

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(mark one)

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

For the Quarterly Period ended September 30, 2003

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

For the transition period from _____ to _____.

Commission File Number: 0-21044

UNIVERSAL ELECTRONICS INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

33-0204817
(I.R.S. Employer
Identification No.)

6101 Gateway Drive
Cypress, California
(Address of principal executive offices)

90630
(Zip Code)

Registrant's telephone number, including area code: (714) 820-1000

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

Yes [X] No []

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Yes [X] No []

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date 13,830,970 shares of Common Stock, par value \$.01 per share, of the registrant were outstanding at September 30, 2003.

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UNIVERSAL ELECTRONICS INC.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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

	September 30, 2003	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 52,088	\$ 18,064
Short-term investments	—	22,500
Accounts receivable, net	27,989	26,307
Inventories	18,979	16,046
Prepaid expenses and other current assets	1,220	1,123
Deferred income taxes	1,920	1,920
Income tax receivable	1,634	2,234
	<u>103,830</u>	<u>88,194</u>
Total current assets	103,830	88,194
Equipment, furniture and fixtures, net	3,520	3,383
Goodwill	2,961	2,961
Intangible assets, net	3,326	3,682
Other assets	781	739
Deferred income taxes	1,057	1,057
	<u>115,475</u>	<u>100,016</u>
Total assets	\$ 115,475	\$ 100,016
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 10,851	\$ 7,795
Accrued income taxes	3,912	2,407
Accrued compensation	2,164	1,253
Other accrued expenses	7,815	5,324
	<u>24,742</u>	<u>16,779</u>
Total current liabilities	24,742	16,779
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value, 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock, \$.01 par value, 50,000,000 shares authorized; 16,386,736 and 16,001,206 shares issued at September 30, 2003 and December 31, 2002, respectively	164	160
Paid-in capital	74,832	71,322
Accumulated other comprehensive loss	(1,256)	(1,740)
Retained earnings	33,720	29,912
Deferred stock-based compensation	(84)	(147)
Less cost of common stock in treasury, 2,555,766 and 2,521,313 shares at September 30, 2003 and December 31, 2002, respectively	(16,643)	(16,270)
	<u>90,733</u>	<u>83,237</u>
Total stockholders' equity	90,733	83,237
	<u>115,475</u>	<u>100,016</u>
Total liabilities and stockholders' equity	\$ 115,475	\$ 100,016

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net sales	\$30,300	\$26,004	\$84,931	\$74,005
Cost of sales	18,467	15,975	52,111	43,703
Gross profit	11,833	10,029	32,820	30,302
Research and development expenses	1,201	1,116	3,541	3,275
Selling, general and administrative expenses	8,242	7,118	24,006	22,530
Operating income	2,390	1,795	5,273	4,497
Interest income	106	166	401	438
Other income, net	29	20	95	243
Income before income taxes	2,525	1,981	5,769	5,178
Provision for income taxes	858	124	1,961	1,243
Net income	\$ 1,667	\$ 1,857	\$ 3,808	\$ 3,935
Earnings per share:				
Basic	\$ 0.12	\$ 0.13	\$ 0.28	\$ 0.28
Diluted	\$ 0.12	\$ 0.13	\$ 0.27	\$ 0.27
Shares used in computing earnings per share:				
Basic	13,751	13,836	13,648	13,865
Diluted	14,145	14,046	13,937	14,311

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

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

	Nine Months Ended September 30,	
	2003	2002
Cash provided by operating activities:		
Net income	\$ 3,808	\$ 3,935
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	334	224
Depreciation and amortization	2,631	2,871
Shares issued under employee benefit plan	268	274
Stock-based compensation	63	77
Changes in operating assets and liabilities:		
Accounts receivable	(363)	5,327
Inventories	(2,931)	(448)
Prepaid expenses and other assets	(110)	(757)
Accounts payable and accrued expenses	5,984	217
Accrued income and other taxes	2,056	(1,137)
Net cash provided by operating activities	<u>11,740</u>	<u>10,583</u>
Cash used for investing activities:		
Purchase of short-term investments	(22,000)	(10,700)
Sale of short-term investments	44,500	4,300
Acquisition of equipment, furniture and fixtures	(1,920)	(1,632)
Payments for businesses acquired	—	(132)
Acquisition of intangible assets	—	(780)
Payments for patents	(493)	(988)
Net cash provided (used) for investing activities	<u>20,087</u>	<u>(9,932)</u>
Cash provided by financing activities:		
Treasury stock purchase	(372)	(3,518)
Proceeds from stock options exercised	3,246	1,334
Payment on note payable	(43)	(56)
Net cash provided (used) by financing activities	<u>2,831</u>	<u>(2,240)</u>
Effect of exchange rate changes on cash	<u>(634)</u>	<u>(1,729)</u>
Net increase (decrease) in cash and cash equivalents	34,024	(3,318)
Cash and cash equivalents at beginning of period	18,064	14,170
Cash and cash equivalents at end of period	<u>\$ 52,088</u>	<u>\$ 10,852</u>

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

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and all subsidiaries after elimination of all material intercompany accounts and transactions. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. These financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company's 2002 Annual Report on Form 10-K. The financial information presented in the accompanying statements reflects all adjustments that are, in the opinion of management, necessary for a fair presentation of the periods indicated. All such adjustments are of a normal recurring nature.

Stock-Based Compensation

The Company applies the provisions of Accounting Principles Board Opinion No. 25 in accounting for stock-based employee compensation; therefore, no compensation expense has been recognized for its fixed stock option plans as options are granted at fair market value on the date of the grant. In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," the Company adopted the disclosure requirements of this Statement.

The Company has provided below, the pro forma disclosures of the effect on net income and earnings per share as if SFAS No. 123 had been applied in measuring compensation expense for all periods presented. The following table illustrates, pursuant to SFAS No. 123, as amended by SFAS No. 148, the effect on net income and related earnings per share, had compensation cost for stock based compensation plans been determined based on the fair value method prescribed under SFAS No. 123.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net income				
As reported	\$ 1,667	\$ 1,857	\$ 3,808	\$ 3,935
Less: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(795)	(870)	(2,380)	(2,423)
Pro forma	\$ 872	\$ 987	\$ 1,428	\$ 1,512
Basic earnings per share:				
As reported	\$ 0.12	\$ 0.13	\$ 0.28	\$ 0.28
Pro forma	\$ 0.06	\$ 0.07	\$ 0.10	\$ 0.11
Diluted earnings per share				
As reported	\$ 0.12	\$ 0.13	\$ 0.27	\$ 0.27
Pro forma	\$ 0.06	\$ 0.07	\$ 0.10	\$ 0.11

The fair value of options at date of grant was estimated using the Black-Scholes model. There were no grants during the three month period ended September 30, 2003. The following assumptions were used for the grants during the three month period ended September 30, 2002: risk-free interest rate of approximately 3.46%, expected volatility of 65.91%, expected life of five

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

years; and the common stock will pay no dividends. The per share weighted average grant date fair values of the options granted during the three month period ended September 30, 2002 was \$5.25

The following assumptions were used for the grants during the nine months ended September 30, 2003 and 2002, respectively: risk-free interest rate of approximately 2.89% and 4.33%, expected volatility of approximately 63.89% and 67.68%, expected life of five years for 2003 and 2002; and the common stock will pay no dividends. The per share weighted average grant date fair values of the options granted during the nine months ended September 30, 2003 and 2002 were \$5.56 and \$9.29, respectively.

Accounts Receivable

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

The Company had one significant customer with sales of \$4.0 million and \$5.0 million representing 13.2% and 19.2% of net sales for the three months ended September 30, 2003 and 2002, respectively and with sales of \$14.2 million and \$17.6 million representing 16.7% and 23.8% of net sales for the nine months ended September 30, 2003 and 2002, respectively. Trade receivables with this customer amounted to \$2.1 million or 7.4% and \$2.9 million or 11.2% of the total trade receivables at September 30, 2003 and December 31, 2002, respectively.

Inventories

Inventories consisting of wireless control devices, including universal remote controls, wireless keyboards, antennas, and related component parts, are valued at the lower of cost or market. Cost is determined using the first-in, first-out method. The Company writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about the future demand and market conditions. Inventories consist of the following (in thousands):

	September 30, 2003	December 31, 2002
Components	\$ 7,574	\$ 7,950
Finished goods	11,405	8,096
Total inventories	\$18,979	\$16,046

Investment

The Company accounts for an investment, which does not have a readily determinable fair value, using the cost method, as the Company's investment is less than 20% and the Company is unable to exercise significant influence over the investee. Under the cost method, investments are carried at cost and adjusted only for other-than-temporary declines in fair value, distributions of earnings or additional investments. Included in other assets is a \$361,000 cost investment.

Income Taxes

We recorded income tax expense of \$0.9 million for the third quarter of 2003 compared to approximately \$0.1 million for the same period last year. Our estimated effective tax rate remained at 34% during the third quarter 2003, compared to an effective tax rate of 6% during the third quarter 2002. The lower effective tax rate in the third quarter of 2002 was a result of a decrease in 2002 estimated annual tax rate from 35% to 24% due to the use of remaining prior year research and development credits. Furthermore, the Company recorded income tax expense of \$1.9 million for the first nine months of 2003 as compared to \$1.2 million for the same period in 2002. Our effective tax rate during the first nine months of 2003 was 34% whereas our effective tax rate during the same period in 2002 was 24%. The lower effective tax rate during 2002 reflected the use of remaining prior year research and development credits.

