter. Each Party to this Agreement acknowledges that no written or oral representations, inducements, promises or agreements have been made which are not embodied herein. Except for the Warrant of even date hereof, a copy of which is attached hereto, any and all prior or contemporaneous written or oral agreements between the Parties pertaining in any manner to the subject matter of this Agreement, including without limitation that certain Memorandum of Understanding dated July 28, 1998, are expressly superseded and canceled by this Agreement. No modification of this Agreement shall be effected by the acknowledgment or acceptance of purchase order or shipping instruction forms or any other document containing terms or conditions at variance with or in addition to those set forth herein, all such varying or additional terms being hereby objected to.

30. COUNTERPART This Agreement may be executed in multiple counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

31. U.N. CONVENTION The Parties agree to exclude the application of the U.N. Convention on Contracts for the International Sale of Goods, 1980.

32. **TERMINATION** Termination or expiration of this Agreement for any reason shall not release either Party from any liabilities or obligations set forth in this Agreement which (i) the Parties have expressly agreed shall survive any such termination or expiration, or (ii) remain to be performed or by their nature would be intended to be applicable following any such termination or expiration, including but not limited to liabilities or obligations set forth in Sections 6, 7, 8, 9(a), 9(b), 10, 11, 13, 15, 20, 21, 23, 28, this Section 32, and 34.

33. **RELATIONSHIP** Nothing in this Agreement will be deemed to constitute, create, give effect to or otherwise recognize a joint venture, partnership, or business entity of any kind and the rights and obligations of the Parties will be limited to those expressly set forth herein. Nothing herein will be construed as providing for the sharing of profits or losses arising out of the efforts of the Parties hereto, except as may be provided for in any resulting agreement between the Parties.

34. **CHOICE OF LAW** This Agreement shall be governed by and construed under, and the legal relations between the Parties hereto shall be determined in accordance with, the laws of the State of California, without giving effect to such state's conflict of law principles. If either Party employs attorneys to enforce any rights arising out of or relating to this Agreement, the prevailing Party shall be entitled to recover its reasonable attorney's fees, costs and other expenses.

35. **AUTHORIZATION** Each Party to this Agreement represents and warrants to, and agrees with the other, that it has the right, power and authority to enter into, and perform all its obligations under, and has taken all the requisite corporate action to approve the execution, delivery and performance of this Agreement and that the execution, delivery and performance of this Agreement shall not result in the breach or non-performance of any agreements it has with third parties. The representations and warranties of this Section 35 are made as of the effective date of this Agreement.

36. **ANNOUNCEMENTS** Except as may otherwise be required by applicable law, neither Party shall make any public announcement regarding this Agreement or the relationship and transactions contemplated herein without the prior written consent of the other. Notwithstanding the foregoing, the Parties agree to make commercially reasonable efforts to make an announcement within two (2) weeks of the execution of this Agreement.

37. **TIME OF THE ESSENCE** The Parties acknowledge and agree that time is of the essence in connection with the performance of their respective obligations and duties under this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed as of the date and year hereinabove written.

GENERAL INSTRUMENT CORPORATION

UNIVERSAL ELECTRONICS INC.

By: /s/ STEPHEN W. TAYLOR

Stephen W. Taylor
Sr. Director, Procurement

By: /s/ PAUL D. ARLING

Paul D. Arling
President and COO

EXHIBIT A

The Specifications and Milestone Schedule shall be the specifications and milestone schedule currently being reviewed by the Parties, together with such changes upon which the Parties may mutually agree.

EXHIBIT B

PURCHASE PRICE: Initially, \$5.50 per unit based upon the Specification agreed to by the parties at the time of signing this Agreement, however, it is understood and agreed that such purchase price shall be adjusted from time to time upon the mutual agreement of the parties in the event the Specification shall be changed or as otherwise allowed under this Agreement. All such prices shall be reflected in the purchase orders that are issued from time to time, and at all times such prices shall be based upon the achievement of the Gross Margin Guarantee (as provided below).

PAYMENT: Sixty (60) days following receipt of invoice from Seller, which invoice shall be delivered to Buyer at the same time the Product shall be delivered.

DELIVERY: F.O.B. Shipping port

GROSS MARGIN GUARANTEE: Buyer guarantees that Seller shall receive a gross margin on all sales of Product of no less than 30%, consequently, if necessary, the Purchase Price shall be adjusted in order for Seller to receive such 30% gross margin. Seller shall provide each Buyer each Quarter the actual Gross Margin. Notwithstanding anything contained with this Exhibit B or the Agreement to the contrary, it is understood and agreed to by the parties that presently Seller's actual cost of the Product is such that the gross margin which Seller shall receive for sales of the Product to Buyer, based upon the current Specifications, is less than 30% and that as an accommodation to Buyer, the purchase price of the Product shall not be adjusted in order for Seller to achieve a 30% gross margin. It is further understood and agreed to by the parties that notwithstanding the cost savings sharing provisions of this Agreement, Buyer shall enjoy and not share any cost savings which occur, regardless of whether such savings result from proposals from Buyer or Seller, until such time as Seller's gross margin on sales of the Product equal 30%.

For purposes of this Agreement, the term "gross margin" shall mean revenues from the sale of the Products less the cost of goods sold attributable to the Products, a such amounts are determined in accordance with generally accepted accounting principles, consistently applied.

PURCHASE PRICE REBATE: During the Term of this Agreement, Buyer shall earn an annual rebate of its purchases of Product, as follows:

When Buyer has purchased and paid for more than \$3,500,000 of Products, Buyer shall earn 2% of the Purchase Price paid on each additional dollar of purchases made up to and including \$5,000,000 of Products;

When Buyer has purchased and paid for more than \$5,000,000 of Products, Buyer shall earn 3% of the Purchase Price paid on each additional dollar of purchases made up to and including \$10,000,000 of Products;

When Buyer has purchased and paid for more than \$10,000,000 of Products, Buyer shall earn 4% of the Purchase Price paid on each additional dollar of purchases made up to and including \$15,000,000 of Products;

When Buyer has purchased and paid for more than \$15,000,000 of Products, Buyer shall earn 6% of the Purchase Price paid on each additional dollar of purchases made up to and including \$20,000,000 of Products;

When Buyer has purchased and paid for more than \$20,000,000 of Products, Buyer will earn 10% of the Purchase Price paid on each additional dollar of purchases made thereafter.

The rebates payable hereunder shall accrue quarterly and shall be paid to Buyer within sixty (60) days after the end of the quarter in which they were earned.

SOFTWARE DEVELOPMENT FEES

\$35,000* - To be paid as follows:

Fifty percent (50%) upon the execution of Agreement and the balance upon approval of software and device code library.

* The Software Development Fees are based upon Seller's current understanding of Buyer's specifications. Any substantial changes to these specifications prior to Buyer's approval of the software and device code library may require an adjustment to these fees. Any such adjustment shall be paid upon the approval by Buyer of the software and device code library.

MASKING COSTS

\$2,500 - To be paid as follows:

Fifty percent (50%) upon the execution of Agreement and the balance upon approval of software and device code library.

EXHIBIT D

The External Design shall be the external design currently being reviewed by the Parties, together with such changes upon which the Parties may mutually agree.

EXHIBIT E

The QA Procedures shall be QA Procedures currently reviewed by the Parties, together with such changes upon which the Parties may mutually agree.

THE SECURITIES REPRESENTED HEREBY 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 THEREOF SHALL HAVE RECEIVED FROM COUNSEL ACCEPTABLE TO SUCH ISSUER A WRITTEN OPINION ACCEPTABLE TO SUCH ISSUER THAT THE PROPOSED SALE, TRANSFER OR ENCUMBRANCE WILL NOT VIOLATE ANY APPLICABLE LAWS, INCLUDING WITHOUT LIMITATION, THE SECURITIES LAWS.

VOID AFTER 2:00 P.M., CYPRESS, CALIFORNIA TIME, ON THE EXERCISE EXPIRATION DATE, AS DEFINED HEREINBELOW.

WARRANT FOR THE PURCHASE OF UP TO
300,000 SHARES
OF
COMMON STOCK, PAR VALUE \$.01 PER SHARE,
OF
UNIVERSAL ELECTRONICS INC., A DELAWARE CORPORATION

THIS IS TO CERTIFY THAT, FOR VALUE RECEIVED, THE RECEIPT AND SUFFICIENCY OF WHICH IS HEREBY ACKNOWLEDGED AND ACCEPTED,

GENERAL INSTRUMENT CORPORATION, a Delaware corporation, or its permitted successors and permitted assigns ("Holder"), is entitled to purchase, subject to the provisions of this Warrant, from UNIVERSAL ELECTRONICS INC., a Delaware corporation (the "Corporation"), up to Three Hundred Thousand (300,000) shares of the Corporation's common stock, par value \$.01 per share ("Common Stock"), at an exercise price of 12 and 5/8 dollars per share (the "Exercise Price"), at any time or from time to time on or after December 31, 2002, (the "Exercise Start Date"), and not later than 2:00 P.M. Cypress, California time on December 31, 2004 (the "Exercise Expiration Date"). The number of shares of Common Stock which the Holder is entitled to purchase and receive upon the exercise of this Warrant shall be adjusted from time to time as hereinafter set forth. The shares of Common Stock deliverable upon any exercise of this Warrant by the Holder are hereinafter sometimes referred to as "Warrant Stock". The time period commencing on the Exercise Start Date and ending on the Exercise Expiration Date is hereinafter sometime referred to as the "Exercise Period".

1. EXERCISE OF WARRANT. Subject to Sections 2 and 3 and the other provisions of this Warrant, the Holder may exercise this Warrant, in whole or in part (but in no event in fractional

shares), at any time or from time to time during the Exercise Period by presentation and surrender of this Warrant to the Corporation at its principal office, together with: (a) the Purchase Form annexed hereto properly prepared and duly executed by the Holder, (b) payment, in United States Dollars, of the aggregate Exercise Price for the number of Warrant Shares specified in such Purchase Form, together with all federal, state and local taxes applicable upon such exercise, (c) such representations from the Holder as are deemed necessary by the Corporation, and (d) a written opinion acceptable to the Corporation from legal counsel further acceptable to the Corporation that such exercise (i) is in accordance with the provisions of this Warrant and (ii) does not violate any applicable law, including without limitation, the Securities Laws. As soon as practicable after each such exercise, but not later than thirty (30) days from the date of such exercise, the Corporation shall issue or shall cause to be issued and delivered to the Holder a certificate or certificates for the shares of Warrant Stock issuable upon such exercise. Upon the proper exercise of this Warrant as set forth herein, the Holder shall be deemed to be the holder of record of the shares of Common Stock issuable upon such exercise notwithstanding that the stock transfer books of the Corporation shall then be closed or that certificates representing such shares of Common Stock shall not then be actually delivered to the Holder.

2. DETERMINATION OF NUMBER OF WARRANT STOCK. (a) The number of shares of Warrant Stock to which the Holder shall be entitled to purchase upon the proper exercise hereunder shall be as follows:

(i) One Hundred Thousand (100,000) shares of Warrant Stock so long as the Holder (or General Instrument Corporation, in the event of a permitted assignment or transfer of this Warrant in accordance with the provisions of this Warrant) purchases and pays for at least Three Million (3,000,000) units of products from the Corporation during the 1999 calendar year; plus

(ii) One Hundred Thousand (100,000) shares of Warrant Stock so long as the Holder (or General Instrument Corporation, in the event of a permitted assignment or transfer of this Warrant in accordance with the provisions of this Warrant) purchases and pays for at least Three Million Five Hundred Thousand (3,500,000) units of products from the Corporation during the 2000 calendar year; plus

(iii) One Hundred Thousand (100,000) shares of Warrant Stock so long as the Holder (or General Instrument Corporation, in the event of a permitted assignment or transfer of this Warrant in accordance with the provisions of this Warrant) purchases and pays for at least Four Million (4,000,000) units of products from the Corporation during the 2001 calendar year.

(b) As described in this subsection 2(b), the number and kind of securities purchasable upon the exercise of this Warrant shall be subject to adjustment from time to time upon the happening of the events described within this subsection as follows:

(i) If the Corporation (1) declares a dividend or makes a distribution on its outstanding shares of Common Stock; or (2) subdivides or reclassifies its outstanding shares of Common Stock into a greater or smaller number of shares, then the number of Warrant Stock subject to purchase upon the exercise of this Warrant shall be adjusted (and the exercise price shall be correspondingly adjusted), effective at the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification, to a number of Warrant Shares determined by multiplying the number of Warrant Shares subject to purchase upon the exercise of this Warrant determined without regard to any adjustment in connection with such dividend, distribution, subdivision, combination or reclassification by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such dividend, distribution, subdivision, combination or reclassification, and the denominator of which shall be the number of shares of Common Stock outstanding immediately before giving effect to such dividend, distribution, subdivision, combination or reclassification.

(ii) If the Corporation elects to issue shares of any class of its capital stock ("Shares to be Issued"), or securities convertible into or exchangeable for Shares to be Issued or any other options, rights, or warrants to purchase Shares to be Issued or securities convertible into or exchangeable for Shares to be Issued ("Securities"), to any individual, corporation, partnership, association, trust or other entity or organization (a "Person"), the Corporation shall notify the Holder in writing of the proposed issuance the number of Shares to be Issued or the amount of Securities to be issued, the date on or about which such issuance is to be consummated and the price and other terms and conditions thereof, at least twenty (20) days prior to the proposed date for consummation of such issuance. For a period of ten (10) days after Holder's receipt of such notice, the Holder shall have the option to purchase, upon the same price, terms and conditions as such Shares to be Issued or Securities are proposed to be issued to such Person(s), that number of Shares to be Issued or Securities as may be necessary to adjust the number of shares of capital stock of the Corporation owned by the Holder on a fully-diluted basis (including, without limitation, the Warrant Stock) to provide that the percentage of all of the fully-diluted shares of capital stock of the Corporation owned by the Holder immediately after the date of issuance to such Person(s) is equal to the percentage of all of the fully-diluted shares of Common Stock of the Corporation owned by the Holder immediately prior to the date of issuance. If the Holder exercises its purchase option under this subsection 2(b)(ii), it shall purchase such Shares to be Issued or Securities contemporaneously with the consummation of the issuance of Shares to be Issued or Securities to such Person(s).