Earnings Per Share

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding and dilutive potential common shares, which includes the dilutive effect of stock options and restricted stock grants. Dilutive potential common shares for all periods presented are computed utilizing the treasury stock method. In the computation of diluted earnings per common share for the three months ended September 30, 2003 and 2002, approximately 1,037,000 and 154,000 stock options, respectively, with exercise prices greater than the average market price of the underlying common stock were excluded because their inclusion would have been antidilutive. In the computation of diluted earnings per common share for the nine months ended September 30, 2003 and 2002, approximately 1,041,000 and 1,074,000 stock options, respectively, with exercise prices greater than the average market price of the underlying common stock were excluded because their inclusion would have been antidilutive.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Earnings per share for the three and six months ended September 30, 2003 and 2002 are calculated as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
(in thousands, except per share data)				
BASIC				
Net income	\$ 1,667	\$ 1,857	\$ 3,808	\$ 3,935
Weighted-average common shares outstanding	13,751	13,836	13,648	13,865
Basic earnings per share	\$ 0.12	\$ 0.13	\$ 0.28	\$ 0.28
DILUTED				
Net income	\$ 1,667	\$ 1,857	\$ 3,808	\$ 3,935
Weighted-average common shares outstanding for basic	13,751	13,836	13,648	13,865
Dilutive effect of stock options and restricted stock	394	210	289	446
Weighted-average common shares outstanding on a diluted basis	14,145	14,046	13,937	14,311
Diluted earnings per share	\$ 0.12	\$ 0.13	\$ 0.27	\$ 0.27

Comprehensive Income (Loss)

The components of comprehensive income are listed below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
(in thousands)				
Net Income	\$1,667	\$1,857	\$3,808	\$3,935
Other comprehensive income (loss):				
Foreign currency translations	26	(205)	484	(562)
Comprehensive income:	\$1,693	\$1,652	\$4,292	\$3,373

Treasury Stock

The Company purchased 38,701 shares of its common stock at a cost of \$372,000 during the first nine months of 2003. The Company holds shares purchased from the open market as treasury stock which are available for reissue by the Company.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

New Accounting Pronouncements

In November 2002, the FASB issued Interpretation No. 45 (“FIN No. 45”), “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.” FIN No. 45 expands on the accounting guidance of Statements Nos. 5, 57, and 107 and incorporates without change the provisions of FASB Interpretation No. 34, which is being superseded. FIN No. 45 will affect leasing transactions involving residual guarantees, vendor and manufacturer guarantees, and tax and environmental indemnities. All such guarantees will need to be disclosed in the notes to the financial statements starting with the period ending after December 15, 2002. For guarantees issued after December 31, 2002, the fair value of the obligation must be reported on the balance sheet. Existing guarantees will be grandfathered and will not be recognized on the balance sheet. The adoption of FIN No. 45 did not have a material effect on the Company’s financial position, results of operations, or cash flows.

In November 2002, the FASB issued Emerging Issues Task Force (“EITF”) Issue No. 00-21, “Revenue Arrangements with Multiple Deliverables.” EITF Issue No. 00-21 addresses certain aspects of the accounting by a company for arrangements under which it will perform multiple revenue-generating activities. EITF Issue No. 00-21 addresses when and how an arrangement involving multiple deliverables should be divided into separate units of accounting. EITF Issue No. 00-21 provides guidance with respect to the effect of certain customer rights due to company nonperformance on the recognition of revenue allocated to delivered units of accounting. EITF Issue No. 00-21 also addresses the impact on the measurement and/or allocation of arrangement consideration of customer cancellation provisions and consideration that varies as a result of future actions of the customer or the company. Finally, EITF Issue No. 00-21 provides guidance with respect to the recognition of the cost of certain deliverables that are excluded from the revenue accounting for an arrangement. The provisions of EITF Issue No. 00-21 apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of EITF Issue No. 00-21 did not have a material effect on the Company’s financial position, results of operations, or cash flows.

In January 2003, the FASB issued FASB Interpretation No. 46 (“FIN 46”), “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51,” which addresses consolidation by business enterprises of variable interest entities (“VIEs”) either: (1) that do not have sufficient equity investment at risk to permit the entity to finance its activities without additional subordinated financial support, or (2) in which the equity investors lack an essential characteristic of a controlling financial interest. FIN 46 is effective for all VIEs created or acquired after January 31, 2003. For VIEs created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied effective August 1, 2003, the beginning of the first fiscal period after June 15, 2003. The Company has not invested in any VIEs created after January 31, 2003. We are currently evaluating the effect that the adoption of FIN 46 will have on the Company’s financial position, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity”. SFAS 150 establishes new standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 did not have a material effect on the Company’s financial position, results of operations, or cash flows.

Goodwill and Intangible Assets

The Company operates in a single industry segment. The Company separately monitors the financial performance of its domestic and international operations. Further, each of these operations generally serves a distinct customer base. Based upon these facts, the Company considers the domestic and international operations its reporting units for the assignment of goodwill. Goodwill for the domestic operations was generated from the acquisition of a remote control company in 1998. Goodwill for international operations resulted from the acquisition of remote control distributors in the UK in 1998, Spain in 1999 and France in 2000.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Goodwill information for each reporting unit is as follows (in thousands):

	<u>September 30, 2003</u>	<u>December 31, 2002</u>
United States	\$1,191	\$1,191
All Other Countries	1,770	1,770
	<u> </u>	<u> </u>
Total Goodwill	\$2,961	\$2,961
	<u> </u>	<u> </u>

Intangible assets consist principally of distribution rights, patents, trademarks and purchased technologies. Capitalized amounts related to patents represent external legal costs for the application and maintenance of patents. Intangible assets are amortized using the straight-line method over their estimated period of benefit, ranging from five to ten years.

Information regarding the Company's other intangible assets is as follows (in thousands):

	<u>September 30, 2003</u>	<u>December 31, 2002</u>
Carrying amount:		
Distribution rights	\$2,597	\$2,597
Patents	3,130	2,636
Trademarks	348	348
Technology	1,283	1,285
Other	1,049	1,048
	<u> </u>	<u> </u>
Total carrying amount	\$8,407	\$7,914
	<u> </u>	<u> </u>
Accumulated amortization:		
Distribution rights	\$2,456	\$2,134
Patents	1,155	951
Trademarks	95	77
Technology	354	170
Other	1,021	900
	<u> </u>	<u> </u>
Total accumulated amortization	\$5,081	\$4,232
	<u> </u>	<u> </u>
Net carrying amount:		
Distribution rights	\$ 141	\$ 463
Patents	1,975	1,685
Trademarks	253	271
Technology	929	1,115
Other	28	148
	<u> </u>	<u> </u>
Total net carrying amount	\$3,326	\$3,682
	<u> </u>	<u> </u>

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Amortization expense for the three and nine months ended September 30, 2003 was approximately \$0.3 and \$0.8 million, respectively. Amortization expense for the three and nine months ended September 30, 2002 was approximately \$0.5 and \$0.9 million, respectively. Estimated amortization expense for existing intangible assets for each of the five succeeding years ending December 31 will be as follows (in thousands):

2003 (remaining 3 months)	\$293
2004	757
2005	722
2006	722
2007	722
2008	722

Accounting Policy for Derivatives

The Company enters into foreign currency option-based arrangements, with contract terms normally lasting six months or less, to protect against the adverse effects that exchange-rate fluctuations may have on foreign-currency-denominated cash flows. These derivatives do not qualify for hedge accounting, in accordance with SFAS 133, because they relate to existing assets denominated in a foreign currency. The gains and losses on both the derivatives and the foreign-currency-denominated trade receivables are recorded as transaction adjustments in current earnings and amounted to \$73,000 and \$25,000 for the three months ended September 30, 2003 and 2002 and \$199,000 and \$77,000 for the nine months ended September 30, 2003 and 2002, respectively.

The Company's currency exposures are primarily concentrated in the Euro and British Pound Sterling, and to a lesser extent, certain other international currencies. At September 30, 2003, the Company had a number of foreign currency option-based arrangements, which expire on various dates through December 2003, with an aggregate notional value of approximately \$4.5 million. The Company does not enter into financial instruments for speculation or trading purposes. These financial exposures are monitored and managed by us as an integral part of the Company's overall risk management program, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effect on the Company's results.

Business Segments and Foreign Operations

The Company operates in a single industry segment and is engaged in the development and marketing of pre-programmed wireless control devices and related products principally for video and audio entertainment equipment. The Company's customers consist primarily of international retailers, distributors, private label customers, original equipment manufacturers, subscription broadcasting operators and companies in the computing industry.

The Company's sales to external customers and identifiable assets by geographic area are presented below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net Sales				
United States	\$17,702	\$15,899	\$51,021	\$48,616
Netherlands	3,768	2,173	10,416	7,936
United Kingdom	3,776	2,813	9,302	7,147
France	1,173	1,764	3,155	2,907
Germany	906	1,485	3,454	2,241
All Other	2,975	1,870	7,583	5,158
Total Net Sales	\$30,300	\$26,004	\$84,931	\$74,005

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	September 30, 2003	December 31, 2002
Identifiable Assets		
United States	\$ 6,570	\$ 6,846
All Other Countries	4,018	3,919
Total Identifiable Assets	\$10,588	\$10,765

Specific identification of customer location was the basis used for attributing revenues from external customers to individual countries. Foreign currency transaction gains of \$73,000 and \$25,000 for the three months ended September 30, 2003 and 2002, respectively, and \$199,000 and \$77,000 for the nine months ended September 30, 2003 and 2002, respectively, were included in other income.

Identifiable assets include equipment, furniture and fixtures, goodwill and other intangible assets.

Guarantees and Product Warranties

The Company indemnifies its directors and officers to the maximum extent permitted under the laws of the State of Delaware. The Company has purchased directors and officers insurance coverage to cover claims made against the directors and officers during the applicable policy periods. The amounts and types of coverage have varied from period to period as dictated by market conditions.

The Company provides for estimated product warranty expenses when it sells the related products. Because warranty estimates are forecasts that are based on the best available information, mostly historical claims experience, claims costs may differ from amounts provided. An analysis of changes in the liability for product warranties follows:

Description	Balance at December 31, 2002	Accruals for Warranties Issued During the Period	Settlements (in Cash or in Kind) During the Period	Balance at September 30, 2003
Nine Months Ended September 30, 2003	\$524,700	\$185,369	\$(94,243)	\$615,826

Commitments and Contingent Liabilities

The Company is a party to lawsuits and claims arising in the normal course of its business. At the present time, there are two lawsuits pending brought by the Company against third parties. In these actions, the Company is seeking money damages and injunctive relief. In one of these actions, the third party has filed suit against the Company seeking a declaration that certain of its patents are invalid and unenforceable. It is the opinion of management that such patents are valid and enforceable and the Company intends to defend against such suit vigorously. While it is the opinion of management that the Company's products do not infringe any third party's 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, results of operations, or cash flows. The Company does not believe at this time, that it is probable there will be an unfavorable outcome; accordingly, no amount for any potential loss contingency has been recorded in the consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Third Quarter 2003 versus Third Quarter 2002

Net sales for the 2003 third quarter were \$30.3 million, an increase of 16.5% compared to \$26.0 million for the same quarter last year. Net income for the third quarter of 2003 was \$1,667,000 or \$0.12 per share (basic and diluted) compared to \$1,857,000 or \$0.13 per share (basic and diluted) for the third quarter of 2002.

Net sales in our technology lines (subscription broadcasting, OEM, private label and computing companies) were approximately 63.7% of net sales for the third quarter of 2003 compared to 67.6% for the third quarter of 2002. Net sales in our technology lines for the third quarter of 2003 increased by 9.7% to \$19.3 million from \$17.6 million for the same period last year. The increase in technology sales was principally due to increased sales to OEM Europe customers, primarily from increased demand in subscription broadcasting coupled with increased sales of new Kameleon products in our private label line.

Net sales in our retail lines (*One For All*® international and direct import) accounted for approximately 36.3% of total third quarter 2003 net sales compared to 32.4% for the corresponding period in 2002. Our net sales for the 2003 third quarter from our retail customers were \$11.0 million, an increase of 30.9% from net sales of \$8.4 million for the same quarter last year. The increase in retail sales was due to increased Kameleon shipments both domestically and in the European marketplace, additional new product and accessory sales in Europe, as well as increased demand in other international markets. Furthermore, the effect of an increase in the Euro against the United States dollar also contributed to increased sales in the third quarter 2003 compared to the same period last year.

Management currently expects technology sales to be slightly lower during the fourth quarter of 2003 compared to the fourth quarter of 2002 with expected increases in US cable and European OEM shipments offset by lower Private Label orders due to a more significant pipeline order fulfillment with the introduction of the Kameleon product in the fourth quarter of 2002, and decreased call center revenue from the loss of a significant customer during the second quarter of 2003. We expect more significant growth in retail sales in the fourth quarter of 2003 when compared to the similar quarter in 2002 particularly in our European Retail lines due to the typical seasonal sales increase associated with the holiday season and increased demand across all product lines driven by the successful introduction of certain new products and a greater offering of new products and accessories. In summary, we expect that revenue will grow in the range of approximately 7% to 14% during the fourth quarter of 2003 compared to the fourth quarter of 2002 consistent with the guidance we have provided.

Gross profit for the third quarter of 2003 was \$11.8 million compared to \$10.0 million for the third quarter of 2002. Our gross margin for the third quarter of 2003 was 39.1% compared to a gross margin of 38.6% for the same period last year. The higher gross margin during the third quarter 2003 was due to a more favorable product and customer mix in our retail and OEM lines, reductions in component and manufacturing costs as compared to the same period last year and the favorable effect of the stronger Euro against the United States dollar on our sales in Europe as noted above. Gross margins in the fourth quarter of 2003 are expected to remain flat or slightly higher when compared to the similar quarter in 2002 for the same reasons as noted above for the third quarter of 2003 and the expected mix across all product lines.

Research and development expenses increased 7.6% from \$1.1 million in the third quarter of 2002 to \$1.2 million for the same period in 2003. The increase was primarily due to increased development efforts to expand functionality and platforms for our Nevo technology.

Selling, general and administrative expenses increased 15.8% from \$7.1 million in the third quarter of 2003 to \$8.2 million for the same period in 2003. The increase was primarily attributable to an increase in the Euro against the United States dollar on our European expenses, higher delivery and freight costs associated with the increased shipments, and increased payroll and performance based expenses.

In the third quarter of 2003, we recorded \$106,000 of interest income compared to \$166,000 for the same period last year. This \$60,000 decrease is due to lower interest rates earned on cash balances during the quarter.

Other income consists primarily of net gain on realized foreign exchange transactions. For the third quarter of 2003, other income amounted to \$29,000 as compared to \$20,000 for the same period last year.

We recorded income tax expense of \$0.9 million for the third quarter of 2003 compared to approximately \$0.1 million for the same period last year. Our estimated effective tax rate remained at 34% during the third quarter 2003, compared to an effective tax rate of 6% during the third quarter 2002. The lower effective tax rate in the third quarter of 2002 was a result of a decrease in the 2002 estimated annual tax rate from 35% to 24% due to the use of remaining prior year research and development credits.

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Nine Months 2003 versus Nine Months 2002

Net sales for the nine months ended September 30, 2003 were \$84.9 million, an increase of 14.8% over net sales of \$74.0 million for the same period last year. Net income for the first nine months of 2003 was \$3.8 million or \$0.28 per share (basic) and \$0.27 per share (diluted), compared to \$3.9 million or \$0.28 per share (basic) and \$0.27 per share (diluted) for the same period last year.

Net sales in the Company's technology lines (subscription broadcasting, OEM and private label) for the first nine months of 2003 increased 5.2% to \$58.5 million from \$55.6 million for the same period last year. The increase in technology sales was principally due to increased demand for Kameleon product in our private label channel and increased shipments to OEM customers in Europe, the United States and Asia.

Net sales from the Company's retail lines (*One For All*® international and direct import) for the first nine months of 2003 increased 43.4% to \$26.4 million from \$18.4 million for the same period last year due to increased sales volume of Kameleon and other product to customers in the UK, Germany and Spain, sales from the introduction of the Kameleon product in the United States retail channel, and the effect of a stronger Euro against the United States dollar.

Gross margins for the first nine months of 2003 were 38.6% compared to 40.9% for the same period last year. The lower gross margin during the first nine months of 2003 was primarily due to lower margins on new product in the introductory phase of the product cycle, competitive pressures that resulted in lower sales prices, and additional provision for inventory obsolescence of approximately \$1.3 million for the nine months ended September 30, 2003 compared to the same period last year.

Selling, general and administrative expenses increased to \$24.0 million in the first nine months of 2003, compared to \$22.5 million during the same period in 2002. The increase was due to higher delivery and freight costs associated with increased shipments, higher payroll and performance based costs, as well as the effect of an increase in the Euro against the United States dollar on our European expenses.

Interest income decreased by \$37,000 to \$401,000 for the first nine months of 2003 from \$438,000 for the same period in 2002 due to lower interest rates earned on cash balances for the first nine months of 2003.

Other income consists primarily of net gain on realized foreign exchange transactions. For the nine-month period ended September 30, 2003, other income amounted to \$95,000 as compared to \$243,000 for the same period last year. The decrease is attributable to the settlement of a patent infringement suit resulting in royalties of \$115,000 in 2002 and no similar settlements during the 2003 period.

The Company recorded income tax expense of \$1.9 million for the first nine months of 2003 as compared to \$1.2 million for the same period in 2002. Our effective tax rate during the first nine months of 2003 was 34% whereas our effective tax rate during the same period in 2002 was 24%. The lower effective tax rate during 2002 reflected the use of remaining prior year research and development credits.

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Liquidity and Capital Resources

Our principal sources of funds are from our operations. Cash provided by operating activities for the first nine months of 2003 was \$11.7 million as compared to \$10.6 million in the corresponding period in 2002. The increase in cash flow is primarily due to net income and the timing of payments on accounts payable and accrued expenses, partially offset by increases in inventory levels.