(iii) Notwithstanding anything to the contrary herein, the provisions of this Section 2(b) shall not apply to the issue, sale, distribution or grant of Common Stock to any employee, officer or director of the Corporation of (1) any currently issued and outstanding grant of options to subscribe for or purchase shares of Common Stock or (2) any future grant of options pursuant to any Stock Incentive or other stock option plan of the Corporation or (3) any shares of Common Stock held by the Corporation in its treasury.

(iv) No fractional shares shall be issued and therefore, all calculations under this subsection 2(b) shall be made lowered to the nearest full share of Common Stock.

(v) Whenever the number of Warrant Stock subject purchase upon exercise of this Warrant is adjusted as herein provided, the Corporation shall promptly cause a notice setting forth the adjusted number of shares of Warrant Stock subject to purchase upon exercise of this Warrant to be mailed to the Holder, with a copy thereof to be mailed to the Corporation's Transfer Agent, if any. The Corporation's regularly retained firm of independent certified public accountants may be used to make any computation required by this subsection 2(b), and a certificate signed by such firm shall be conclusive evidence of the correctness of such adjustment.

(vi) In the event that at any time, as a result of an adjustment made pursuant to subparagraph (i) above, the Holder of this Warrant thereafter shall become entitled to receive any shares of the Corporation other than Common Stock, thereafter the number of such other shares so receivable upon exercise of this Warrant shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained herein..

(vii) Irrespective of any adjustments to the number or kind of Warrant Stock subject to purchase upon exercise of this Warrant, any Warrants issued in substitution or replacement of this Warrant may continue to express that same number and kind of Warrant Stock as are stated in the Warrants initially issued by the Corporation.

(viii) As a condition precedent to the taking of any action which would require an adjustment pursuant to this subsection 2(b), the Corporation shall take any action which may be necessary in order that the Corporation may thereafter validly and legally issue as fully paid and nonassessable all Warrant Stock which the Holder of this Warrant is entitled to receive upon the exercise thereof.

(ix) The Corporation shall not consummate a merger, consolidation, or other form of business combination in which it is not the surviving entity without making adequate provision for the exercise of this Warrant with respect to the shares of the capital stock of such surviving entity.

(c) In the event the Holder (or General Instrument Corporation, in the event of a permitted assignment or transfer of this Warrant in accordance with the provisions of this Warrant) fails to purchase and pay for the requisite number of units of product as set forth in this Section 2 in any year, the Holder shall have forfeited the right to acquire the applicable number of shares of Warrant Stock for such year which shares may not be recouped by purchasing additional quantities of product in any subsequent year.

3. VESTING OF WARRANT STOCK. The Holder may not exercise this Warrant or any part thereof until Holder is vested in shares of Warrant Stock to which the Holder may purchase upon exercise as determined pursuant to Section 2 above. The Holder shall become vested in

- a. Fifty percent (50%) of such shares of Warrant Stock on January 1, 2003; and
- b. The balance of such shares of Warrant Stock on January 1, 2004.

4. RESERVATION OF SHARES OF WARRANT STOCK. The Corporation shall at all times prior to the Exercise Expiration Date reserve and keep available, free from preemptive rights, for issuance and/or delivery upon the proper exercise of this Warrant by the Holder in accordance with the provisions of this Warrant, such number of its duly authorized and unissued shares of Common Stock or shares of Common Stock held by the Corporation in its treasury, or any combination thereof, as shall be required for issuance and delivery of shares of Warrant Stock upon the proper exercise of this Warrant in accordance with the provisions of this Warrant. Upon such issuance, the shares of Warrant Stock shall be duly authorized, validity issued, fully paid and nonassessable.

5. TRANSFER, EXCHANGE OR LOSS OF WARRANT.

a. No Holder shall give, sell, transfer (by operation of law or otherwise, including without limitation any transfers due to the merger, consolidation or other combination of the Holder with any other entity or person or due to the bankruptcy or insolvency of Holder), pledge, mortgage, hypothecate or otherwise dispose of ("Transfer") this Warrant or any part hereof without the prior written consent of the Corporation, which consent will not be unreasonably withheld or delayed. Notwithstanding any consent given by the Corporation in connection with any proposed Transfer of this Warrant or any part hereof, no such proposed Transfer shall be effective unless and until the proposed transferor properly provides to the Corporation: (i) such investment representations and other information of the proposed transferee as the Corporation may reasonably request; (ii) a duly and validly executed Assignment Form, in the form of that attached hereto, together with funds sufficient to pay any transfer tax; (iii) a legal opinion or other evidence satisfactory to the Corporation from legal counsel to the proposed transferor also acceptable to the Corporation that such proposed transfer may be effected without registration under the Securities Laws; and (iv) a binding written acknowledgment, in form and substance satisfactory to the Corporation, executed by the proposed transferee, pursuant to which such transferee agrees to be bound by the terms and provisions set forth herein and that the proposed transferee acknowledges that it is dependent upon General Instrument Corporation to acquire significant quantities of product from the Corporation and the passage of time before which it will be entitled to acquired shares of the Warrant Stock in accordance with the provisions of this Warrant. The Corporation shall, without charge to the transferor or the transferee, execute and deliver a new Warrant or Warrants in the name or names of the transferee or transferees and in the denomination or denominations specified in such properly prepared, delivered and accepted instrument of transfer, and this Warrant shall promptly be cancelled.

b. Upon receipt by the Corporation of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Warrant and (in the case of loss, theft or destruction) of satisfactory indemnification to the Corporation, and (in the case of mutilation) upon the surrender and cancellation of this Warrant, the Corporation will prepare, execute and deliver a new Warrant of like tenor and date exercisable for an equivalent number of shares of Warrant Stock as replacement for the lost, stolen, destroyed or mutilated Warrant.

6. RIGHTS OF THE HOLDER. The Holder shall not, by virtue hereof, be entitled to any rights as a stockholder of the Corporation, either at law or in equity, and the rights of the Holder are limited to those expressed in this Warrant only and are not enforceable against the Corporation except to the extent set forth herein.

7. WARRANT REGISTER. The Corporation shall maintain a register for the registration of the Warrant and of its Transfer as permitted herein (the "Warrant Register") at its principal executive office.

8. EXPIRATION OF WARRANT. This Warrant shall automatically expire and be null, void and have no further effect after the Exercise Expiration Date without further action of any kind or nature from either the Corporation or the Holder.

9. TRANSFERS TO COMPLY WITH SECURITIES LAWS.

a. This Warrant, the Warrant Stock and any other security issued or issuable upon the proper exercise or Transfer of this Warrant may not be offered for sale or Transfer nor sold or Transferred except in strict conformity with the Securities Laws.

b. The Corporation may place or cause to be placed on this Warrant and any certificate or certificates representing the Warrant Stock or any other security issued or issuable upon the proper exercise of this Warrant the following legend:

THE SECURITIES REPRESENTED HEREBY 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 THEREOF SHALL HAVE RECEIVED FROM COUNSEL ACCEPTABLE TO SUCH ISSUER A WRITTEN OPINION ACCEPTABLE TO SUCH ISSUER THAT THE PROPOSED SALE, TRANSFER OR ENCUMBRANCE WILL NOT

VIOLATE ANY APPLICABLE LAWS, INCLUDING WITHOUT LIMITATION, THE SECURITIES LAWS.

10. PURCHASE FOR INVESTMENT. The Holder agrees, acknowledges and affirms that this Warrant is being purchased and the Warrant Stock and any other security issued or issuable upon the proper exercise or Transfer of this Warrant will be purchased for investment purposes only and not for resale or other distribution.

11. APPLICABLE LAW. This Warrant and all provisions contained herein shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to such state's conflicts of laws provisions.

12. NOTICES. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telex or cable communication) and shall become effective (a) when personally delivered on a business day during normal business hours, (b) on the third business day following the day when deposited, if mailed by certified or registered mail with return receipt requested and postage thereon fully prepaid, (c) on the business day following the business day when deposited if sent by overnight courier, fully prepaid, or (d) on the business day such notice shall have been sent by telex, telegram, telecopier, cable or similar electronics device, including facsimile, fully prepaid. The addresses and facsimile numbers for such notices are as follows:

If to the Corporation:

Universal Electronics Inc.
6101 Gateway Drive
Cypress, California 90630
Facsimile No.: 714-820-1010
Attention: Secretary of the Corporation

If to the Holder, the address and facsimile number thereof as show on the Warrant Register

or to such other addresses and facsimile numbers as any of the foregoing parties shall from time to time designate in writing to the other party in accordance herewith.

13. WAIVERS; AMENDMENTS. No failure or delay of either party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof, or any abandonment or discontinuance of steps to enforce such a right, power or privilege, preclude any other further exercise thereof or the exercise of any other rights, power or privilege. The rights and remedies of either party hereto are cumulative and not exclusive of any rights or remedies which it would otherwise have. The provisions of this Warrant may be amended, modified, or waived so long as notice of any such amendment, modification, or waiver is in writing and signed by the party against whom such amendment, modification or waiver is sought to be enforced.

14. SEVERABILITY. In the event that any one or more of the provisions contained in this Warrant shall be held to be invalid, illegal, or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired in such jurisdiction and such a determination shall not invalidate or render illegal or unenforceable such provision in any other jurisdiction.

15. SUCCESSORS AND ASSIGNS OF THE CORPORATION. All covenants, agreements and provisions of this Warrant by or for the benefit of the Corporation shall bind and inure to the benefit of its successors and assigns.

16. AUTHORITY. The Corporation hereby represents and warrants to the Holder that all requisite corporate action necessary for the Corporation to execute, deliver and perform this Warrant has been taken by the Corporation and that this Warrant constitutes the legal, valid and binding obligation of the Corporation, enforceable against it in accordance with its terms, except as the enforceability thereof may be affected by applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting the enforcement of creditors' rights generally and the possible unavailability of certain equitable remedies, including the remedy of specific performance.

IN WITNESS WHEREOF, the Corporation has caused this Warrant to be executed this 9th day of November, 1998.

UNIVERSAL ELECTRONICS INC.

By: _____

Its: _____

PURCHASE FORM

Date: _____

The undersigned hereby irrevocably elects to exercise the Warrant which is attached hereto to the extent of purchasing _____ shares of Warrant Stock and hereby tenders payment in cash of the aggregate Exercise Price.

INSTRUCTIONS FOR REGISTRATION OF STOCK

Name of Holder: _____
(Type or Print Name in Block Letters)

Address:

Signature

Witness

ASSIGNMENT FORM

FOR VALUE RECEIVED, _____ hereby
sells, assigns, and transfers unto

(Please type or print name of Transferee in block letter)

(Address)

the right to purchase shares of Common Stock of Universal Electronics Inc. (the
"Corporation") represented by this Warrant to the extent of Warrant Stock as to
which such right is exercisable, and does hereby irrevocably constitute and
appoint _____ as its attorney-in fact to
transfer the same on the Warrant Register of the Corporation with full power of
substitution in the premises.

Date: _____

Signature

Universal Electronics Inc. hereby consents to the above referenced assignment.

UNIVERSAL ELECTRONICS INC.

By: _____

Its: _____

January 30, 1998, as amended December 30, 1998

PERSONAL AND CONFIDENTIAL
Mr. T. Maeizumi
Managing Director
Euro quality Assurance Ltd.
c/o Strand Europe Ltd.
Strand House, Galway Road
Blackbushe Business Park
Yateley, Hampshire
GU46 6GE

RE: ACQUISITION OF CERTAIN OF THE ASSETS OF EURO QUALITY ASSURANCE
LTD. AND COVENANTS NOT TO COMPETE/CONFIDENTIALITY.

Dear Mr. Maeizumi:

This letter will constitute our agreement of the purchase by Universal Electronics B.V., a corporation formed under the laws of The Netherlands ("Purchaser"), from Euro quality Assurance, Ltd., a corporation formed under the laws of Hong Kong ("Seller"), of certain of Seller's assets and the purchase from you ("Maeizumi") and Seller of certain covenants not to compete/confidentiality, all upon the following terms and conditions:

1. SALE OF ASSETS. Subject to the terms and conditions of this Agreement, each of Seller and Maeizumi shall, upon the Closing referred to below, sell, transfer, assign, convey and deliver to Purchaser, and Purchaser agrees to purchase from Seller and take possession of all good and marketable title, including without limitation all of Seller's right, title, and interest, free and clear from all liens and encumbrances of whatever kind and nature, in and to the following assets (collectively, the "Assets") used or useful in the operation of Seller's business of selling and/or servicing products and/or services which utilize or involve infrared and/or radio frequency technology in remote control applications for use, sale or distribution in the consumer electronics industry (the business conducted by the Seller is hereinafter referred to as the "Business"):

(a) RECORDS. All records and files attributable to the Assets and the operation of the Business which are mutually agreed upon by the parties, including but not limited to, records relating to customers and suppliers, payment records and correspondence, except, however, such records and files as are required by applicable laws to be kept by Seller (the "Records"). Copies of all such documents retained by Seller shall be made available to Purchaser upon request.

(b) COVENANTS NOT TO COMPETE/CONFIDENTIALITY. An agreement by each of Seller and Maeizumi to not compete with Purchaser and keep confidential certain proprietary information sold by Seller to Purchaser hereunder, all upon such terms and conditions set forth in Section 12 hereof ("Covenants Not to Compete/Confidentiality").

(c) INTANGIBLE/GOODWILL. All of the intangible assets and intellectual property used or useful in the Business including, without limitation, (i) all trade secrets, proprietary or other trade rights of Seller pertaining to the operation of the Business; (ii) all customer lists, and (iii) all of the goodwill of Seller in the Business (the "Intangibles/Goodwill").

(d) NO OTHER ASSETS. Seller is not selling and Purchaser is not acquiring the right to any asset not described in Section 1.

2. PURCHASE PRICE; ALLOCATION. The aggregate purchase price (the "Purchase Price") for the Assets is Seven Hundred Thousand Dollars (United States) (US\$700,000). The Purchase Price shall be allocated among the Assets as follows:

(a) US\$233,333 is allocated to the Records and the Intangibles/Goodwill; and

(b) US\$466,667 is allocated to the Covenants Not to Compete/Confidentiality.

2.1 PAYMENT. The Purchase Price shall be paid on the Closing Date

2.2 NO OTHER ASSUMED OBLIGATIONS. Notwithstanding anything contained herein to the contrary, PURCHASER DOES NOT ASSUME ANY LIABILITY OR OBLIGATION OF SELLER OR MAEIZUMI OF ANY KIND, whether fixed or contingent, known or unknown, and whether to general or secured creditors, or for national, international, state or local taxes of whatever kind, or otherwise.

3. CLOSING. The Closing shall be held at the offices of Strand Europe, Ltd., Strand House, Galway Road, Blackbushe Business Park, Yateley, Hampshire at 11:00 a.m. local time on January 31, 1998, or such other date, place, or time as the parties hereto shall agree in writing (the "Closing"). The date on which Closing shall take place is referred to herein as the "Closing Date".

4. INTENTIONALLY OMMITTED

5. INTENTIONALLY OMMITTED

6. BEST EFFORTS. The parties hereto will use their respective best efforts to cause their respective representations and warranties hereunder to be true and correct on and as of the Closing Date, to obtain promptly all consents, approvals and agreements of other parties or governmental authorities which are required in connection with the consummation of the transactions provided for herein, and to close such transactions no later than February 15, 1998.

7. POSSESSION. At the Closing, Seller shall deliver to Purchaser possession of all the Assets, which, in the case of all tangible assets, shall be in the same condition in which they were on December 31, 1997, ordinary wear and tear excepted.

8. COVENANTS OF SELLER AND MAEIZUMI.

(a) INFORMATION AND ACCESS. From and after the date of this Agreement and to the Closing, each of Seller and Maeizumi will, within three (3) days of receiving a request (whether oral or written), furnish or cause to be furnished to Purchaser and its duly authorized representatives and agents any reasonably requested information about Seller relating to the Assets and the Business and will give Purchaser and its duly authorized representatives and agents, complete access with reasonable notice and during normal business hours to Seller's officers, employees, accountants, attorneys, auditors, books, records, tax returns, physical facilities, assets and agreements for purposes of a complete investigation. The exercise of any rights of access or inspection by or on behalf of Purchaser under this subsection 8(a) shall not affect or mitigate the covenants, representations and warranties of Seller and Maeizumi or Purchaser's rights to indemnity under this Agreement.

(b) CONDUCT OF BUSINESS. From the date hereof through the Closing, each of Seller and Maeizumi will conduct the Business diligently and in the usual and ordinary course as heretofore conducted. Seller and Maeizumi will use their respective best efforts to preserve the Business intact and to preserve for Purchaser the goodwill and relationship of Seller with its employees, suppliers, customers and others having business relations with Seller. From the date hereof through the Closing, each of Seller and Maeizumi will not, in connection with the operation of the Business except with the consent of Purchaser, incur any obligation or liability, engage in any activity or transaction, or enter into any contract or commitment with respect to the Business extending beyond the Closing, other than sales, purchases or returns made in the ordinary course of the Business as heretofore conducted.

(c) RISK OF LOSS/INSURANCE COVERAGE. Seller shall bear the risk of loss on the Assets through the Closing. Each of Seller and Maeizumi covenants and agrees that the Business and the Assets to be purchased by Purchaser hereunder will each be adequately insured by Seller against fire and casualty and any other claims or losses whatsoever, to the Closing, and will use their respective best efforts to maintain in full force and effect until Closing at the same level of coverage as Seller had in place immediately prior to the Closing and that such policies will continue after the Closing to cover and respond to all claims made in respect of insured occurrences prior to the Closing.

(d) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES. Each of Seller and Maeizumi agrees to indemnify Purchaser and hold it harmless from all Damages (as defined in Section 17 below) resulting from, relating to or arising out of, all existing litigation and all claims and contingent, undisclosed, or unknown liabilities of Seller which relate to any condition existing, product produced or sold, or action taken or omitted by Seller, whether prior to, on or after the Closing, including but not limited to all such litigation, claims and liabilities resulting from, related to or arising out of (i) injury to or sickness, disease or death of any person who was at any time an employee or former employee of Seller which is caused by any condition existing, product produced or sold,

or action taken or omitted by Seller, and (ii) any injury to or sickness, disease or death of any person or persons or any damage to any property or the environment which arises from the manufacture, handling, sale or use of any product manufactured, sold or shipped by Seller.

(e) EXCLUSIVITY. Prior to the Closing, each of Seller and Maeizumi agrees not to conduct negotiations or discussions with anyone other than Purchaser with respect to the sale of any of the Business, Assets or capital stock of Seller.

9. REPRESENTATIONS AND WARRANTIES OF SELLER AND MAEIZUMI. Each of Seller and Maeizumi represents and warrants that as of the date hereof, and as of the Closing:

(a) CORPORATE STATUS AND VALIDITY. Seller is a corporation duly organized, validly existing, and in good standing under the laws of Hong Kong, and is duly qualified to do business, and is in good standing in all of the countries in which Seller is legally required to be so qualified, with full corporate power and authority to own, lease and operate its business and properties as now owned and conducted. Seller has the corporate power and authority to enter into and perform the transactions contemplated by this Agreement and all other instruments, agreements, and other documents contemplated hereby. All necessary corporate and shareholder action and other proceedings required to be taken by or on behalf of Seller to authorize Seller to execute and deliver this Agreement and to consummate the transactions contemplated herein, have been duly authorized and properly taken. This Agreement constitutes, and all instruments, agreements, and other documents to be delivered in connection herewith, when executed and delivered by Seller, will constitute the legal, valid and binding obligation of Seller, enforceable in accordance with their respective terms.

(b) INDIVIDUAL STATUS AND VALIDITY. Maeizumi has full power, capacity, and authority to enter into and perform the transactions contemplated by this Agreement and all other instruments, agreements, and other documents contemplated hereby. This Agreement constitutes, and all instruments, agreements, and other documents to be delivered in connection herewith, when executed and delivered by Maeizumi, will constitute the legal, valid, and binding obligation of Maeizumi, enforceable in accordance with their respective terms.

(c) NO CONFLICT WITH OTHER INSTRUMENTS OR AGREEMENTS. Neither the execution, delivery or performance of this Agreement and all other instruments, agreements, and other documents in connection herewith, nor the consummation of the transactions contemplated hereby or thereby will violate, conflict with, or result in a breach of or constitute a default under any contract, instrument, article of incorporation, by-law, agreement, indenture, or license to which either Seller, Maeizumi, the Assets, or the Business is or are a party or is bound or affected, or under any law, judgment, order, decree, rule or regulation to which either Seller, Maeizumi, the Assets, or the Business is or are subject. No governmental, public authority, or other agency authorization, approval, order, license, permit, or consent, and no registration, declaration or filing with

any governmental, public authority or agency is required for the execution, delivery or performance of this Agreement or the other instruments, agreements, or other documents by Seller or Maeizumi or the consummation of the transactions contemplated hereby or thereby.

(d) TITLE TO ASSETS, ABSENCE OF LIENS. Seller has and at the Closing will have, and the same pursuant hereto will vest in Purchaser, good and marketable title and merchantable ownership, right, title and interest in and to all of the Assets, in each case free and clear of all liens, encumbrances, charges, and other exceptions (or claims thereof) of whatever kind or nature. Seller owns, and has the right to sell and convey to Purchaser without interference from others, all rights in and to the Intangible Assets/Goodwill, and has not previously entered into any agreement concerning the use, sale, or license of, or the granting of any right to or interest in, any of the Intangible Assets/Goodwill.

(e) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES. There is (i) no action, suit, arbitration or administrative or judicial proceeding, government investigation, judgment, order, writ, injunction or decree outstanding, pending or threatened against Seller, Maeizumi, any person in his capacity as an employee or agent of Seller, the Assets, the Business, the goodwill of Seller, or any such matter to which Seller, Maeizumi, or any such person is a party which adversely effects the Assets or the Business being acquired hereunder, or the consummation of the transactions contemplated hereunder, (ii) there is no contingent liability of, and no claim made by any party against, Seller, Maeizumi, any person in his capacity as an employee or agent of Seller, the Assets, the Business, or goodwill of Seller which adversely effects the Assets or the Business being acquired hereunder, or the consummation of the transactions contemplated hereunder, (iii) there is no pending or threatened labor dispute or attempt by any union to organize or be certified as the representative of any of Seller's employees which adversely effects the Assets or the Business being acquired hereunder, or the consummation of the transactions contemplated hereunder, (iv) there is no rezoning petition or reclassification proceeding with respect to or that affects the Business now pending or threatened, and (v) there is or has been no event or occurrence which is likely to give rise to any of the foregoing.

(f) EMPLOYEE AND RELATED CONTRACTS AND AGREEMENTS. With regard to the Assets and the Business sold to Purchaser hereunder, Seller is not a party to any written or oral, express or implied, (i) contract or commitment for the employment or continued employment of any employee or agent of Seller; (ii) contract with any labor union or other collective bargaining agreement; (iii) any other material contract or commitment involving employees or independent contractors, where the existence of or the absence of the items specified in clauses (i), (ii), or (iii) above would materially and adversely affect Purchaser's purchase of the Assets and the operation of the Business.

(g) AUTHORITY FOR AND CONDUCT OF BUSINESS. Seller presently has all licenses, permits, approvals, orders, and other authorizations from governmental and regulatory offices and authorities necessary for the conduct of the Business as now being conducted, to own or hold under lease the properties and assets it owns or holds under lease, and to

perform the obligations under the agreements to which it is a party, and no proceeding is pending or threatened which seeks to revoke, limit or suspend any such authorization, approval, license, permit or order. Seller is in compliance with all applicable laws material to the Business, contractual or legal restrictions, regulations and administrative and executive orders of any country, or municipality or of any subdivisions thereof to which its business and employment of labor or use or occupancy of properties or any part thereof are subject where the existence of any non-compliance with such laws, contractual or legal restrictions, regulations and administrative and executive orders would adversely affect the Assets or the Business, and neither Seller nor Maeizumi has received notice of any violation thereof. The laws, regulations and administrative and executive orders referred to above include, but are not limited to, those relating to labor relations, employment practices, worker's compensation, communications, zoning, building codes, copyright and patent protection, protection of the environment, waste disposal, toxic substances, product liability, health, occupational and other safety, transportation, employment benefits, exports, antitrust, consumer protection, the processing, production, advertising, sale or labeling of products, and other similar matters.

(h) NO MATERIAL ADVERSE CONDITIONS. There are no conditions, matters or events, known or unknown, contingent or otherwise which adversely affect, or might reasonably be expected to adversely affect the Assets or the Business or its prospects which are to be carried on by Purchaser.

(i) TAXES AND TAX RETURNS OF SELLER. All taxes imposed by Hong Kong or by any other country or by any state, province, municipality or subdivision thereof which are due or payable or which become due or payable by Seller with respect to any period or portion thereof up to and including the date of the Closing have been (or will have been) paid in full or will be paid in full on the due date of the required return or report with respect to any such tax. Seller has filed or will file in a timely manner all required returns and reports with respect to income taxes and all other taxes of any kind, such returns and reports have been prepared accurately and in accordance with the law, and all taxes, interest and penalties due thereon have been paid. There are no actions, suits, proceedings, claims, or investigations or assessments now pending or threatened against Seller in respect of taxes or governmental charges, or any matters under discussion with any governmental authority relating to taxes or governmental charges and there are no waivers or extensions of any statutes of limitations in effect with respect thereto.

(j) EMPLOYEE BENEFIT PLANS OF SELLER. All employee benefit plans of any kind, including but not limited to group life insurance, medical, long-term disability, pension and profit sharing plans, established, maintained or participated in by Seller (the "Plans") are in compliance with all applicable reporting, disclosure and other requirements of such Plans in accordance with all applicable laws.

(k) NO DEFAULT. Seller is not in default or breach of any contract or agreement, written or oral, indenture or other instrument or obligation, to which it is a party or to which it or its property is subject and which affects the Business or the Assets, and there

exists no state of facts which after notice or lapse of time or both would constitute such a default or breach, and all such contracts, agreements, indentures or other instruments are in good standing and in full force and effect, enforceable in accordance with their respective terms.

(l) CURTAILMENT NOTICES. Neither Seller nor Maeizumi has received any notice from any supplier (including utilities) of curtailment or intended curtailment of services or supplies to Seller.

(m) CUSTOMER RELATIONS. Neither Seller nor Maeizumi is are aware of any facts or information indicating that any customer intends to or may cease doing any material amount of business with Seller or to materially alter the amount of any such business or to increase the quantity of returned product beyond that which such customer historically returned to Seller or to delay the return of products until after the Closing Date.

(n) TRUE AND COMPLETE DISCLOSURES. All information furnished by Seller, Maeizumi or their representatives to Purchaser or its representatives in connection with the negotiation of this Agreement is true and complete in all material respects. All of the statements, representations, warranties and agreements made by Seller or Maeizumi in this Agreement shall be true and correct in all material respects on and as of the Closing and thereafter with the same force and effect as if made by Seller and Maeizumi at the Closing.

10. REPRESENTATIONS AND WARRANTIES OF PURCHASER. Purchaser hereby represents and warrants that, as of the date hereof and as of the Closing Date:

(a) NO CONFLICT WITH OTHER INSTRUMENTS OR AGREEMENTS. Neither the execution, delivery, or performance of this Agreement and all other instruments, agreements, and other documents in connection herewith nor the consummation of the transactions contemplated hereby or thereby will violate, conflict with or result in a breach of or constitute a default under any contract, instrument, article or charter of incorporation, by-law, agreement, indenture, or license to which Purchaser is a party or by which Purchaser is bound or affected, or under any law, judgment, order, decree, rule or regulation to which Purchase is subject. No governmental, public authority, or other agency authorization, approval, order, license, permit, or consent, and no registration, declaration or filing with any governmental, public authority or agency is required in connection with the execution, delivery or performance of this Agreement or the other instruments, agreements, or other documents by Purchaser or the consummation of the transactions hereby or thereby.

(b) CORPORATE ORGANIZATION AND AUTHORIZATION. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of The Netherlands. Purchaser has the corporate power to own and lease its properties and carry on its business as it is now conducted and otherwise as necessary for the purposes of this Agreement. All necessary corporate action and other proceedings required to be taken by or on behalf of Purchaser to authorize Purchaser to enter into and consummate this

Agreement in accordance with the terms hereof have been duly authorized and properly taken. This Agreement constitutes, and all instruments, agreements and other documents to be delivered in connection herewith, when executed and delivered, will constitute legal, valid and binding obligations of Purchaser, enforceable in accordance with their terms.