On September 2, 2003, we terminated our \$15,000,000 million unsecured revolving credit agreement with Bank of America National Trust and Savings Association. On September 15, 2003, we entered into a three-year \$15,000,000 million unsecured revolving credit agreement (the "Agreement") with Comerica Bank ("Comerica"). Under the Agreement with Comerica, the interest payable is variable and is based on either the bank's cost of funds or the LIBOR rate plus a fixed margin of 1.25%. The interest rate in effect as of September 30, 2003 using the LIBOR Rate option plus a fixed margin of 1.25% was 2.37%. We pay a commitment fee ranging from zero to a maximum rate of 1/4 of 1% per year on the unused portion of the credit line depending on the amount of cash investment retained with Comerica during each quarter. Under the terms of this Agreement, dividend payments are allowed up to 100% of net income of the prior fiscal year period to be paid within 90 days of such prior year, and we are subject to certain financial covenants and other restrictions that are standard for these types of agreements. We have authority under this credit facility to acquire up to 1,500,000 shares of our common stock in market purchases and, since the date of this Agreement, no shares of our common stock have been purchased. Amounts available for borrowing under this credit facility are reduced by the outstanding balance of import letters of credit. As of September 30, 2003, we had no amounts outstanding under this credit facility and no outstanding import letters of credit. Furthermore, as of September 30, 2003, we are in compliance with all debt covenants required by the agreement.

We purchased 38,701 shares of our common stock at a cost of \$372,000 in the first nine months of 2003. We hold these shares as treasury stock, and they are available for reissue by us. Presently, except for using a small number of these treasury shares to compensate our outside board members, we have no plans to distribute these shares, although we may change these plans if necessary to fulfill our on-going business objectives. In addition, during the nine months ended September 30, 2003, we received proceeds of approximately \$3,246,000 from the exercise of stock options granted to our current and former employees, as compared to approximately \$1,334,000 during the same period in 2002.

Capital expenditures in the first nine months of 2003 and 2002 were approximately \$1,920,000 and \$1,632,000, respectively. These expenditures related primarily to the acquisition of product tooling. Expected levels of capital expenditures over the next quarter are expected to remain constant based primarily on current tooling projections.

In accordance with an amended profit sharing agreement with a vendor, we advanced \$660,000 in October 2003. The advance will be included in other assets and represents prepayment of future profit sharing amounts.

On August 25, 2000, we completed an acquisition of a remote control distributor in France for approximately \$1.8 million, of which \$1.5 million was paid during 2000, \$143,000 was paid during 2001, and the remaining amount was paid during 2002.

It is our policy to carefully monitor the state of our business, cash requirements and capital structure. We believe that funds generated from our operations and available from our borrowing facility will be sufficient to fund current business operations as well as anticipated growth at least over the next twelve months; however, there can be no assurance that this will occur.

New Accounting Pronouncements

In November 2002, the FASB issued Interpretation No. 45 ("FIN No. 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 expands on the accounting guidance of Statements Nos. 5, 57, and 107 and incorporates without change the provisions of FASB Interpretation No. 34, which is being superseded. FIN No. 45 will affect leasing transactions involving residual guarantees, vendor and manufacturer guarantees, and tax and environmental indemnities. All such guarantees will need to be disclosed in the notes to the financial statements starting with the period ending after December 15, 2002. For guarantees issued after December 31, 2002, the fair value of the obligation must be reported on the balance sheet. Existing guarantees will be grandfathered and will not be recognized on the balance sheet. The adoption of FIN No. 45 did not have a material effect on the Company's financial position, results of operations, or cash flows.

In November 2002, the FASB issued Emerging Issues Task Force ("EITF") Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." EITF Issue No. 00-21 addresses certain aspects of the accounting by a company for arrangements under which it will perform multiple revenue-generating activities. EITF Issue No. 00-21 addresses when and how an arrangement involving multiple deliverables should be divided into separate units of accounting. EITF Issue No. 00-21 provides guidance with respect to the effect of certain customer rights due to company nonperformance on the recognition of revenue allocated to delivered units of accounting. EITF Issue No. 00-21 also addresses the impact on the measurement and/or allocation of arrangement consideration of customer cancellation provisions and consideration that varies as a result of future actions of the customer or the company. Finally, EITF Issue No. 00-21 provides guidance with respect to the recognition of the cost of certain deliverables that are excluded from the revenue accounting for an arrangement. The provisions of EITF Issue No. 00-21 apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of EITF Issue No. 00-21 did not have a material effect on the Company's financial position, results of operations, or cash flows.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51," which addresses consolidation by business enterprises of variable interest entities ("VIEs") either: (1) that do not have sufficient equity investment at risk to permit the entity to finance its activities without additional subordinated financial support, or (2) in which the equity investors lack an essential characteristic of a controlling financial interest. FIN 46 is effective for all VIEs created or acquired after January 31, 2003. For VIEs created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied effective August 1, 2003, the beginning of the first fiscal period after June 15, 2003. The Company has not invested in any VIEs created after January 31, 2003. We are currently evaluating the effect that the adoption of FIN 46 will have on the Company's financial position, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS 150 establishes new standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 did not have a material effect on the Company's financial position, results of operations, or cash flows.



Risk Factors

Forward Looking Statements

We caution that the following important factors, among others (including but not limited to factors discussed below or in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” as well as those factors discussed elsewhere in this Quarterly Report on Form 10-Q, or in our other reports filed from time to time with the Securities and Exchange Commission), could affect our actual results and could contribute to or cause our actual consolidated results to differ materially from those expressed in any of our forward-looking statements. 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 we undertake no obligation to update any forward-looking statement 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 such factors, nor can we 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 we believe 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 the failure of our markets to continue growing and expanding in the manner we anticipated; the failure of our customers to grow and expand as we anticipated; the effects of natural or other events beyond our control, including the effect a war or terrorist activities may have on the Company or the economy; the economic environment’s effect on us and our customers; the growth of, acceptance of and demand for our products and technologies in various markets and geographical regions, including cable, satellite, consumer electronics, retail and interactive TV and home automation, not materializing as we believed; our inability to add profitable complementary products which are accepted by the marketplace; our inability to continue to maintain our operating costs at acceptable levels through our cost containment efforts; our realization of tax benefits from various tax projects initiated from time to time, the continued strength of our balance sheet; our inability to continue selling our products or licensing our technologies at higher or profitable margins; the failure of the various markets and industries to grow or emerge as rapidly or as successfully as we believed; the continued growth of the digital market; our inability to obtain orders or maintain our order volume with new and existing customers; the possible dilutive effect our stock option program may have on our earnings per share and stock price; our inability to continue to obtain adequate quantities of component parts or secure adequate factory production capacity on a timely basis; and other factors listed from time to time in our press releases and filings with the Securities and Exchange Commission.

Dependence Upon Key Suppliers

Most of the components used in our products are available from multiple sources; however, we have elected to purchase integrated circuit components used in our products, principally our wireless control products, and certain other components used in our products, from two main sources, each of which provides in excess of ten percent (10%) of our microprocessors for use in our products. We have developed alternative sources of supply for these integrated circuit components. However, there can be no assurance that we will be able to continue to obtain these components on a timely basis. We generally maintain inventories of our integrated chips, which could be used in part to mitigate, but not eliminate, delays resulting from supply interruptions. An extended interruption, shortage or termination in the supply of any of the components used in our products, or a reduction in their quality or reliability, or a significant increase in prices of components, would have an adverse effect on our business, results of operations, or cash flows.

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Dependence on Foreign Manufacturing

Third-party manufacturers located in foreign countries manufacture a majority of our products. Our arrangements with our 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 our business, results of operations or cash flows. We believe that the loss of any one or more of our manufacturers would not have a long-term material adverse effect on our business, results of operations and cash flows because numerous other manufacturers are available to fulfill our requirements; however, the loss of any of our major manufacturers could adversely affect our business until alternative manufacturing arrangements are secured.

Potential Fluctuations in Quarterly Results

Our quarterly financial results may vary significantly depending primarily upon factors such as the timing of significant orders, the timing of our new product offerings and those of our competitors and the loss or acquisition of any significant customers. Historically, our business has been influenced by the retail sales cycle, with increased sales in the last half of the year and the largest proportion of sales occurring in the last quarter. Factors such as quarterly variations in financial results could adversely affect the market price of our common stock and cause it to fluctuate substantially. In addition, we (i) may from time to time increase our operating expenses to fund greater levels of research and development, increase our sales and marketing activities, develop new distribution channels, improve our operational and financial systems and broaden our 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, our business, operating results, financial condition or cash flows will be materially adversely affected.

We may experience significant fluctuations in future quarterly operating results that may be caused by many factors, including demand for products, introduction or enhancement of products by us and our competitors, the loss or acquisition of any significant customers, market acceptance of new products, price reductions by us or our competitors, mix of distribution channels through which products are sold, level of product returns, fluctuations in freight and delivery costs, mix of customers and products sold, component pricing, mix of international and domestic revenues, and general economic conditions. In addition, as a strategic response to changes in the competitive environment, we may from time to time make certain pricing or marketing decisions or acquisitions that could have a material adverse effect on our business, results of operations or financial condition. As a result, we believe that period-to-period comparisons of our 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 our operating results will be below the expectations of public market analysts and investors. In such event, the price of our common stock would likely be materially adversely affected.

Dependence on Consumer Preference

We are susceptible to fluctuations in our business based upon consumer demand for our products. We believe that our success depends in substantial part on our 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 our products. Moreover, we caution that any increases in sales or growth in revenue that we achieve may be transitory and should by no means be construed to mean that such increases or growth will continue.