(c) TRUE AND COMPLETE DISCLOSURES. All information furnished by Purchaser of its representatives to Seller or its representative in connection with the negotiation of this Agreement is true and complete in all material respects. All of the statements, representations, warranties and agreements made by Purchaser in this Agreement shall be true and correct in all material respects on and as of the Closing and thereafter with the same force and effect as if made by Purchaser at the Closing.

11. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The covenants, representations and warranties of the parties contained herein and in any Schedule, Exhibit, or document attached hereto shall be deemed to have been relied upon by the parties hereto, notwithstanding any investigation made by the parties. All covenants, representations and warranties made herein shall not be affected by any examinations or investigations conducted by Purchaser or Seller prior to Closing and shall survive the Closing and shall continue in effect after the execution of this Agreement and the consummation of the sale contemplated hereby unless waived in writing.

12. NON-COMPETITION/NON-SOLICITATION/CONFIDENTIALITY. Each of Seller and Maeizumi hereby covenants and agrees:

(a) that for a period of six (6) years from the Closing, neither Seller, Maeizumi, nor any company controlling, controlled by, or under common control with Seller or Maeizumi, will, directly or indirectly, either alone, or in partnership, or in conjunction with person, company or entity as principal, agent, shareholder, or joint venturer: (i) conduct business which is similar to the Business; (ii) engage in the sale of products and/or services which similar to the products or services sold and/or provided by Seller in the conduct of the Business to any person, company or entity which in the two (2) year period immediately preceding the Closing was a customer of Seller in the Business or was a competitor of any such customer; (iii) except for appropriate notification of the sale of the Assets, affirmatively interfere with, disrupt, or attempt to disrupt, in any manner, the relationship, contractual or otherwise, between Purchaser and any person who is or was a customer or supplier of Seller for the Business at any time during the two (2) year period immediately prior to the Closing for products and/or services of any type or quality provided to such customer or for supplies acquired from such supplier by Seller for the Business; or (iv) solicit for employment or other working relationship any of the employees hired by Purchaser; and

(b) to hold in confidence all Confidential and Proprietary Information, and that each of them will not disclose or use or permit the disclosure or use of the Confidential and Proprietary Information at any time, except as may be required as a matter of law, or at any judicial or governmental proceeding; and

(c) that (i) the time duration and geographic and other scope limitations contained in this Section 12 are reasonable and are required for the reasonable protection of Purchaser's investment in the Assets and the Business and constitute an integral part of the consideration given by Seller and Maeizumi in exchange for the Purchase Price; provided, however, the parties hereto agree that a court of competent jurisdiction or other trier of fact may modify and enforce the covenants contained in this Section 12 to the extent it deems reasonable under the circumstances at that time and such modification shall be binding on the parties hereto and (ii) any breach by any of them of any of the terms of this Section 12 may cause substantial and irreparable injury to Purchaser in amounts which may be difficult or impossible to ascertain, and covenants and agrees that in the event of such breach any of the terms of this Section 12, Purchaser shall have, in addition to all other remedies available in the event of a breach of this Agreement, the right to injunctive or other equitable relief, without the need of posting bond or other security, as well as an award of attorneys' fees and costs incurred as a result of such action, and in the event of any breach or other violation of the provisions of this Section 12 by either Seller or Maeizumi, the running of the time period of Non-Competition/ Non-Solicitation shall be tolled during the period of the continuance of any actual breach or violation.

For purposes of this Section 12, "Confidential and Proprietary Information" means any information constituting a part of the Assets, including, but not limited to, the following to the extent they constitute a part of the Assets: (i) trade secrets; (ii) proprietary products and trade names; (iii) all other intellectual property rights; and (iv) any compilations of otherwise public information, such as vendor or customer listings; provided, however, that Confidential and Proprietary Information does not include any (w) information which is used by Seller in its retained business which is not the subject of this Agreement and none of which is used or useful in the Business or is a part of the Assets, (x) information already generally known to the public; (y) information which, either prior to or subsequent to the Closing, is lawfully disclosed to Seller and Maeizumi by anyone else rightfully in possession of such information and who is not in a confidential relationship with Purchaser; and (z) information which, without violating any legal rights of Purchaser, becomes generally known and used by others who are not in a confidential relationship with Purchaser.

13. CONDITIONS OF OBLIGATIONS OF PURCHASER. The obligations of Purchaser, including but not limited to the obligation to close the transaction contemplated hereunder, are, at the option of Purchaser, subject to satisfaction of the following conditions on or prior to the Closing, all of which may be waived by Purchaser in whole or in part:

(a) The representations and warranties of Seller contained herein shall be true, correct and complete in all material respects on and as of the Closing and Purchaser shall have received at the Closing a certificate to that effect, dated the Closing Date and executed by the President of Seller and Maeizumi; provided that the receipt of such certificate and the closing of the sale herein provided shall not be deemed to be a waiver of any representation or warranty contained in this Agreement, which representations and warranties shall continue in full force and effect for the benefit of the parties as provided herein.

(b) Each of Seller and Maeizumi shall have performed and observed, in all material respects, all covenants, agreements, acts, undertakings and conditions of each of them herein to be performed or observed by each of them on or before the Closing.

(c) Delivery to Purchaser of such other documents, instruments, or certificates as Purchaser shall reasonably request.

14. CONDITIONS OF OBLIGATIONS OF SELLER. The obligations of Seller and Maeizumi, including but not limited to the obligation to close the transactions contemplated hereunder, are, subject to the satisfaction of the following conditions on or prior to the Closing all of which may be waived by Seller or Maeizumi in whole or in part:

(a) The representations and warranties of Purchaser contained herein shall be true, correct and complete in all material respects on and as of the Closing and Seller and Maeizumi shall have received at the Closing a certificate to that effect, dated the Closing Date, and executed on behalf of Purchaser by its chief executive officer or chief financial officer.

(b) Purchaser shall have performed and observed, in all material respects, all covenants, agreements and conditions herein to be performed or complied with by Purchaser on or before the Closing.

(c) Delivery to Seller of such other documents, instruments, or certificates as Seller shall reasonably request.

15. FURTHER ASSURANCES. Each party hereto shall from time to time at the reasonable request of the other party hereto, whether on or after the Closing, do, make, execute, acknowledge, and deliver all such further acts and instruments of conveyance, assignment, transfer and consent, in form and substance reasonably satisfactory to the requesting party, concerning compliance with the terms and conditions of this Agreement as such requesting party may reasonably require for the more effective performance of their respective obligations hereunder and the completion of the transactions contemplated hereby.

16. ADDITIONAL COVENANTS OF SELLER AND MAEIZUMI.

(a) USE OF SELLER'S TRADE NAME, TRADEMARKS AND SERVICE MARKS. After Closing, neither Seller, Maeizumi, nor any person or entity affiliated with any of them shall use the trade name and/or trademark "Universal Electronics", "One For All", or any other trade name, trademark or service mark of Purchaser or any of its affiliates, or any name similar to or a derivative of any of the aforementioned trade names, trademarks or services marks.

(b) PAYMENT OF CREDITORS. On or before the tenth day after the Closing, Seller and Maeizumi shall deliver to Purchaser a certificate, signed by a duly authorized officer of the Seller and Maeizumi, that all creditors of Seller with regard to the Assets or the Business have been paid in full or that provisions have been made for the satisfaction of the same.

17. INDEMNIFICATION.

(a) Each of Seller and Maeizumi hereby agrees to indemnify Purchaser and its successors, assigns and affiliates, and present and future directors, officers, employees, and agents against, and hold them harmless from and against all damages, losses, liens, claims, deficiencies, liabilities, fines, penalties, costs and expenses, including but not limited to reasonable legal fees and costs of litigation (including without limitation any appellate proceedings) (collectively referred to as "Damages") resulting from, caused by or arising out of any of the following: (i) the inaccuracy of any statement or representation or the breach of any warranty, covenant, or agreement of either of Seller or Maeizumi, made herein, or the failure of any of them, to perform any covenant or agreement made or referred to herein; (ii) any claim against any of the Assets, against Purchaser by a creditor of Seller, or arising out of a breach of this Agreement by either of Seller or Maeizumi; (iii) any transaction, occurrence, action, or omission in connection with the operation of the Business by Seller or Maeizumi prior to the Closing; (iv) any claim asserted against Purchaser in connection with or arising out of any delinquent contributions to any pension plan of Seller, any withdrawal liability to any multi-employer pension plan, or any employee benefits, including without limitation any severance benefits, accruing prior to the Closing or as a result of the consummation of the transactions contemplated hereunder; (v) any claim contained in any pending litigation against Seller or Maeizumi; and (vi) any claim asserted against Purchaser by reason of any noncompliance of any applicable bulk transfers or similar laws under the provisions of any applicable jurisdiction.

(b) Purchaser hereby agrees to indemnify and hold Seller and Maeizumi and their respective successors, assigns and affiliates, and present and future directors, officers, employees, and agents against, and hold them harmless from and against all Damages resulting from, caused by or arising out of the following: (i) the inaccuracy of any statement or representation or the breach of any warranty, covenant, or agreement of

Purchaser made herein, or the failure of Purchaser to perform any covenant or agreement made by it herein; and (ii) any transaction, occurrence, action or omission in connection with the operation of the Business by Purchaser after the Closing.

(c) Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("third person") or the commencement of any action or proceeding by a third person, the Indemnified Party shall, if a claim with respect thereto is to be made against any party obligated to provide indemnification pursuant hereto (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and basis of such claim and, if ascertainable, the amount thereof. In each such case the Indemnified Party agrees to give such notice to the Indemnifying Party promptly; provided, however, that the failure of the Indemnified Party to give such notice shall not excuse the Indemnifying Party's obligation to indemnify except to the extent the Indemnifying Party has suffered damage or prejudice by reason of the Indemnified Party's failure to give or delay in giving such notice. The Indemnified Party shall have the right to compromise or defend such third person claim, upon notice to and at the expense of the Indemnifying Party; provided that the Indemnifying Party shall not have objected to such compromise or defense by written notice to the Indemnified Party within five (5) days after receipt by the Indemnifying Party of the Indemnified Party's notice of such intention to compromise or defend the third party claim. After receipt of such notice from the Indemnified Party, the Indemnifying Party shall acknowledge in writing its obligation to indemnify in respect of such third person claim. Provided that the Indemnifying Party shall have so acknowledged its obligation to indemnify in respect of such claim, the Indemnifying Party may, at its expense, have the right to participate in the defense of such third person claim and no such third person claim shall be settled by the Indemnified Party without the consent of the Indemnifying Party, which consent shall not be unreasonably withheld. At any time after notice of any third person claim, the Indemnifying Party may request the Indemnified Party to agree in writing to the payment or compromise of the third person claim, whereupon such action shall be taken unless the Indemnified Party determines that the contest should be continued, and so notifies the Indemnifying Party in writing within fifteen (15) days of such request from the Indemnifying Party.

(d) If an Indemnified Party shall have any claim pursuant to this Section 17, including but not limited to a claim for Damages as the result of the Indemnifying Party's failure to acknowledge its obligation to indemnify, the Indemnified Party shall deliver to the Indemnifying Party written notice explaining the nature and amount of such claim promptly after the Indemnified Party shall know the amount of such claim. The Indemnified Party and Indemnifying Party shall thereafter attempt in good faith for a period of not less than thirty (30) days to agree upon whether the Indemnified Party is entitled to be indemnified and held harmless under this Section 17 and the extent to which it is entitled to be indemnified and held harmless hereunder. If the parties cannot so agree within said period, the Indemnified Party may thereafter commence litigation in a court of competent jurisdiction for a determination of its claim. Upon resolution of any claim

pursuant to this Section 17, whether by agreement between the parties or the rendering of a final judgment in any litigation, the Indemnifying Party shall within ten (10) days of such resolution pay over and deliver to the Indemnified Party funds in the amount of any claim as resolved, and any fees and interest, including reasonable attorneys' fees and costs (including without limitation any appellate proceedings), incurred by the Indemnified Party with respect to any such litigation.

(e) Notwithstanding anything to the contrary herein, in the event Purchaser has a claim for indemnification pursuant to this Section 17, Purchaser may set-off Damages against any amount of the Purchase Price which has not yet been paid by Purchaser to Seller pursuant to the terms of this Agreement; provided however, Purchaser's election to set-off pursuant to this Section 17(e) shall in no way limit Purchaser from pursuing any other remedy available to it hereunder, at law, or in equity and in no way shall such election to set-off be construed as a liquidation of such Damages.

18. EXPENSES. Except to the extent otherwise provided by this Agreement or as specifically authorized in writing by the parties hereto, each party shall pay for its own legal, accounting and other similar expenses incurred in connection with the transactions contemplated by this Agreement, whether or not such transactions are consummated.

19. BROKERAGE COMMISSIONS. Each party represents and warrants that this Agreement is the result of direct negotiations between them and that there are no claims for brokerage commissions or finder's fees in connection with the transactions contemplated by this Agreement. Each of the parties agrees to indemnify and hold harmless the other for any Damages resulting from or arising out of any liability to any broker or finder on the basis of any arrangement or agreement made by or on behalf of such party.

20. ENTIRE AGREEMENT AND BINDING EFFECT. This Agreement and the Exhibits, Schedules and documents attached hereto contain the entire agreement between the parties hereto with respect to the transactions contemplated herein, and supersede all prior agreements or understandings between the parties relating to the subject matter hereof. This Agreement, and all questions concerning its construction, validity, and interpretation, and the performance of the obligations imposed by this Agreement, shall be governed, interpreted and enforced according to the internal law, not the law of conflicts, of The Netherlands. All Exhibits, Schedules and documents attached hereto are incorporated herein by this reference.

21. ASSIGNABILITY. This Agreement shall not be assignable by any of the parties hereto without the prior written consent of the other parties hereto, except that it may be assigned by Purchaser to any corporation controlled by, or under direct or indirect common control with, Purchaser. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, representatives, successors and permitted assigns.

22. PARTIAL INVALIDITY/SEVERABILITY. The various covenants and provisions of this Agreement, including specifically, without limitation those covenants and provisions contained in Section 12 hereof, are intended to be severable and to constitute independent and distinct binding

obligations of the parties hereto. In the event any one or more of the covenants or provisions contained in this Agreement or any application thereof shall be invalid, illegal or unenforceable in whole or in part, the validity, legality and enforceability of the remaining covenants or provisions of this Agreement and any other part or application thereof shall not in any way be affected or impaired thereby (except if such partial invalidity may frustrate the basic intents and purposes hereof).