Demand for Consumer Service and Support

We have continually provided domestic and international consumer service and support to our customers to add overall value and to help differentiate us from our competitors. In March 2003, our largest customer notified us that as a result of a merger, it would conduct all of its consumer service and support activities internally and cease using our services commencing the second quarter of 2003. Consequently, revenue for consumer service and support from this customer ceased. Our domestic service and support group will continue to support our existing customers while we pursue new customers. There can be no assurance that we will be able to attract new customers to use this service. In addition, in the event other customers decide to cease using this service, we would be unable to offset costs associated with providing this service resulting in an adverse affect to our financial position, results of operations or cash flows.

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Dependence Upon Timely Product Introduction

Our ability to remain competitive in the wireless control products market will depend in part upon our 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 we will be successful in developing and marketing new products or in enhancing our existing products, or that such new or enhanced products will achieve consumer acceptance, and, if achieved, will sustain that acceptance, that products developed by others will not render our products non-competitive or obsolete or that we will be able to obtain or maintain the rights to use proprietary technologies developed by others which may be incorporated in our products. Any failure 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 our financial position, results of operations or cash flows.

In addition, the introduction of new products in the future may require the expenditure of significant amounts of funds for research and development, tooling, manufacturing processes, inventory and marketing. In order to achieve high volume production of any new product, we may have to make substantial investments in inventory and expand our production capabilities, costs of which may not be recouped by subsequent sales of new products.

Dependence on Major Customers

The economic strength and weakness of our worldwide customers affect our performance. We sell our wireless control products and proprietary technologies to private label customers, original equipment manufacturers, subscription broadcasting operators, and companies in the computing industry. We also supply our products to our wholly owned, non-U.S. subsidiaries and to independent foreign distributors, who in turn distribute our products worldwide, with Europe, Australia, New Zealand, Mexico and selected countries in Asia and Latin America currently representing our principal foreign markets. During the first nine months of 2003 and 2002, sales to one customer, Comcast Cable Communications, Inc. amounted to 16.7% and 23.8%, respectively, of our net sales for these periods. The future loss of this customer or any other key customer, either in the United States or abroad or our inability to obtain orders or maintain our order volume with our major customers may have an adverse effect on our financial position, results of operations or cash flows.

Competition

The wireless control industry is characterized by intense competition based primarily on product availability, price, speed of delivery, ability to tailor specific solutions to customer needs, quality and depth of product lines. Our competition is fragmented across our product lines, and accordingly, we do not compete with any one company across all product lines. We compete with a variety of entities, some of which have greater financial and other resources. Our ability to remain competitive in this industry depends in part on our 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 our ability to identify and enter into strategic alliances with entities doing business within the industries we serve. There can be no assurance that we and our product offerings will be and/or remain competitive or that any strategic alliances, if any, which we enter into will achieve the type, extent and amount of success or business that we expect or hope.

Potential for Litigation

As is typical in our industry and the nature and kind of business in which we are engaged, from time to time, various claims, charges and litigation are asserted or commenced by third parties against us or by us 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. At the present time, there are two lawsuits pending brought by the Company against third parties. In these actions, we are seeking money damages and injunctive relief. In one of these actions, the third party has filed suit against us seeking a declaration that certain of our patents are invalid and unenforceable. It is the opinion of management that such patents are valid and enforceable, and we intend to defend against such suit vigorously. While it is the opinion of management that our patents are valid and enforceable and that our products do not infringe any third party's patent or other intellectual property rights, the costs associated with defending or pursuing any such claims or litigation could be substantial, and a determination that

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our patents are invalid or unenforceable and/or amounts awarded as final judgments, if any, in any such potential or pending litigation, could have a significant and material adverse effect on our financial condition, results of operations, or cash flows.

Effects on Universal Due to International Operations

The risks of doing business in developing countries and economically volatile areas could adversely affect our operations, earnings and cash flows. Our expansion of sales into economically volatile areas, such as Asia-Pacific, Latin America and other emerging markets, subject us to a number of economic and other risks. Such risks include financial instability among customers in these regions, the volatility of economic conditions in countries dependent on exports from the United States and European markets, and political instability and potential conflicts among developing nations. We generally have experienced longer accounts receivable cycles in some established European markets, as well as emerging international markets, in particular Latin America, when compared with the United States. We are also subject to other factors associated with doing business in such other countries, including inflation, recession, trade protection measures, local labor conditions, and unexpected changes in regulatory requirements, currency devaluation, interest rate fluctuations, fluctuations in foreign currency exchange rates, exchange ratios, nationalization or expropriation of assets, import/export controls, political instability, variations in the protection of intellectual property rights, limitations on foreign investments, and restrictions on the ability to convert currency. These risks are inherent in conducting operations in geographically distant locations, with customers speaking different languages and having different cultural approaches to the conduct of business, any one of which alone or collectively may have an adverse effect on our international operations, and consequently on our business, operating results, financial condition and cash flows. While we will continue to work toward minimizing any adverse effects of conducting our business abroad, no assurance can be made that we will be successful in minimizing any such effects.

In 2000, we established a wholly owned subsidiary, *One For All Argentina S.R.L.*, in Argentina for the support of our retail sales activities in Latin America, specifically in Argentina and Brazil. In early 2002, the United States dollar was eliminated as Argentina's monetary benchmark, resulting in significant currency devaluation. As the functional currency in Argentina is the Argentinean peso and we anticipate that funds generated from collection of sales in Argentina will be maintained in Argentina, we do not anticipate that the elimination of the U.S. dollar as a monetary benchmark will result in a material adverse effect on our business. However, there can be no guarantee that economic circumstances in Argentina or elsewhere will not worsen, which could result in future effects on earnings should such events occur. Our failure to successfully manage economic, political and other risks relating to doing business in developing countries and economically and politically volatile areas could adversely affect our business.

General Economic Conditions

General economic conditions, both domestic and foreign, have an impact on our business and financial results. The global economy has weakened and market conditions continue to be challenging. As a result, individuals and companies are delaying or reducing expenditures. Continued weak global economic conditions and continued softness, particularly in the consumer and telecommunications sector, and purchasers' uncertainty about the extent of the global economic downturn could result in lower demand for our products.

Over the past year, we have observed the effects of the global economic downturn in some areas of our business. The downturn contributed to net revenue declines during fiscal 2002. During the downturn, we also experienced gross margin declines in certain parts of our business, reflecting the effect of competitive pressures as well as inventory write-downs. While economic conditions have had a negative impact on revenues to date, revenues, gross margins and earnings could deteriorate significantly or our growth rate could be adversely impacted in the future as a result of economic conditions. In addition, if our customers experience financial difficulties, we could suffer losses associated with outstanding accounts receivable.

The terrorist attacks that took place in the United States on September 11, 2001 were unprecedented and unanticipated events that have created many economic and political uncertainties. The potential for future terrorist attacks, the national and international responses to terrorist attacks, and other acts of war or hostility have created many economic and political uncertainties, which could adversely affect our business, financial position, results of operations and cash flows in the short or long-term in ways that cannot presently be predicted.

Outlook

Throughout 2003, our focus has been and will continue to be the enhancement of our leadership position by developing custom products for our customers, growing our capture expertise in existing infrared technology and emerging radio frequency standards, adding to our portfolio of patented or patent pending technologies, and developing new platform products. We are also developing new ways to enhance remote controls and exploring methods to control digital media in the home to enhance the offerings of industries we serve.

In 2002, we launched our Nevo technology, an embedded solution that transforms an electronic display (such as Compaq's iPaq Pocket PC) into a sophisticated and easy-to-use wireless home control and automation device. We initially targeted Nevo sales to customers in the computing industry, a new channel for us. We also launched our Kameleon interface technology, a revolutionary display technology that provides ease of use by illuminating only active keys needed to control each entertainment device. During 2003, we are continuing to seek ways to integrate our Nevo technology and Kameleon display technology into other forms and devices.

We will continue to invest in our database of device codes by analyzing products for inclusion into our library as we keep our commitment to maintaining a worldwide IR code library. In addition to our device code database, we will continue to invest in novel intellectual property to fortify our position in the market.

We will seek ways to increase our customer base worldwide. We will continue to work on building stronger existing customer relationships by working with customers through joint surveys and product trials that will enable us to understand their needs and the needs of their customers. We intend to invest in new products and technology to meet our customer needs now and into the future.

In March 2003, our largest customer, Comcast Cable Communications, Inc., notified us that as a result of a merger, it would conduct all of its consumer service and support activities internally and cease using our services. Consequently, revenue for consumer service and support from this customer ceased in the second quarter of 2003. There can be no assurance that we will be able to attract new customers to use this service. In addition, in the event other customers decide to cease using this service, we would be unable to offset costs associated with providing this service resulting in an adverse affect to our financial position, results of operations, or cash flows.

We also continue in 2003 to attempt to control our overall cost of doing business. We believe that through product design changes and our purchasing efforts, improvements in our gross margins and efficiencies in our selling, general and administrative expenses can be accomplished, although there can be no assurance that there will be any improvements to our gross margins or that we will achieve any cost savings through these efforts and if accomplished, that any such improvements or savings will be significant or maintained.

Going forward, we will continue to pursue our overall strategy of seeking ways to operate all aspects of our business more profitably. This strategy will include looking at acceptable acquisition targets and strategic partnership opportunities. We caution, however, that no assurance can be made that any suitable acquisition target or partnership opportunity will be identified and, if identified, that a transaction can be consummated. Moreover, if consummated, no assurance can be made that any such acquisition or partnership will profitably add to our operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, including interest rate and foreign currency exchange rate fluctuations. We have established policies, procedures and internal processes governing our management of market risks and the use of financial instruments to manage our exposure to such risks. The interest payable under our revolving credit agreement with our bank is variable and is based on either the bank's cost of funds, or the LIBOR rate plus a fixed margin of 1.25%, and is affected by changes in market interest rates. At September 30, 2003, we had no borrowings on our credit line. The interest rate in effect on the credit line as of September 30, 2003 using the LIBOR Rate option plus a fixed margin of 1.25% was 2.37%.