23. TERMINATION. This Agreement may be terminated or abandoned any time prior to the consummation hereof by (a) the mutual consent of the parties hereto; (b) either Purchaser or Seller, respectively, if there has been a material misrepresentation or breach on the part of Seller or Purchaser, respectively, of any representation, warranty or covenant set forth in or made pursuant to this Agreement; or (c) Purchaser or Seller if the Closing has not occurred by February 15, 1998; provided, however, that any termination pursuant to clause (b) above shall not be deemed to be a waiver of any rights and remedies otherwise available under this Agreement, by operation of law or otherwise to the party who so terminates.

24. WAIVERS AND NOTICES. Any term or condition of this Agreement may be waived at any time by the party entitled to the benefit thereof by a written instrument. No delay or failure on the part of any party in exercising any rights hereunder, and no partial or single exercise thereof, will constitute a waiver of such rights or of any other rights hereunder nor shall operate as a waiver of, or estoppel with respect to, any subsequent or other exercise of any rights hereunder. All notices, waivers, consents, requests, instructions, approvals, and other communications provided for herein shall be in writing and shall be validly given, made or served (a) upon delivery to the address of such party specified below if delivered personally or by courier, or sent by certified or registered mail, return receipt requested, postage prepaid, or (b) upon dispatch if transmitted by telecopy or other means of facsimile, in any case to the parties at the following addresses or telecopy number, as the case may be:

- (a) If to Seller and/or Maeizumi: Mr. T. Maeizumi
c/o Strand Europe Ltd.
Strand House, Galway Road
Blackbushe Business Park
Yateley, Hampshire
GU46 6GE
Telecopy No. 011 441 252 861006
Confirm No. 011 441 252 861000
- (b) If to Purchaser: Mr. Paul Bennett
Universal Electronics B.V.
Javastraat 92
7512 ZK Enschede
Netherlands
Telecopy No. 011 31 53 432 7080
Confirm No. 011 31 53 488 8000

or to such other address or telecopy number as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall only be effective upon receipt. If notice is transmitted by telecopy or other means of facsimile, the sending party must, on the same day, send a copy of such notice by regular mail, postage pre-paid.

25. AMENDMENT. This Agreement may be amended, modified, or supplemented only by written agreement of the parties hereto.

26. REMEDIES CUMULATIVE. All remedies of the parties provided herein shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other remedies available to the parties, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained herein, and every remedy given herein or by law to any party hereto may be exercised from time to time, and as often as shall be deemed expedient, by such party.

27. SPECIFIC PERFORMANCE. Each of Seller and Maeizumi acknowledges and agrees that the Assets are unique, that damages for any failure of Seller or Maeizumi to transfer the Assets pursuant to this Agreement would be an inadequate remedy, and that Purchaser shall be entitled to enforcement by judgment for specific performance.

28. ATTORNEYS' FEES. Should suit be brought to enforce or interpret any part of this Agreement, the prevailing party shall be entitled to recover, as an element of costs of suit and not as damages, interest and reasonable attorneys' fees and costs, including all costs and expenses of any appellate court proceedings.

29. HEADINGS. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the interpretation or meaning of this Agreement.

30. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

31. NO STRICT CONSTRUCTION. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent and no rule of strict construction will be applied against any party.

32. NONDISCLOSURE OF TERMS AND IDENTITY OF RELATED PARTIES. Purchaser, Seller and Maeizumi each agrees to not disclose any of the terms, conditions or provisions of this Agreement to any person, firm, corporation, association, agency or entity other than its own attorneys and shareholders, except where such disclosure is lawfully required and in such instances such disclosure shall be limited to the information specifically required to be produced.

If the foregoing is an accurate statement of our agreement, please indicate your approval by countersigning the enclosed copy of this letter and returning it to me as soon as possible.

Sincerely,

UNIVERSAL ELECTRONICS B.V.,
a Netherlands corporation

By:

Paul Bennett, Managing Director

APPROVED THIS __30TH__ DAY
OF DECEMBER, 1998.

EURO QUALITY ASSURANCE, LTD.
a Hong Kong corporation

By:

T. Maeizumi, Managing Director

AND

T. Maeizumi, Individually

February 3, 1998, as amended December 30, 1998

PERSONAL AND CONFIDENTIAL

Mr. Ashok Suri
Strand Europe Ltd.
Strand House, Galway Road
Blackbushe Business Park
Yateley, Hampshire
GU46 6GE

RE: ACQUISITION OF CERTAIN OF THE ASSETS OF STRAND EUROPE LTD. AND
COVENANTS NOT TO COMPETE/CONFIDENTIALITY.

Dear Mr. Suri:

This letter will constitute our agreement of the purchase by Universal Electronics B.V., a corporation formed under the laws of The Netherlands ("Purchaser"), from Strand Europe Ltd., a corporation formed under the laws of England ("Seller"), of certain of Seller's assets, the purchase from you ("Suri") and Seller of certain covenants not to compete/confidentiality, the grant of options between the parties, and the appointment by Seller of Purchaser as the sole and exclusive subdistributor under the "Distribution Agreement" (as such agreement is defined in Section 36 below), all upon the following terms and conditions:

1. SALE OF ASSETS. Subject to the terms and conditions of this Agreement, each of Seller and Suri shall, upon the Closing referred to below, sell, transfer, assign, convey and deliver to Purchaser and shall grant to Purchaser the option set forth in Section 2.1 below, and Purchaser agrees to purchase from Seller and take possession of all good and marketable title, including without limitation all of Seller's right, title, and interest, free and clear from all liens and encumbrances of whatever kind and nature, in and to the following assets (collectively, the "Assets" (which definition shall include the "Option Assets" (as such term is hereinafter defined) if either the "Call Option" or the "Put Option" (as such terms are hereinafter defined) is exercised) used or useful in the operation of Seller's business of selling and/or servicing products and/or services which utilize or involve infrared and/or radio frequency technology in remote control applications for use, sale or distribution in the consumer electronics industry (the business conducted by the Seller is hereinafter referred to as the "Business") and to grant to Seller the option set forth in Section 2.2 below:

(a) INVENTORY. All inventory and operating supplies used or useful in the Business and owned by Seller as of Closing (the "Inventory").

(b) RECORDS. Copies of all records and files attributable to the Assets and the operation of the Business which are mutually agreed upon by the parties, including but not limited to, records relating to customers and suppliers, payment records and correspondence (the "Records").

Mr. Ashok Suri
Strand Europe Ltd.
February 3, 1998, as amended
December 30, 1998

(c) COVENANTS NOT TO COMPETE/CONFIDENTIALITY. An agreement by each of Seller and Suri to not compete with Purchaser and keep confidential certain proprietary information sold by Seller to Purchaser hereunder, all upon such terms and conditions set forth in Section 14 hereof ("Covenants Not to Compete/Confidentiality").

2. THE OPTIONS.

2.1 THE CALL OPTION. Seller and Suri each hereby grants to Purchaser the right at any time during the thirty-one (31) day period commencing on January 1, 1999 and ending at the end of January 31, 1999 (the "Option Period") to purchase from Seller and Suri and take possession of all good and marketable title, including without limitation all of Seller's right, title, and interest, free and clear from all liens and encumbrances of whatever kind and nature, in and to the following assets (collectively, the "Option Assets") used or useful in the operation of the Business and the Option Covenants Not to Compete/Confidentiality and each of Seller and Suri shall be bound to sell, transfer, assign, convey and deliver the same to Purchaser (the "Call Option").

(a) INTANGIBLE/GOODWILL. Subject to the proviso in subsection 15(c), all of the intangible assets and intellectual property used or useful in the Business including, without limitation, (i) all trade secrets, proprietary or other trade rights of Seller pertaining to the operation of the Business; (ii) all customer lists, and (iii) all of the goodwill of Seller in the Business (the "Intangibles/Goodwill").

(b) OPTION COVENANTS NOT TO COMPETE/CONFIDENTIALITY. An agreement by each of Seller and Suri to not compete with Purchaser and keep confidential certain proprietary information sold by Seller to Purchaser hereunder, all upon such terms and conditions set forth in Section 15 hereof (the "Option Covenants Not to Compete/Confidentiality").

(c) ORIGINALS RECORDS. The originals of the Records, except, however, such of the Records as are required by applicable law to be kept by Seller. Copies of all such Records retained by Seller shall be made available to Purchaser upon request.

2.2 PUT OPTION. Purchaser hereby grants to Seller and Suri the right at any time during the Option Period to sell, transfer, assign, convey and deliver to Purchaser (jointly, but not individually) all good and marketable title, including without limitation all of Seller's right, title, and interest, free and clear from all liens and encumbrances of whatever kind and nature, in and to the Option Assets and the Option Covenants Not to Compete/Confidentiality and Purchaser shall be bound to purchase from Seller and Suri and take possession of the same (the "Put Option").

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2.3 OPTION EXERCISE AND CLOSING. The Put Option and the Call Option shall be exercisable by irrevocable written notice served by the exercising party on the other in accordance with the notice provisions of this Agreement.

3. NO OTHER ASSETS. Seller is not selling and Purchaser is not acquiring the right to any asset not described in this Agreement.

4. PURCHASE PRICE; ALLOCATION.

4.1 (a) Subject to adjustment as set forth in Section 7, the aggregate purchase price for the Assets (in this Section only, the term "Assets" being exclusive of the "Option Assets") set forth and more fully described in Section 1 is One Million and One Dollars (United States) (US\$1,000,001) plus that amount for the Inventory which is determined in accordance with Section 7. The purchase price set forth in this subsection 4.1(a) shall be allocated among these Assets as follows:

(i) That amount which is determined in accordance with Section 7 is allocated to the Inventory;

(ii) US\$1 is allocated to the Records;

(iii) US\$475,000 is allocated to Seller's Covenants Not to Compete/Confidentiality;

(iv) US\$475,000 is allocated to Suri's Covenant's Not to Compete/Confidentiality; and

(v) US\$50,000 is allocated to the Call Option.

(b) The aggregate purchase price for the Put Option is One Dollar (United States) (US\$1).

(c) The aggregate purchase price as set forth in this subsection 4.1 shall be paid as follows:

(i) That portion of the purchase price set forth in subsections 4.1(a)(1), (ii), (iii), and (v) less the aggregate of (1) the purchase price for the Put Option (as set forth in subsection 4.1(b) plus (2) the amounts owed by Seller to Purchaser as reflected on Purchaser's books and records shall be paid by Purchaser to Seller, after delivery of a fully executed and binding copy of this Agreement, on the date

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payment for the Inventory would be made in accordance with Section 7 and shall be accompanied with a schedule depicting how such amount was calculated by Purchaser, provided however, that in the event that the amount owed by Seller to Purchaser as reflected on Purchaser's books and records exceeds the amounts of the purchase price set forth in subsections 4.1(a)(i), (ii), (iii) and (v) then Seller shall within two (2) business days pay such excess amount to Purchaser; and

(ii) That portion of the purchase price set forth in subsection 4.1(a)(iv) shall be paid by Purchaser to Suri on the same date payment is made to either Seller or Purchaser (as the case may be) as set forth in subsection 4.1(c)(i) above.

4.2 (a) So long as either the Call Option or the Put Option has been exercised, the aggregate purchase price for the Assets set forth and more fully described in subsection 2.1 (a), (b) and (c) is One Million Dollars (United States) (US\$1,300,000). The purchase price set forth in this subsection 4.2(a) shall be allocated among these Assets as follows:

(i) US\$200,000 is allocated to the Intangibles/Goodwill;

(ii) US\$550,000 is allocated to Seller's Option Covenants Not to Compete/Confidentiality; and

(iii) US\$550,000 is allocated to Suri's Option Covenant's Not to Compete/Confidentiality.

(b) So long as either the Call Option or the Put Option has been exercised, the aggregate purchase price as set forth in this subsection 4.2 shall be paid as follows:

(i) US\$800,000 to be paid by Purchaser on January 29, 1999 or, if later, within two (2) business days of the election to exercise either the Call Option or the Put Option and shall be paid as to US\$500,000 thereof to Seller and as to US\$300,000 thereof to Suri; and

(ii) US\$500,000 to be paid by Purchaser on September 30, 1999 as shall be paid as to US\$250,000 thereof as to Seller and as to US\$250,000 thereof to Suri.

4.3 NO OTHER ASSUMED OBLIGATIONS. Notwithstanding anything contained herein to the contrary, PURCHASER DOES NOT ASSUME ANY LIABILITY OR OBLIGATION OF SELLER OR SURI OF ANY KIND, whether fixed or contingent, known or unknown, and

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whether to general or secured creditors, or for national, international, state or local taxes of whatever kind, or otherwise, except as provided in Schedule 4.3.

5. CLOSING. The Closing shall be held at the offices of Seller immediately upon the execution of this agreement by both parties, or such other date, place, or time as the parties hereto shall agree in writing (the "Closing"). The date on which Closing shall take place is referred to herein as the "Closing Date".

6. ACCOUNTS RECEIVABLE. Notwithstanding anything contained herein to the contrary, all accounts receivable of Seller shall remain the property of Seller and are not part of the Assets to be transferred to Purchaser hereunder. Upon the request of Purchaser, Seller shall deliver to Purchaser a listing, in alphabetical order, depicting all customers with accounts receivable balances and the amount of such balances.

7. DETERMINATION OF INVENTORY VALUE. The parties hereto agree that a portion of the Purchase Price shall be based on a physical inventory and pricing thereof as of January 31, 1998, using Seller's acquisition costs which is set forth on that pricing schedule attached hereto as Schedule 7; except that no value shall be assigned to any Damaged or Discontinued items (the "Interim Inventory Value"). Within five (5) days of the Closing Date, Seller shall deliver to Purchaser a schedule depicting the Interim Inventory Value which shall be prepared by Seller, at its cost. Purchaser shall have the right to have its personnel and accounting representatives present during such physical inventory, shall have full access to all records, reports, and working documents of Seller. Each party shall bear its own costs in connection with taking the physical inventory and in the preparation of the said schedule.

Unless Purchaser shall give notice to Seller of any objection to the Interim Inventory Value on or before five (5) business days after its receipt of such, Purchaser shall be deemed to have accepted the Interim Inventory Value which shall then be final and binding on the parties and Purchaser shall immediately pay such Interim Inventory Value to Seller and such Interim Inventory Value shall become the Final Inventory Value. If Purchaser objects to the Interim Inventory Value, which objection cannot be satisfied by negotiation between Purchaser and Seller within ten (10) business days of the objection, the dispute will be referred for arbitration by a mutually selected nationally recognized independent accounting firm to be determined within sixty (60) days and its determination will be final and binding upon the parties (the "Final Inventory Value"). Such accounting firm's determination of Final Inventory Value shall not, however, exceed the amount thereof as prepared by Seller or be less than the amount thereof as asserted by Purchaser. Within ten (10) business days after the determination of the Final Inventory Value by such accounting firm in accordance with this Section 7, Purchaser shall pay such Final Inventory Value

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to Seller. One-half of the expenses of such accounting firm in connection with such arbitration shall be paid by each of Seller and Purchaser.

7.1 DEFINITIONS FOR PURPOSES OF SECTION 7. For purposes of Section 7, "Discontinued" items are those which are not on any current price list of Seller, or included in any of Seller's current catalogs or other sales literature or sales offerings or not useable, saleable, or merchantable in the ordinary operation of the Store; and "Damaged" items are those items which, consistent with past practice, are scrap or are non-repairable for sale to third parties in the ordinary operation of the Store.

8. BEST EFFORTS. The parties hereto will use their respective best efforts to cause their respective representations and warranties hereunder to be true and correct on and as of the Closing Date, to obtain promptly all consents, approvals and agreements of other parties or governmental authorities which are required in connection with the consummation of the transactions provided for herein, and to close such transactions no later than February 15, 1998.

9. POSSESSION. At the Closing, Seller shall deliver to Purchaser possession of all the Assets, which, in the case of all tangible assets, shall be in the same condition in which they were on December 31, 1997, ordinary wear and tear excepted. Title to the Inventory shall remain with the Seller until to Final Inventory Value has been paid.

10. COVENANTS OF SELLER AND SURI.

(a) INFORMATION AND ACCESS. From and after the date of this Agreement and to the Closing, each of Seller and Suri will, within three (3) days of receiving a request (whether oral or written), furnish or cause to be furnished to Purchaser and its duly authorized representatives and agents any reasonably requested information about Seller relating to the Assets and the Business and will give Purchaser and its duly authorized representatives and agents, complete access with reasonable notice and during normal business hours to Seller's officers, employees, accountants, attorneys, auditors, books, records, tax returns, physical facilities, assets and agreements for purposes of a complete investigation. The exercise of any rights of access or inspection by or on behalf of Purchaser under this subsection 10(a) shall not affect or mitigate the covenants, representations and warranties of Seller and Suri or Purchaser's rights to indemnity under this Agreement.

(b) CONDUCT OF BUSINESS. From the date hereof through the Closing, each of Seller and Suri will conduct the Business diligently and in the usual and ordinary course as heretofore conducted. Seller and Suri will use their respective best efforts to preserve

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the Business intact and to preserve for Purchaser the goodwill and relationship of Seller with its employees, suppliers, customers and others having business relations with Seller. From the date hereof through the Closing, each of Seller and Suri will not, in connection with the operation of the Business except with the consent of Purchaser, incur any obligation or liability, engage in any activity or transaction, or enter into any contract or commitment with respect to the Business extending beyond the Closing, other than sales, purchases or returns made in the ordinary course of the Business as heretofore conducted.

(c) RISK OF LOSS/INSURANCE COVERAGE. Seller shall bear the risk of loss on the Assets through the Closing. Each of Seller and Suri covenants and agrees that the Business and the Assets to be purchased by Purchaser hereunder will each be adequately insured by Seller against fire and casualty and any other claims or losses whatsoever, to the Closing, and will use their respective best efforts to maintain in full force and effect until Closing at the same level of coverage as Seller had in place immediately prior to the Closing and that such policies will continue after the Closing to cover and respond to all claims made in respect of insured occurrences prior to the Closing.

(d) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES. Each of Seller and Suri agrees to indemnify Purchaser and hold it harmless from all Damages (as defined in Section 19 below) resulting from, relating to or arising out of, all existing litigation and all claims and contingent, undisclosed, or unknown liabilities of Seller which relate to any condition existing, product produced or sold, or action taken or omitted by Seller, whether prior to, on or after the Closing, including but not limited to all such litigation, claims and liabilities resulting from, related to or arising out of (i) injury to or sickness, disease or death of any person who was at any time an employee or former employee of Seller which is caused by any condition existing, product produced or sold, or action taken or omitted by Seller, and (ii) any injury to or sickness, disease or death of any person or persons or any damage to any property or the environment which arises from the manufacture, handling, sale or use of any product manufactured, sold or shipped by Seller.

(e) EXCLUSIVITY. Prior to the Closing, each of Seller and Suri agrees not to conduct negotiations or discussions with anyone other than Purchaser with respect to the sale of any of the Business, Assets, Option Assets, or capital stock of Seller, except that Seller may trade the Inventory in the ordinary course of Business.

11. REPRESENTATIONS AND WARRANTIES OF SELLER AND SURI. Each of Seller and Suri represents and warrants that as of the date hereof, and as of the Closing:

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(a) CORPORATE STATUS AND VALIDITY. Seller is a corporation duly organized, validly existing, and in good standing under the laws of England, and is duly qualified to do business, and is in good standing in all of the countries in which Seller is legally required to be so qualified, with full corporate power and authority to own, lease and operate its business and properties as now owned and conducted. Seller has the corporate power and authority to enter into and perform the transactions contemplated by this Agreement and all other instruments, agreements, and other documents contemplated hereby. All necessary corporate and shareholder action and other proceedings required to be taken by or on behalf of Seller to authorize Seller to execute and deliver this Agreement and to consummate the transactions contemplated herein, have been duly authorized and properly taken. This Agreement constitutes, and all instruments, agreements, and other documents to be delivered in connection herewith, when executed and delivered by Seller, will constitute the legal, valid and binding obligation of Seller, enforceable in accordance with their respective terms.

(b) INDIVIDUAL STATUS AND VALIDITY. Suri has full power, capacity, and authority to enter into and perform the transactions contemplated by this Agreement and all other instruments, agreements, and other documents contemplated hereby. This Agreement constitutes, and all instruments, agreements, and other documents to be delivered in connection herewith, when executed and delivered by Suri, will constitute the legal, valid, and binding obligation of Suri, enforceable in accordance with their respective terms.

(c) NO CONFLICT WITH OTHER INSTRUMENTS OR AGREEMENTS. Neither the execution, delivery or performance of this Agreement and all other instruments, agreements, and other documents in connection herewith, nor the consummation of the transactions contemplated hereby or thereby will violate, conflict with, or result in a breach of or constitute a default under any contract, instrument, article of incorporation, by-law, agreement, indenture, or license to which either Seller, Suri, the Assets, or the Business is or are a party or is bound or affected, or under any law, judgment, order, decree, rule or regulation to which either Seller, Suri, the Assets, or the Business is or are subject. No governmental, public authority, or other agency authorization, approval, order, license, permit, or consent, and no registration, declaration or filing with any governmental, public authority or agency is required for the execution, delivery or performance of this Agreement or the other instruments, agreements, or other documents by Seller or Suri or the consummation of the transactions contemplated hereby or thereby.

(d) TITLE TO ASSETS, ABSENCE OF LIENS. Seller has and at the Closing will have, and the same pursuant hereto will vest in Purchaser, good and marketable title and

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merchtable ownership, right, title and interest in and to all of the Assets, in each case free and clear of all liens, encumbrances, charges, and other exceptions (or claims thereof) of whatever kind or nature. Seller owns, and has the right to sell and convey to Purchaser without interference from others, all rights in and to the Intangible Assets/Goodwill, and has not previously entered into any agreement concerning the use, sale, or license of, or the Granting of any right to or interest in, any of the Intangible Assets/Goodwill.

(e) FINANCIAL RECORDS AND STATEMENTS OF SELLER. The gross sales of Seller for all products and services sold or provided by Seller in the ordinary course of the Business for the year ended December 31, 1997 is in excess of US\$_____.

(f) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES. There is (i) no action, suit, arbitration or administrative or judicial proceeding, government investigation, judgment, order, writ, injunction or decree outstanding, pending or threatened against Seller, Suri, any person in his capacity as an employee or agent of Seller, the Assets, the Business, the goodwill of Seller, or any such matter to which Seller, Suri, or any such person is a party which adversely effects the Assets or the Business being acquired hereunder, or the consummation of the transactions contemplated hereunder, (ii) there is no contingent liability of, and no claim made by any party against, Seller, Suri, any person in his capacity as an employee or agent of Seller, the Assets, the Business, or goodwill of Seller which adversely effects the Assets or the Business being acquired hereunder, or the consummation of the transactions contemplated hereunder, (iii) there is no pending or threatened labor dispute or attempt by any union to organize or be certified as the representative of any of Seller's employees which adversely effects the Assets or the Business being acquired hereunder, or the consummation of the transactions contemplated hereunder, (iv) there is no rezoning petition or reclassification proceeding with respect to or that affects the Business now pending or threatened, and (v) there is or has been no event or occurrence which is likely to give rise to any of the foregoing.

(g) EMPLOYEE AND RELATED CONTRACTS AND AGREEMENTS. With regard to the Assets and the Business sold to Purchaser hereunder, Seller is not a party to any written or oral, express or implied, (i) contract or commitment for the employment or continued employment of any employee or agent of Seller; (ii) contract with any labor union or other collective bargaining agreement; (iii) any other material contract or commitment involving employees or independent contractors, where the existence of or the absence of the items specified in clauses (i), (ii), or (iii) above would materially and adversely affect Purchaser's purchase of the Assets and the operation of the Business.

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(h) AUTHORITY FOR AND CONDUCT OF BUSINESS. Seller presently has all licenses, permits, approvals, orders, and other authorizations from governmental and regulatory offices and authorities necessary for the conduct of the Business as now being conducted, to own or hold under lease the properties and assets it owns or holds under lease, and to perform the obligations under the agreements to which it is a party, and no proceeding is pending or threatened which seeks to revoke, limit or suspend any such authorization, approval, license, permit or order. Seller is in compliance with all applicable laws material to the Business, contractual or legal restrictions, regulations and administrative and executive orders of any country, or municipality or of any subdivisions thereof to which its business and employment of labor or use or occupancy of properties or any part thereof are subject where the existence of any non-compliance with such laws, contractual or legal restrictions, regulations and administrative and executive orders would adversely affect the Assets or the Business, and neither Seller nor Suri has received notice of any violation thereof. The laws, regulations and administrative and executive orders referred to above include, but are not limited to, those relating to labor relations, employment practices, worker's compensation, communications, zoning, building codes, copyright and patent protection, protection of the environment, waste disposal, toxic substances, product liability, health, occupational and other safety, transportation, employment benefits, exports, antitrust, consumer protection, the processing, production, advertising, sale or labeling of products, and other similar matters.

(i) NO MATERIAL ADVERSE CONDITIONS. There are no conditions, matters or events, known or unknown, contingent or otherwise which adversely affect, or might reasonably be expected to adversely affect the Assets or the Business or its prospects which are to be carried on by Purchaser.

(j) TAXES AND TAX RETURNS OF SELLER. All taxes imposed by England or by any other country or by any state, province, municipality or subdivision thereof which are due or payable or which become due or payable by Seller with respect to any period or portion thereof up to and including the date of the Closing have been (or will have been) paid in full or will be paid in full on the due date of the required return or report with respect to any such tax. Seller has filed or will file in a timely manner all required returns and reports with respect to income taxes and all other taxes of any kind, such returns and reports have been prepared accurately and in accordance with the law, and all taxes, interest and penalties due thereon have been paid. There are no actions, suits, proceedings, claims, or investigations or assessments now pending or threatened against Seller in respect of taxes or governmental charges, or any matters under discussion with any governmental authority relating to taxes or governmental charges and there are no waivers or extensions of any statutes of limitations in effect with respect thereto.

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(k) EMPLOYEE BENEFIT PLANS OF SELLER. All employee benefit plans of any kind, including but not limited to group life insurance, medical, long-term disability, pension and profit sharing plans, established, maintained or participated in by Seller (the "Plans") are in compliance with all applicable reporting, disclosure and other requirements of such Plans in accordance with all applicable laws.

(1) NO DEFAULT. Seller is not in default or breach of any contract or agreement, written or oral, indenture or other instrument or obligation, to which it is a party or to which it or its property is subject and which affects the Business, the Assets or the Option Assets, and there exists no state of facts which after notice or lapse of time or both would constitute such a default or breach, and all such contracts, agreements, indentures or other instruments are in good standing and in full force and effect, enforceable in accordance with their respective terms.

(m) INVENTORY. The Inventory to be sold to Purchaser on the Closing Date will consist of a quality and quantity usable, salable, and merchantable in the ordinary course of the Business and all such Inventory is valued at Seller's cost (on a first-in, first-out basis).

(n) CURTAILMENT NOTICES. Neither Seller nor Suri has received any notice from any supplier (including utilities) of curtailment or intended curtailment of services or supplies to Seller.

(o) CUSTOMER RELATIONS. Neither Seller nor Suri is are aware of any facts or information indicating that any customer intends to or may cease doing any material amount of business with Seller or to materially alter the amount of any such business or to increase the quantity of returned product beyond that which such customer historically returned to Seller or to delay the return of products until after the Closing Date.

(p) TRUE AND COMPLETE DISCLOSURES. All information furnished by Seller, Suri or their representatives to Purchaser or its representatives in connection with the negotiation of this Agreement is true and complete in all material respects. All of the statements, representations, warranties and agreements made by Seller or Suri in this Agreement shall be true and correct in all material respects on and as of the Closing and thereafter with the same force and effect as if made by Seller and Suri at the Closing.

12. REPRESENTATIONS AND WARRANTIES OF PURCHASER. Purchaser hereby represents and warrants that, as of the date hereof and as of the Closing Date:

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(a) NO CONFLICT WITH OTHER INSTRUMENTS OR AGREEMENTS. Neither the execution, delivery, or performance of this Agreement and all other instruments, agreements, and other documents in connection herewith nor the consummation of the transactions contemplated hereby or thereby will violate, conflict with or result in a breach of or constitute a default under any contract, instrument, article or charter of incorporation, by-law, agreement, indenture, or license to which Purchaser is a party or by which Purchaser is bound or affected, or under any law, judgment, order, decree, rule or regulation to which Purchase is subject. No governmental, public authority, or other agency authorization, approval, order, license, permit, or consent, and no registration, declaration or filing with any governmental, public authority or agency is required in connection with the execution, delivery or performance of this Agreement or the other instruments, agreements, or other documents by Purchaser or the consummation of the transactions hereby or thereby.