At September 30, 2003, we had wholly owned subsidiaries in The Netherlands, United Kingdom, Germany, France, Argentina, Spain and Mexico. Sales from these operations are typically denominated in local currencies including Euros, British Pounds, and Argentine Pesos thereby creating exposures to changes in exchange rates. Changes in the local currencies/U.S. Dollars exchange rate may positively or negatively affect our sales, gross margins and net income. From time to time, we enter into foreign currency exchange agreements to manage our exposure arising from fluctuating exchange rates that affect cash flows. At September 30, 2003, the Company had a number of foreign exchange contracts, which expire on various dates through December 2003, with an aggregate notional value of approximately \$4.5 million. We do not enter into any derivative transactions for speculative purposes. The sensitivity of earnings and cash flows to variability in exchange rates is assessed by applying an approximate range of potential rate fluctuations to our assets, obligations and projected results of operations denominated in foreign currencies. Because of the foregoing factors, as well as other variables that affect our operating results, past financial performance should not be considered a reliable indicator of future performance and investors should not use historical trends to anticipate results or trends in future periods.

ITEM 4. CONTROLS AND PROCEDURES

Management, including the Company's Chief Executive Officer and Chief Financial Officer, has made an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15.

During the period covered by the report, there was no change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Based upon the evaluation, the Chief Executive Officer and Chief Financial Officer have concluded, as of the end of the period covered by this report, that the Company's disclosure controls and procedures are effective to ensure that all material information required to be filed in this report has been made known to them, as appropriate to allow timely decisions regarding required disclosure.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

No legal proceeding first became a reportable event, nor was there any material development or termination with respect to any previously reported legal proceeding, during the period covered by this report. Reference is made to the description of the legal proceedings in Note 19 contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 for information regarding reportable legal proceedings pending as of that date.

Item 6. EXHIBITS AND REPORTS ON FORM 8 K

- (A) Exhibits pursuant to Item 601 of Regulation S-K
- 10.1 Credit Agreement dated September 15, 2003 between Comerica Bank and Universal Electronics Inc. (filed herewith)
 - 10.2 Promissory Agreement dated September 15, 2003 between Comerica Bank and Universal Electronics Inc. (filed herewith)
 - 10.3 Form of Separation Agreement and General Release dated October 7, 2003 between Universal Electronics Inc. and Jerry Bardin (filed herewith)
 - 10.4 Form of Consulting Agreement dated October 7, 2003 between Universal Electronics Inc. and Jerry Bardin (filed herewith)
 - 10.5 Form of Employment and Separation Agreement and General Release dated October 31, 2003 between Universal Electronics Inc. and Mark Z. Belzowski (filed herewith)
 - 31.1 Rule 13a-14(a)/Section 302 Certifications of Paul D. Arling, Chief Executive Officer of Universal Electronics Inc.
 - 31.2 Rule 13a-14(a)/Section 302 Certifications of Mark Z. Belzowski, Chief Financial Officer of Universal Electronics Inc.
 - 32 Rule 13a-14(b)/Section 906 Certifications of Paul D. Arling, Chief Executive Officer of Universal Electronics Inc., and Mark Z. Belzowski, Chief Financial Officer of Universal Electronics Inc. pursuant to 18 U.S.C. Section 1350

(B) Reports on Form 8-K

On July 29, 2003, the Company furnished a report on Form 8-K under Item 12, Results of Operations and Financial Condition, concerning the Company's announcement of its financial results for the quarter ended June 30, 2003. The report also included a copy of the Company's press release announcing these financial results attached as Exhibit 99.1 thereto, as well as consolidated financial information under Item 9, Regulation FD Disclosure.

On October 28, 2003, the Company furnished a report on Form 8-K under Item 12, Results of Operations and Financial Condition, concerning the Company's announcement of its financial results for the quarter ended September 30, 2003. The report also included a copy of the Company's press release announcing these financial results attached as Exhibit 99.1 thereto, as well as consolidated financial information under Item 9, Regulation FD Disclosure.

SIGNATURE

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

(Registrant) Universal Electronics Inc.

Date: November 14, 2003

/s/ Mark Z. Belzowski

Mark Z. Belzowski
Vice President, Chief Financial Officer and Treasurer

=====

CREDIT AGREEMENT

dated as of

September 15, 2003

between

UNIVERSAL ELECTRONICS INC.,
as Borrower,

and

COMERICA BANK,
as Bank

\$15,000,000

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EXHIBITS AND SCHEDULES

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- Exhibit 2.6(b) - Form of Notice of Conversion or Continuation
- Exhibit 4.1(b) - Form of Opinions of Borrower's Counsel
- Exhibit 6.3(b) - Form of Compliance Certificate
- Schedule 5.7 - Litigation
- Schedule 5.9 - Subsidiaries
- Schedule 5.12 - Employee Benefit Plans

CREDIT AGREEMENT

This CREDIT AGREEMENT, dated as of September 15, 2003, is entered into between Borrower and Bank.

The parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. The following terms, as used herein, shall have the following meanings:

"Acquisition" means the acquisition of beneficial ownership of the Assets or Capital Stock of another Person in one or a series of transactions.

"Affiliate" means any Person (other than Borrower or any Subsidiary) (i) that, directly or indirectly, controls, is controlled by or is under common control with Borrower or any Subsidiary; (ii) which directly or indirectly beneficially owns or controls more than twenty-five percent (25%) or more of any class of voting stock of Borrower or any Subsidiary; or (iii) of whom more than twenty-five percent (25%) or more of the voting stock of which is directly or indirectly beneficially owned or held by Borrower or any Subsidiary. For purposes of the foregoing, control (including controlled by and under common control with) shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" means this Credit Agreement, as amended or restated from time to time in accordance with its terms.

"Applicable Unused Revolving Commitment Fee Percentage" means the percentage set forth in the table below opposite the average daily collected deposits of Borrower maintained at Bank for the prior fiscal quarter:

AVERAGE DAILY COLLECTED DEPOSITS OF BORROWER MAINTAINED AT BANK	APPLICABLE UNUSED REVOLVING COMMITMENT FEE PERCENTAGE
Greater than \$7,000,000	0.000%
Equal to or greater than \$4,000,000 and less than or equal TO \$7,000,000	0.125%
Less than \$4,000,000	0.250%

"Asset" means any interest of a Person in any kind of property or asset, whether real, personal, or mixed real and personal, and whether tangible or intangible.

"Asset Sale" means any sale, transfer or other disposition of Borrower's or any Subsidiary's businesses or Asset(s) now owned or hereafter acquired, including shares of stock and indebtedness of any Subsidiary, receivables and leasehold interests.

"Bank" means Comerica Bank, a Michigan banking corporation.

"Bankruptcy Code" means The Bankruptcy Reform Act of 1978 (Pub. L. No. 95-598; 11 U.S.C.), as amended or supplemented from time to time, or any successor statute, and any and all rules and regulations issued or promulgated in connection therewith.

"Base Lending Rate Portion" means any portion of any Loan designated by Borrower as bearing interest at the Base Lending Rate pursuant to Section 2.5 or 2.6.

"Base LIBOR" applicable to any Interest Period for a LIBOR Lending Rate Portion means the offered rate per annum (rounded upward to the nearest one-hundredth of one percent (.001%)), if any, to first-class banks in the LIBOR market quoted by Bank at 11:00 a.m. Pacific time, two (2) LIBOR Business Days prior to the first day of such Interest Period for Dollar deposits of an amount comparable to the principal amount of the LIBOR Lending Rate Portion for which the LIBOR Lending Portion is being determined with maturities comparable to the Interest Period for which such LIBOR Lending Rate will apply.

"Base Rate" means the variable rate of interest announced by Bank at its corporate headquarters as its prime rate and which serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto. The Base Rate is determined by Bank from time to time as a means of pricing credit extensions to some customers and is neither directly tied to some external rate of interest or index nor necessarily the lowest rate of interest charged by Bank at any given time for any particular class of customers or credit extensions.

"Borrower" means Universal Electronics Inc., a Delaware corporation.

"Borrowing" means a borrowing of Revolving Loans from Bank pursuant to the terms and conditions hereof.

"Business Day" means any day other than a Saturday, a Sunday, or a day on which commercial banks in the City of Los Angeles, California are authorized or required by law or executive order or decree to close.

"Capital Expenditures" means expenditures made in cash, or financed with long term debt, by any Person for the acquisition of any fixed Assets or improvements, replacements, substitutions, or additions thereto that have a useful life of more than one (1) year, including the direct or indirect acquisition of such Assets by way of increased product or service charges, offset items, or otherwise, and the principal portion of payments with respect to Capital Lease Obligations, calculated in accordance with GAAP.

"Capital Lease" means any lease of an Asset by a Person as lessee which would, in conformity with GAAP, be required to be accounted for as an Asset and corresponding liability on the balance sheet of that Person.

"Capital Lease Obligations" of a Person means the amount of the obligations of such Person under all Capital Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with GAAP.

"Capital Stock" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants or options to purchase any of the foregoing.