(b) CORPORATE ORGANIZATION AND AUTHORIZATION. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of The Netherlands. Purchaser has the corporate power to own and lease its properties and carry on its business as it is now conducted and otherwise as necessary for the purposes of this Agreement. All necessary corporate action and other proceedings required to be taken by or on behalf of Purchaser to authorize Purchaser to enter into and consummate this Agreement in accordance with the terms hereof have been duly authorized and properly taken. This Agreement constitutes, and all instruments, agreements and other documents to be delivered in connection herewith, when executed and delivered, will constitute legal, valid and binding obligations of Purchaser, enforceable in accordance with their terms.

(c) TRUE AND COMPLETE DISCLOSURES. All information furnished by Purchaser of its representatives to Seller or its representative in connection with the negotiation of this Agreement is true and complete in all material respects. All of the statements, representations, warranties and agreements made by Purchaser in this Agreement shall be true and correct in all material respects on and as of the Closing and thereafter with the same force and effect as if made by Purchaser at the Closing.

13. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The covenants, representations and warranties of the parties contained herein and in any Schedule, Exhibit, or document attached hereto shall be deemed to have been relied upon by the parties hereto, notwithstanding any investigation made by the parties. All covenants, representations and warranties made herein shall not be affected by any examinations or investigations conducted by Purchaser or Seller prior to

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Closing and shall survive the Closing and shall continue in effect after the execution of this Agreement and the consummation of the sale contemplated hereby unless waived in writing.

14. NON-COMPETITION/NON-SOLICITATION/CONFIDENTIALITY. Each of Seller and Suri hereby covenants and agrees:

(a) that for a period of one (1) year from the Closing, neither Seller, Suri, nor any company controlling, controlled by, or under common control with Seller or Suri, will, directly or indirectly, either alone, or in partnership, or in conjunction with person, company or entity as principal, agent, shareholder, or joint venturer: (i) conduct business which is similar to the Business; (ii) engage in the sale at products and/or services which similar to the products or services sold and/or provided by Seller in the conduct of the Business to any person, company or entity which in the two (2) year period immediately preceding the Closing was a customer of Seller in the Business or was a competitor of any such customer; (iii) except for appropriate notification of the sale of the Assets and the appointment of the Purchaser as Seller's sole and exclusive subdistributor pursuant to Section 36, affirmatively interfere with, disrupt, or attempt to disrupt, in any manner, the relationship, contractual or otherwise, between Purchaser and any person who is or was a customer or supplier of Seller for the Business at any time during the two (2) year period immediately prior to the Closing for products and/or services of any type or quality provided to such customer or for supplies acquired from such supplier by Seller for the Business; or (iv) solicit for employment or other working relationship any of the employees hired by Purchaser; and

(b) to hold in confidence all Confidential and Proprietary Information, and that each of them will not disclose or use or permit the disclosure or use of the Confidential and Proprietary Information at any time, except as may be required as a matter of law, or at any judicial or governmental proceeding; and

(c) that (i) the time duration and geographic and other scope limitations contained in this Section 14 are reasonable and are required for the reasonable protection of Purchaser's investment in the Assets and the Business and constitute an integral part of the consideration given by Seller and Suri in exchange for the Purchase Price; provided, however, the parties hereto agree that a court of competent jurisdiction or other trier of fact may modify and enforce the covenants contained in this Section 14 to the extent it deems reasonable under the circumstances at that time and such modification shall be binding on the parties hereto and (ii) any breach by any of them of any of the terms of this Section 14 may cause substantial and irreparable injury to Purchaser in amounts which may be difficult or impossible to ascertain, and covenants and agrees that in the event of such

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breach any of the terms of this Section 14, Purchaser shall have, in addition to all other remedies available in the event of a breach of this Agreement, the right to injunctive or other equitable relief, without the need of posting bond or other security, as well as an award of attorneys' fees and costs incurred as a result of such action, and in the event of any breach or other violation of the provisions of this Section 14 by either Seller or Suri, the running of the time period of Non-Competition/Non-Solicitation shall be tolled during the period of the continuance of any actual breach or violation.

For purposes of this Section 14, "Confidential and Proprietary Information" means any information constituting a part of the Assets, including, but not limited to, the following to the extent they constitute a part of the Assets: (i) trade secrets; (ii) proprietary products and trade names; (iii) all other intellectual property rights; and (iv) any compilations of otherwise public information, such as vendor or customer listings; provided, however, that Confidential and Proprietary Information does not include any (w) information which is used by Seller in its retained business which is not the subject of this Agreement and none of which is used or useful in the Business or is a part of the Assets, (x) information already generally known to the public; (y) information which, either prior to or subsequent to the Closing, is lawfully disclosed to Seller and Suri by anyone else rightfully in possession of such information and who is not in a confidential relationship with Purchaser; and (z) information which, without violating any legal rights of Purchaser, becomes generally known and used by others who are not in a confidential relationship with Purchaser. In addition, the provisions of this Section 14 shall not apply to sales by Seller of infrared or radio frequency remote control products bearing the brand names "Bush" and "Einstein" so long as such remote control products are manufactured and approved by Purchaser.

15. NON-COMPETITION/NON-SOLICITATION/CONFIDENTIALITY. Each of Seller and Suri hereby covenants and agrees:

(a) that for a period of five (5) years from January 31, 1999, neither Seller, Suri, nor any company controlling, controlled by, or under common control with Seller or Suri, will, directly or indirectly, either alone, or in partnership, or in conjunction with person, company or entity as principal, agent, shareholder, or joint venturer: (i) conduct business which is similar to the Business; (ii) engage in the sale of products and/or services which similar to the products or services sold and/or provided by Seller in the conduct of the Business to any person, company or entity which in the two (2) year period immediately preceding the Closing was a customer of Seller in the Business or was a competitor of any such customer, except that after January 31, 2001, the restrictions contained within this subsection 15(a)(ii) shall not apply to Argos, and Seller and/or Suri shall be free to sell products to Argos in competition with Purchaser, provided however,

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that prior to selling any products to Argos in competition with Purchaser, Seller and/or Suri agree to first allow Purchaser an opportunity to provide Seller and/or Suri with the products that Seller and/or Suri propose to sell to Argos on terms and other conditions that will allow Seller and/or Suri to earn the same gross margin as Seller and/or Suri would have earned by selling products which have not been provided by Purchaser and if Purchaser is unable to choose to not provide Seller and/or Suri with any such products, then Seller and/or Suri shall be allowed to obtain and sell products in competition with Purchaser; (iii) except for appropriate notification of the sale of the Assets, affirmatively interfere with, disrupt, or attempt to disrupt, in any manner, the relationship, contractual or otherwise, between Purchaser and any person who is or was a customer or supplier of Seller for the Business at any time during the two (2) year period immediately prior to the Closing for products and/or services of any type or quality provided to such customer or for supplies acquired from such supplier by Seller for the Business; or (iv) solicit for employment or other working relationship any of the employees hired by Purchaser; and

(b) to hold in confidence all Confidential and Proprietary Information, and that each of them will not disclose or use or permit the disclosure or use of the Confidential and Proprietary Information at any time, except as may be required as a matter of law, or at any judicial or governmental proceeding; and

(c) that (i) the time duration and geographic and other scope limitations contained in this Section 15 are reasonable and are required for the reasonable protection of Purchaser's investment in the Assets and the Business and constitute an integral part of the consideration given by Seller and Suri in exchange for the Purchase Price; provided, however, the parties hereto agree that a court of competent jurisdiction or other trier of fact may modify and enforce the covenants contained in this Section 15 to the extent it deems reasonable under the circumstances at that time and such modification shall be binding on the parties hereto and (ii) any breach by any of them of any of the terms of this Section 15 may cause substantial and irreparable injury to Purchaser in amounts which may be difficult or impossible to ascertain, and covenants and agrees that in the event of such breach any of the terms of this Section 15, Purchaser shall have, in addition to all other remedies available in the event of a breach of this Agreement, the right to injunctive or other equitable relief, without the need of posting bond or other security, as well as an award of attorneys' fees and costs incurred as a result of such action, and in the event of any breach or other violation of the provisions of this Section 15 by either Seller or Suri, the running of the time period of Non-Competition/Non-Solicitation shall be tolled during the period of the continuance of any actual breach or violation.

Mr. Ashok Suri
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For purposes of this Section 15, "Confidential and Proprietary Information" means any information constituting a part of the Assets, including, but not limited to, the following to the extent they constitute a part of the Assets: (i) trade secrets; (ii) proprietary products and trade names; (iii) all other intellectual property rights; and (iv) any compilations of otherwise public information, such as vendor or customer listings; provided, however, that Confidential and Proprietary Information does not include any (w) information which is used by Seller in its retained business which is not the subject of this Agreement and none of which is used or useful in the Business or is a part of the Assets, (x) information already generally known to the public; (y) information which, either prior to or subsequent to the Closing, is lawfully disclosed to Seller and Suri by anyone else rightfully in possession of such information and who is not in a confidential relationship with Purchaser; and (z) information which, without violating any legal rights of Purchaser, becomes generally known and used by others who are not in a confidential relationship with Purchaser. In addition, the provisions of this Section 15 shall not apply to sales by Seller of infrared or radio frequency remote control products bearing the brand names "Bush" and "Einstein" so long as such remote control products are manufactured and approved by Purchaser.

16. CONDITIONS OF OBLIGATIONS OF PURCHASER. The obligations of Purchaser, including but not limited to the obligation to close the transaction contemplated hereunder, are, at the option of Purchaser, subject to satisfaction of the following conditions on or prior to the Closing, all of which may be waived by Purchaser in whole or in part:

(a) The representations and warranties of Seller contained herein shall be true, correct and complete in all material respects on and as of the Closing and Purchaser shall have received at the Closing a certificate to that effect, dated the Closing Date and executed by the President of Seller and Suri; provided that the receipt of such certificate and the closing of the sale herein provided shall not be deemed to be a waiver of any representation or warranty contained in this Agreement, which representations and warranties shall continue in full force and effect for the benefit of the parties as provided herein.

(b) Each of Seller and Suri shall have performed and observed, in all material respects, all covenants, agreements, acts, undertakings and conditions of each of them herein to be performed or observed by each of them on or before the Closing.

(c) Delivery to Purchaser of such other documents, instruments, or certificates as Purchaser shall reasonably request.

Mr. Ashok Suri
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February 3, 1998, as amended
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17. CONDITIONS OF OBLIGATIONS OF SELLER. The obligations of Seller and Suri, including but not limited to the obligation to close the transactions contemplated hereunder, are, subject to the satisfaction of the following conditions on or prior to the Closing all of which may be waived by Seller or Suri in whole or in part:

(a) The representations and warranties of Purchaser contained herein shall be true, correct and complete in all material respects on and as of the Closing and Seller and Suri shall have received at the Closing a certificate to that effect, dated the Closing Date, and executed on behalf of Purchaser by its chief executive officer or chief financial officer.

(b) Purchaser shall have performed and observed, in all material respects, all covenants, agreements and conditions herein to be performed or complied with by Purchaser on or before the Closing.

(c) Delivery to Seller of such other documents, instruments, or certificates as Seller shall reasonably request.

18. FURTHER ASSURANCES. Each party hereto shall from time to time at the reasonable request of the other party hereto, whether on or after the Closing, do, make, execute, acknowledge, and deliver all such further acts and instruments of conveyance, assignment, transfer and consent, in form and substance reasonably satisfactory to the requesting party, concerning compliance with the terms and conditions of this Agreement as such requesting party may reasonably require for the more effective performance of their respective obligations hereunder and the completion of the transactions contemplated hereby.

19. ADDITIONAL COVENANTS OF SELLER AND SURI.

(a) Use OF PURCHASER'S TRADE NAME, TRADEMARKS AND SERVICE Marks. After Closing, neither Seller, Suri, nor any person or entity affiliated with any of them shall use the trade name and/or trademark "Universal Electronics", "One For All", or any other trade name, trademark or service mark of Purchaser or any of its affiliates, or any name similar to or a derivative of any of the aforementioned trade names, trademarks or services marks.

(b) PAYMENT OF CREDITORS. On or before the tenth day after the Closing, Seller and Suri shall deliver to Purchaser a certificate, signed by a duly authorized officer of the Seller and Suri, that all creditors of Seller with regard to the Assets or the Business have been paid in full or that provisions have been made for the satisfaction of the same.

Mr. Ashok Suri
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20. INDEMNIFICATION.

(a) Each of Seller and Suri hereby agrees to indemnify Purchaser and its successors, assigns and affiliates, and present and future directors, officers, employees, and agents against, and hold them harmless from and against all damages, losses, liens, claims, deficiencies, liabilities, fines, penalties, costs and expenses, including but not limited to reasonable legal fees and costs of litigation (including without limitation any appellate proceedings) (collectively referred to as "Damages") resulting from, caused by or arising out of any of the following: (i) the inaccuracy of any statement or representation or the breach of any warranty, covenant, or agreement of either of Seller or Suri, made herein, or the failure of any of them, to perform any covenant or agreement made or referred to herein; (ii) any claim against any of the Assets, against Purchaser by a creditor of Seller, or arising out of a breach of this Agreement by either of Seller or Suri; (iii) any transaction, occurrence, action, or omission in connection with the operation of the Business by Seller or Suri prior to the Closing; (iv) any claim asserted against Purchaser in connection with or arising out of any delinquent contributions to any pension plan of Seller, any withdrawal liability to any multi-employer pension plan, or any employee benefits, including without limitation any severance benefits, accruing prior to the Closing or as a result of the consummation of the transactions contemplated hereunder; (v) any claim contained in any pending litigation against Seller or Suri; and (vi) any claim asserted against Purchaser by reason of any noncompliance of any applicable bulk transfers or similar laws under the provisions of any applicable jurisdiction.