"Change of Control" means the time at which (i) any Person (including a Person's Affiliates and associates) or group (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) (other than the shareholders of Borrower on the Closing Date) becomes the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of a percentage (based on voting power, in the event different classes of stock shall have different voting powers) of the voting stock of Borrower equal to more than twenty-five percent (25%), or such Person or group shall otherwise obtain the power to control the election of the Board of Directors of Borrower, (ii) there shall be consummated any consolidation or merger of Borrower pursuant to which Borrower's common stock (or other capital stock) would be converted into cash, securities or other property, other than a merger or consolidation of Borrower in which the holders of such common stock (or other capital stock) immediately prior to the merger have the same proportionate ownership, directly or indirectly, of common stock of the surviving corporation immediately after the merger as they had of Borrower's common stock immediately prior to such merger, or (iii) all or substantially all of Borrower's Assets shall be sold, leased, conveyed, or otherwise disposed of as an entirety or substantially as an entirety to any Person (including an Affiliate or associate of Borrower) in one or a series of transactions.

"Closing Date" means the date when all of the conditions set forth in Section 4.1 have been fulfilled to the reasonable satisfaction of Bank and its counsel.

"Closing Fee" has the meaning set forth in Section 2.14(b).

"Compliance Certificate" means a certificate of compliance to be delivered quarterly in accordance with Section 6.3(b), substantially in the form of Exhibit 6.3(b).

"Consolidated EBITDA" means, with respect to any period, the sum of (without duplication) (i) Consolidated Net Income for such period (excluding extraordinary gains and losses); (ii) Consolidated Interest Expense during such period; (iii) accrued federal and state income taxes payable by Borrower and the Subsidiaries during such period which are included in the determination of Consolidated Net Income; and (iv) Borrower's and the Subsidiaries' consolidated depreciation and amortization during such period; in each case calculated in accordance with GAAP.

"Consolidated Effective Tangible Net Worth" means, as of any date of determination, the result of (a) Borrower's consolidated total stockholder's equity, minus (b) the sum of (i) all Intangible Assets of Borrower, and (ii) all amounts due to Borrower from Affiliates.

"Consolidated Interest Expense" means, with respect to any period, the current interest accrued during such period in accordance with GAAP on the aggregate amount of Borrower's and the Subsidiaries' consolidated Debt, including the interest portion of Borrower's and the Subsidiaries' consolidated Capital Lease Obligations.

"Consolidated Net Income" means, with respect to any period, the consolidated net income of Borrower and the Subsidiaries after all federal, state and local income taxes reflected on Borrower's Financial Statement for such period, calculated in accordance with GAAP.

"Consolidated Total Liabilities to Consolidated Effective Tangible Net Worth Ratio" means, as of the date of determination, the ratio of (i) Borrower's consolidated total liabilities, calculated in accordance with GAAP; to (ii) Consolidated Effective Tangible Net Worth.

"Current Liabilities" means, as of the date of determination, the sum of Borrower's consolidated liabilities coming due within one year (including all amounts due to Borrower's shareholders, officers and Affiliates), calculated in accordance with GAAP.

"Debt" means, as of the date of determination, the sum, but without duplication, of any and all of a Person's: (i) indebtedness heretofore or hereafter created, issued, incurred or assumed by such Person (directly or indirectly) for or in respect of money borrowed; (ii) Capital Lease Obligations; (iii) obligations evidenced by bonds, debentures, notes, or other similar instruments; (iv) obligations for the deferred purchase price of property or services (including trade obligations); (v) current liabilities in respect of unfunded vested benefits under any Plan; (vi) obligations under letters of credit; (vii) obligations under acceptance facilities; (viii) obligations under all guaranties, endorsements (other than for collection or deposit in the ordinary course of business), and other contingent obligations to purchase, to provide funds for payment, or supply funds to invest in any other Person, or otherwise to assure creditor against loss; (ix) obligations secured by any Lien on any Asset of such Person, whether or not such obligations have been assumed; and (x) Swaps; provided, however, Debt shall not include obligations arising out of trade payables incurred in the ordinary course of Borrower's business.

"Distributions" means dividends or distributions of earnings made by a Person to its shareholders, partners or members, as the case may be.

"Dollars" or "\$" means lawful currency of the United States of America.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor statute, and any and all regulations thereunder.

"ERISA Event" means (a) a Reportable Event with respect to a Plan or Multiemployer Plan, (b) the withdrawal of a member of the ERISA Group from a Plan during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA), (c) the providing of notice of intent to terminate a Plan in a distress termination (as described in Section 4041 (c) of ERISA), (d) the institution by the PBGC of proceedings to terminate a Plan or Multiemployer Plan, (e) any event or condition (i) that provides a basis under Section 4042(a)(1), (2), or (3) of ERISA for the termination of or the appointment of a trustee to administer any Plan or Multiemployer Plan, or (ii) that may result in termination of a Multiemployer Plan pursuant to Section 4041A of ERISA, (f) the partial or complete withdrawal within the meaning of Sections 4203 and 4205 of ERISA of a member of the ERISA Group from a Multiemployer Plan, or (g) providing any security to any Plan under Section 401(a)(29) of the Internal Revenue Code by a member of the ERISA Group.

"ERISA Group" means Borrower and all members of a controlled group of corporations and all trades or business (whether or not incorporated) under common control which,

together with Borrower are treated as a single employer under Section 414 of the Internal Revenue Code.

"Event of Default" has the meaning set forth in Section 8.1.

"Expenses" means (i) all expenses of Bank paid or incurred in connection with their due diligence and investigation of Borrower, including appraisal, filing, recording, documentation, publication and search fees and other such expenses, and all attorneys' fees and expenses (including attorneys' fees incurred pursuant to proceedings arising under the Bankruptcy Code) incurred in connection with the structuring, negotiation, drafting, preparation, execution and delivery of this Agreement, the Loan Documents, and any and all other documents, instruments and agreements entered into in connection herewith; (ii) all expenses of Bank, including attorneys' fees and expenses (including attorneys' fees incurred pursuant to proceedings arising under the Bankruptcy Code) paid or incurred in connection with the negotiation, preparation, execution and delivery of any waiver, forbearance, consent, amendment or addition to this Agreement or any Loan Document, or the termination hereof and thereof; (iii) all costs or expenses paid or advanced by Bank which are required to be paid by Borrower under this Agreement or the Loan Documents, including taxes and insurance premiums of every nature and kind of Bank; and (iv) if an Event of Default occurs, all expenses paid or incurred by Bank, including attorneys' fees and expenses (including attorneys' fees incurred pursuant to proceedings arising under the Bankruptcy Code), costs of collection, suit, arbitration, judicial reference and other enforcement proceedings, and any other out-of-pocket expenses incurred in connection therewith or resulting therefrom whether or not suit is brought, or in connection with any refinancing or restructuring of the Obligations and the liabilities of Borrower under this Agreement, any of the Loan Documents, or any other document, instrument or agreement entered into in connection herewith in the nature of a workout.

"Fees" means the Closing Fee, the Late Payment Fee, the Letter of Credit Fees and the Unused Revolving Commitment Fees.

"Financial Statement(s)" means, with respect to any accounting period of any Person, statements of income and statements of cash flows of such Person for such period, and balance sheets of such Person as of the end of such period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year or, if such period is a full fiscal year, corresponding figures from the preceding annual audit, all prepared in reasonable detail and in accordance with GAAP, subject to year-end adjustments in the case of monthly Financial Statements. Financial Statement(s) shall include the schedules thereto and annual Financial Statements shall also include the footnotes thereto.

"GAAP" means generally accepted accounting principles in the United States of America, consistently applied, which are in effect as of the date of this Agreement. If any changes in accounting principles from those in effect on the date hereof are hereafter occasioned by promulgation of rules, regulations, pronouncements or opinions by or are otherwise required by the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions), and any of such changes results in a change in the method of calculation of, or affects the results of such calculation of, any of the financial covenants, standards or terms found herein, then the parties hereto agree to enter into and diligently pursue negotiations in order to amend such financial covenants, standards or terms so as to equitably reflect such changes, with the desired result that the criteria for evaluating financial condition and

results of operations of Borrower and the Subsidiaries shall be the same after such changes as if such changes had not been made.

"Governing Documents" means the certificate or articles of incorporation, amended and restated by-laws or other organizational or other governing documents of Borrower.

"Governmental Authority" means any federal, state, local or other governmental department, commission, board, bureau, agency, central bank, court, tribunal or other instrumentality or authority or subdivision thereof, domestic or foreign, exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Hazardous Materials" means all or any of the following: (a) substances that are defined or listed in, or otherwise classified pursuant to, any applicable laws or regulations as hazardous substances, hazardous materials, hazardous wastes, toxic substances, or any other formulation intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, reproductive toxicity, or EP toxicity or are otherwise regulated for the protection of persons, property or the environment; (b) oil, petroleum, or petroleum derived substances, natural gas, natural gas liquids, synthetic gas, drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas, or geothermal resources; (c) any flammable substances or explosives or any radioactive materials; and (d) asbestos in any form or electrical equipment which contains any oil or dielectric fluid containing levels of polychlorinated biphenyls in excess of fifty (50) parts per million.

"Indemnified Person(s)" has the meaning given to such term in Section 10.3(c).