(b) Purchaser hereby agrees to indemnify and hold Seller and Suri and their respective successors, assigns and affiliates, and present and future directors, officers, employees, and agents against, and hold them harmless from and against all Damages resulting from, caused by or arising out of the following: (i) the inaccuracy of any statement or representation or the breach of any warranty, covenant, or agreement of Purchaser made herein, or the failure of Purchaser to perform any covenant or agreement made by it herein; and (ii) any transaction, occurrence, action or omission in connection with the operation of the Business by Purchaser after the Closing.

(c) Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("third person") or the commencement of any action or proceeding by a third person, the Indemnified Party shall, if a claim with respect thereto is to be made against any party obligated to provide indemnification pursuant hereto (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and basis of such claim

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and, if ascertainable, the amount thereof. In each such case the Indemnified Party agrees to give such notice to the Indemnifying Party promptly; provided, however, that the failure of the Indemnified Party to give such notice shall not excuse the Indemnifying Party's obligation to indemnify except to the extent the Indemnifying Party has suffered damage or prejudice by reason of the Indemnified Party's failure to give or delay in giving such notice. The Indemnified Party shall have the right to compromise or defend such third person claim, upon notice to and at the expense of the Indemnifying Party; provided that the Indemnifying Party shall not have objected to such compromise or defense by written notice to the Indemnified Party within five (5) days after receipt by the Indemnifying Party of the Indemnified Party's notice of such intention to compromise or defend the third party claim. After receipt of such notice from the Indemnified Party, the Indemnifying Party shall acknowledge in writing its obligation to indemnify in respect of such third person claim. Provided that the Indemnifying Party shall have so acknowledged its obligation to indemnify in respect of such claim, the Indemnifying Party may, at its expense, have the right to participate in the defense of such third person claim and no such third person claim shall be settled by the Indemnified Party without the consent of the Indemnifying Party, which consent shall not be unreasonably withheld. At any time after notice of any third person claim, the Indemnifying Party may request the Indemnified Party to agree in writing to the payment or compromise of the third person claim, whereupon such action shall be taken unless the Indemnified Party determines that the contest should be continued, and so notifies the Indemnifying Party in writing within fifteen (15) days of such request from the Indemnifying Party.

(d) If an Indemnified Party shall have any claim pursuant to this Section 20, including but not limited to a claim for Damages as the result of the Indemnifying Party's failure to acknowledge its obligation to indemnify, the Indemnified Party shall deliver to the Indemnifying Party written notice explaining the nature and amount of such claim promptly after the Indemnified Party shall know the amount of such claim. The Indemnified Party and Indemnifying Party shall thereafter attempt in good faith for a period of not less than thirty (30) days to agree upon whether the Indemnified Party is entitled to be indemnified and held harmless under this Section 20 and the extent to which it is entitled to be indemnified and held harmless hereunder. If the parties cannot so agree within said period, the Indemnified Party may thereafter commence litigation in a court of competent jurisdiction for a determination of its claim. Upon resolution of any claim pursuant to this Section 20, whether by agreement between the parties or the rendering of a final judgment in any litigation, the Indemnifying Party shall within ten (10) days of such resolution pay over and deliver to the Indemnified Party funds in the amount of any claim as resolved, and any fees and interest, including reasonable attorneys' fees and costs

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(including without limitation any appellate proceedings), incurred by the Indemnified Party with respect to any such litigation.

(e) Notwithstanding anything to the contrary herein, in the event Purchaser has a claim for indemnification pursuant to this Section 20, Purchaser may set-off Damages against any amount of the Purchase Price which has not yet been paid by Purchaser to Seller pursuant to the terms of this Agreement; provided however, Purchaser's election to set-off pursuant to this Section 20(e) shall in no way limit Purchaser from pursuing any other remedy available to it hereunder, at law, or in equity and in no way shall such election to set-off be construed as a liquidation of such Damages.

21. EXPENSES. Except to the extent otherwise provided by this Agreement or as specifically authorized in writing by the parties hereto, each party shall pay for its own legal, accounting and other similar expenses incurred in connection with the transactions contemplated by this Agreement, whether or not such transactions are consummated.

22. BROKERAGE COMMISSIONS. Each party represents and warrants that this Agreement is the result of direct negotiations between them and that there are no claims for brokerage commissions or finder's fees in connection with the transactions contemplated by this Agreement. Each of the parties agrees to indemnify and hold harmless the other for any Damages resulting from or arising out of any liability to any broker or finder on the basis of any arrangement or agreement made by or on behalf of such party.

23. ENTIRE AGREEMENT AND BINDING EFFECT. This Agreement and the Exhibits, Schedules and documents attached hereto contain the entire agreement between the parties hereto with respect to the transactions contemplated herein, and supersede all prior agreements or understandings between the parties relating to the subject matter hereof. This Agreement, and all questions concerning its construction, validity, and interpretation, and the performance of the obligations imposed by this Agreement, shall be governed, interpreted and enforced according to the internal law, not the law of conflicts, of England. All Exhibits, Schedules and documents attached hereto are incorporated herein by this reference.

24. ASSIGNABILITY. This Agreement shall not be assignable by any of the parties hereto without the prior written consent of the other parties hereto, except that it may be assigned by Purchaser to any corporation controlled by, or under direct or indirect common control with, Purchaser. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, representatives, successors and permitted assigns.

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25. PARTIAL INVALIDITY/SEVERABILITY. The various covenants and provisions of this Agreement, including specifically, without limitation those covenants and provisions contained in Sections 14 and 15 hereof, are intended to be severable and to constitute independent and distinct binding obligations of the parties hereto. In the event any one or more of the covenants or provisions contained in this Agreement or any application thereof shall be invalid, illegal or unenforceable in whole or in part, the validity, legality and enforceability of the remaining covenants or provisions of this Agreement and any other part or application thereof shall not in any way be affected or impaired thereby (except if such partial invalidity may frustrate the basic intents and purposes hereof).

26. TERMINATION. This Agreement may be terminated or abandoned any time prior to the consummation hereof by (a) the mutual consent of the parties hereto; (b) either Purchaser or Seller, respectively, if there has been a material misrepresentation or breach on the part of Seller or Purchaser, respectively, of any representation, warranty or covenant set forth in or made pursuant to this Agreement; or (c) Purchaser or Seller if the Closing has not occurred by February 15, 1998; provided, however, that any termination pursuant to clause (b) above shall not be deemed to be a waiver of any rights and remedies otherwise available under this Agreement, by operation of law or otherwise to the party who so terminates.

27. WAIVERS AND NOTICES. Any term or condition of this Agreement may be waived at any time by the party entitled to the benefit thereof by a written instrument. No delay or failure on the part of any party in exercising any rights hereunder, and no partial or single exercise thereof, will constitute a waiver of such rights or of any other rights hereunder nor shall operate as a waiver of, or estoppel with respect to, any subsequent or other exercise of any rights hereunder. All notices, waivers, consents, requests, instructions, approvals, and other communications provided for herein shall be in writing and shall be validly given, made or served (a) upon delivery to the address of such party specified below if delivered personally or by courier, or sent by certified or registered mail, return receipt requested, postage prepaid, or (b) upon dispatch if transmitted by telecopy or other means of facsimile, in any case to the parties at the following addresses or telecopy number, as the case may be:

- (a) If to Seller and/or Suri: Mr. Ashok Suri
Strand Europe Ltd.
Strand House, Galway Road
Blackbushe Business Park
Yateley, Hampshire
GU46 6GE
Telecopy No. 011 441 252 861006
Confirm No. 011 441 252 861000

Mr. Ashok Suri
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(b) If to Purchaser: Mr. Paul Bennett
 Universal Electronics B.V.
 Javastraat 92
 7512 ZK Enschede
 Netherlands
 Telecopy No. 011 31 53 432 7080
 Confirm No. 011 31 53 488 8000

or to such other address or telecopy number as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall only be effective upon receipt. If notice is transmitted by telecopy or other means of facsimile, the sending party must, on the same day, send a copy of such notice by regular mail, postage pre-paid.

28. AMENDMENT. This Agreement may be amended, modified, or supplemented only by written agreement of the parties hereto.

29. REMEDIES CUMULATIVE. All remedies of the parties provided herein shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other remedies available to the parties, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained herein, and every remedy given herein or by law to any party hereto may be exercised from time to time, and as often as shall be deemed expedient, by such party.

30. SPECIFIC PERFORMANCE. Each of Seller and Suri acknowledges and agrees that the Assets are unique, that damages for any failure of Seller or Suri to transfer the Assets pursuant to this Agreement would be an inadequate remedy, and that Purchaser shall be entitled to enforcement by judgment for specific performance.

31. ATTORNEYS' FEES. Should suit be brought to enforce or interpret any part of this Agreement, the prevailing party shall be entitled to recover, as an element of costs of suit and not as damages, interest and reasonable attorneys' fees and costs, including all costs and expenses of any appellate court proceedings.

32. HEADINGS. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the interpretation or meaning of this Agreement.

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February 3, 1998, as amended
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33. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

34. NO STRICT CONSTRUCTION. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent and no rule of strict construction will be applied against any party.

35. NONDISCLOSURE OF TERMS AND IDENTITY OF RELATED PARTIES. Purchaser, Seller and Suri each agrees to not disclose any of the terms, conditions or provisions of this Agreement to any person, firm, corporation, association, agency or entity other than its own attorneys and shareholders, except where such disclosure is lawfully required and in such instances such disclosure shall be limited to the information specifically required to be produced.

36. DISTRIBUTION AGREEMENT. Effective the Closing Date but subject to Universal Electronics Inc., a Delaware corporation ("UEI") consent, Purchaser shall become the sole and exclusive subdistributor of Seller under that certain Distribution Agreement by and between Seller and UEI dated November 1995 (the "Distribution Agreement") for the period commencing on the Closing Date (or the date of UEI's consent) and ending on the earlier of January 31, 1999 or the date on which either the Call Option or the Put Option is exercised. During such time as Purchaser is the sole and exclusive subdistributor, Seller shall not exercise any of its rights under the Distribution Agreement other than to enforce its rights under the Distribution Agreement in the event of a breach of the Distribution Agreement by either Purchaser or UEI (but only in the event that UEI is in breach and Purchaser fails to enforce its rights against UEI). Seller represents to Purchaser that it is not now in default or breach of the Distribution Agreement, there exists no state of facts which after notice or lapse of time or both would constitute such a default or breach, the Distribution Agreement is in good standing and in full force and effect, enforceable in accordance with its terms, and Seller has not appointed any other party or person as a subdistributor under the Distribution Agreement. In the event that either the Call Option or the Put Option is exercised, then the Distribution Agreement shall automatically terminate and be of no further force and effect.

Mr. Ashok Suri
Strand Europe Ltd.
February 3, 1998, as amended
December 30, 1998

If the foregoing is an accurate statement of our agreement, please indicate your approval by countersigning the enclosed copy of this letter and returning it to me as soon as possible.

Sincerely,

UNIVERSAL ELECTRONICS B.V.,
a Netherlands corporation

By: -----
Paul Bennett, Managing Director

APPROVED THIS 30TH DAY
OF DECEMBER, 1998.

STRAND EUROPE LTD.
an England corporation

By -----
Ashok Suri, Managing Director

AND

Ashok Suri, Individually

SCHEDULE 4.3
PURSUANT TO SECTION 4.3

Purchaser shall be responsible for the following:

1. All products returned after the Closing Date; and
2. Telephone services to be provided after the Closing Date in connection with the products.

Each of Seller and Suri acknowledges and agrees that Seller shall be and remain solely responsible for all product returns and all telephone services provided prior to the Closing Date.

SCHEDULE 7
PURSUANT TO SECTION 7

PRODUCT -----	US\$PRICE -----
URC 2510 ONESHOT	6.75
URC 2530 SO EASY	7.35
URC 3505 ZAP-3	9.35
URC 2560 LITTLE EASY	9.65
URC 2585 BIG EASY	10.50
URC 3550 MENU-3	11.50
URC 2500 OFA-4	13.00
URC 2589 LITE	13.50
URC 2505 OFA-5	16.00
URC 4300 OFA-6	18.50
URC 5550 LCD-5	29.00
URC 8550 LCD-8	34.00

UNIVERSAL ELECTRONICS INC.
COMPUTATION OF PER SHARE EARNINGS

	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	1998	1997	1998	1997
Common stock outstanding, beginning of period	6,312,000	6,263,000	6,312,000	6,372,000
Weighted average common stock outstanding from exercise of stock options, treasury stock purchases and employee benefit plan	106,000	33,000	74,000	(90,000)
Weighted average common stock outstanding	6,418,000 =====	6,296,000 =====	6,386,000 =====	6,282,000 =====
Stock options	163,000 -----	-- -----	214,000 -----	-- -----
Weighted average common stock and common stock equivalents outstanding	6,581,000 =====	6,296,000 =====	6,600,000 =====	6,282,000 =====
Net income (loss) attributable to common stockholders	\$ 2,370,647	\$(7,713,452)	\$ 5,637,650	\$(6,518,362)
Net income (loss) per common stock and common stock equivalents:				
Basic	\$ 0.37 =====	\$ (1.23) =====	\$ 0.88 =====	\$ (1.04) =====
Diluted	\$ 0.36 =====	\$ (1.23) =====	\$ 0.85 =====	\$ (1.04) =====

UNIVERSAL ELECTRONICS INC.
LIST OF SUBSIDIARIES OF THE REGISTRANT

One For All B.V. (organized under the laws of The Netherlands)

One For All GmbH (organized under the laws of Germany)

One For All (UK) Ltd. (organized under the laws of the United Kingdom)

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 No. 33-66426 filed on or about July 23, 1993, No. 333-09021 filed on July 26, 1996, and No. 333-23985 filed on March 26, 1997 of Universal Electronics Inc. of our report dated January 22, 1999, appearing on page 27 of this Annual Report on Form 10-K.

PRICEWATERHOUSECOOPERS LLP

Costa Mesa, California
April 5, 1999

YEAR		
	DEC-31-1998	
	JAN-01-1998	
	DEC-31-1998	1,488,672
		0
		25,250,522
		(1,611,468)
		14,834,058
	43,065,743	
		9,068,926
		(4,628,979)
		60,676,890
16,144,416		0
	0	0
		0
		72,266
		44,460,208
60,676,890		
		96,122,619
	96,122,619	
		59,879,089
		26,738,845
		100,355
		0
	455,577	
		8,948,753
		(3,311,103)
		0
		0
		0
		0
		5,637,650
		.88
		.85