"Insolvency Proceeding" means any proceeding commenced by or against any Person, under any provision of the Bankruptcy Code, or under any other bankruptcy or insolvency law, including, but not limited to, assignments for the benefit of creditors, formal or informal moratoriums, compositions, or extensions with some or all creditors.

"Intangible Assets" means, with respect to any Person, that portion of the book value of all of such Person's assets that would be treated as intangibles under GAAP.

"Interest Payment Date" means:

(i) with respect to each Base Lending Rate Portion, the first day of each and every month commencing the first such day after the making of such Loan, and the Revolving Loans Maturity Date; and

(ii) with respect to each LIBOR Lending Rate Portion, the earlier of: (1) the last day of the Interest Period with respect thereto, or (2) if the Interest Period has a duration of more than three months, every LIBOR Business Day that occurs during such Interest Period every three months from the first day of such Interest Period.

"Interest Period" means, with respect to each LIBOR Lending Rate Portion, the period commencing on the date of such LIBOR Lending Rate Portion and ending on the numerically corresponding day one (1), two (2), three (3), four (4), or six (6) months thereafter as Borrower may

elect pursuant to the applicable Notice of Borrowing or Notice of Conversion or Continuation; provided, however, that:

(i) any Interest Period which would otherwise end on a day which is not a LIBOR Business Day shall be extended to the next succeeding LIBOR Business Day unless such LIBOR Business Day falls in another calendar month in which case such Interest Period shall end on the immediately preceding LIBOR Business Day;

(ii) any Interest Period which begins on the last LIBOR Business Day of the calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last LIBOR Business Day of the calendar month in which it would have ended if there were a numerically corresponding day in such calendar month; and

(iii) no Interest Period respecting a Revolving Loan may extend beyond the Revolving Loans Maturity Date.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute, and any and all regulations thereunder.

"ISP" means the International Standby Practices (1998 version), and any subsequent versions or revisions approved by a Congress of the International Chamber of Commerce Publication 590 and adhered to by Bank.

"Knowledge" has the meaning given to such term in Section 10.9.

"Late Payment Fee" has the meaning given to such term in Section 2.14(c).

"Lending Office" means Bank's office located at its address set forth on the signature pages hereof, or such other office of Bank as it may hereafter designate as its Lending Office by notice to Borrower.

"Letter(s) of Credit" means any commercial or standby letter(s) of credit issued by Bank, pursuant to Section 3.1.

"Letter of Credit Application" means Bank's standard form of Commercial Letter of Credit Application or Standby Letter of Credit Application, as applicable.

"Letter of Credit Fee" has the meaning given to such term in Section 3.3(a).

"Letter of Credit Sublimit" means Four Million Five Hundred Thousand Dollars (\$4,500,000).

"Letter of Credit Usage" means, on any date of determination, the aggregate maximum amounts available to be drawn under all outstanding Letters of Credit, without regard to whether any conditions to drawing could then be met.

"LIBOR" means London interbank offered rate.

"LIBOR Business Day" means any Business Day on which major commercial banks are open for international business (including dealings in Dollar deposits) in Los Angeles, California and London, England.

"LIBOR Lending Rate" means, with respect to a LIBOR Lending Rate Portion, the rate per annum (rounded upwards if necessary to the nearest one hundredth of one percent (.001%)), determined as the sum of: (a) the quotient of: (i) Base LIBOR for the relevant Interest Period of such LIBOR Lending Rate Portion; divided by (ii) the number equal to one hundred percent (100%) minus the LIBOR Reserve Percentage with respect to such Interest Period; plus (b) the LIBOR Lending Rate Margin. The LIBOR Lending Rate shall be adjusted automatically on the effective date of any change in the LIBOR Reserve Percentage, such adjustment to affect any LIBOR Lending Rate Portion outstanding on such effective date to the extent such change is applied retroactively to eurocurrency funding of a member bank in the Federal Reserve System. Each determination of a LIBOR Lending Rate by Bank, including, but not limited to, any determination as to the applicability or allocability of reserves to eurocurrency liabilities or as to the amount of such reserves, shall be conclusive and final in the absence of manifest error.

"LIBOR Lending Rate Margin" means one and one quarter percentage points (125 basis points).

"LIBOR Lending Rate Portion" means any portion of any Loan designated by Borrower as bearing interest at the LIBOR Lending Rate pursuant to Section 2.5 or 2.6.

"LIBOR Reserve Percentage" means, for any Interest Period of any LIBOR Lending Rate Portion, the daily average of the stated maximum rate (rounded upward to the nearest one hundredth of one percent (.001%)), as determined by Bank in accordance with its usual procedures (which determination shall be conclusive in the absence of manifest error), at which reserves are required to be maintained during such Interest Period by Bank (including supplemental, marginal, and emergency reserves) under Regulation D by Bank against Eurocurrency liabilities (as such term is defined in Regulation D), but without benefit or credit of proration, exemptions, or offsets that might otherwise be available to Bank from time to time under Regulation D. Without limiting the generality of the foregoing, LIBOR Reserve Percentage shall include any other reserves required to be maintained by Bank against (i) any category of liabilities that includes deposits by reference to which the LIBOR Lending Rate for a LIBOR Lending Rate Portion is being determined and (ii) any category of extension of credit or other assets that includes LIBOR Lending Rate Portion.

"Lien" means any mortgage, deed of trust, pledge, security interest, hypothecation, assignment, deposit arrangement or other preferential arrangement, charge or encumbrance (including, any conditional sale or other title retention agreement, or finance lease) of any kind.

"Loan Document(s)" means each of the following documents, instruments, and agreements individually or collectively, as the context requires:

- (i) the Note; and
- (ii) such other documents, instruments, and agreements as Bank may reasonably request in connection with the transactions contemplated hereunder.

"Loans" means the Revolving Loans.

"Material Adverse Effect" means a material adverse effect on (i) the business, Assets, condition (financial or otherwise) or results of operations of Borrower or any Subsidiary; provided that in the case of a Subsidiary, taken as a whole with Borrower: (ii) the ability of Borrower to perform its obligations under this Agreement and the Loan Documents to which it is a party (including, without limitation, repayment of the Obligations as they come due), or (iii) the validity or enforceability of this Agreement, the Loan Documents, or the rights or remedies of Bank hereunder and thereunder.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA or Section 3(37) of ERISA to which any member of the ERISA Group has contributed, or was obligated to contribute, within the preceding six plan years (while a member of such ERISA Group) including for these purposes any Person which ceased to be a member of the ERISA Group during such six year period.

"Note" means, the Promissory Note, dated as of even date herewith, executed by Borrower to the order of Bank, in the principal amount of Fifteen Million Dollars (\$15,000,000).

"Notice of Borrowing" means an irrevocable notice from Borrower to Bank of Borrower's request for a Borrowing pursuant to the terms of Section 2.5, substantially in the form of Exhibit 2.5(b).

"Notice of Conversion or Continuation" means a written notice given pursuant to the terms of Section 2.6(b), substantially in the form of Exhibit 2.6(b).

"Obligations" means any and all indebtedness, liabilities, and obligations of Borrower owing to Bank and to its successors and assigns, previously, now, or hereafter incurred, and howsoever evidenced, whether direct or indirect, absolute or contingent, joint or several, liquidated or unliquidated, voluntary or involuntary, due or not due, legal or equitable, whether incurred before, during, or after any Insolvency Proceeding and whether recovery thereof is or becomes barred by a statute of limitations or is or becomes otherwise unenforceable or unallowable as claims in any Insolvency Proceeding, together with all interest thereupon (including interest under Section 2.4(b) and including any interest that, but for the provisions of the Bankruptcy Code, would have accrued during the pendency of an Insolvency Proceeding. The Obligations shall include, without limiting the generality of the foregoing, all principal and interest owing under the Loans, all Reimbursement Obligations, all Expenses, the Fees, any other fees and expenses due hereunder and under the Loan Documents (including any fees or expenses that, but for the provisions of the Bankruptcy Code, would have accrued during the pendency of an Insolvency Proceeding), and all other indebtedness evidenced by this Agreement and/or the Loan Documents.

"Old Lender" means Bank of America. N.A.

"Operating Lease" means any lease of an Asset by a Person which, in conformity with GAAP, is not a Capital Lease.

"Participant" has the meaning set forth in Section 10.5(d).

"Pay-Off Letter" means that certain letter, in form and substance reasonably satisfactory to Bank, from Old Lender respecting the amount necessary to repay in full all of the obligations of Borrower or any Subsidiary owing to Old Lender and obtain a termination or release

of all of the Liens existing in favor of Old Lender in and to the Assets of Borrower and such Subsidiaries.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Permitted Debt" means (i) Debt owing to Bank in accordance with the terms of this Agreement and the Loan Documents, and (ii) Debt up to a maximum aggregate amount of One Million Dollars (\$1,000,000) outstanding at any one time incurred in the ordinary course of business and secured by the Liens described in clause (iv) of the definition of Permitted Liens hereinbelow and (iii) Debt owing to ABN Amro from Borrower's Subsidiary, Universal Electronics BV located in Enschede Netherlands pursuant to a \$500,000 revolving credit line.

"Permitted Liens" means (i) Liens for current taxes, assessments or other governmental charges which are not delinquent or remain payable without any penalty, or are being contested in good faith by appropriate proceedings, provided that, if delinquent, adequate reserves have been set aside with respect thereto as required by GAAP and, by reason of nonpayment, no property is subject to a material risk of loss or forfeiture; (ii) Liens in favor of Bank, in accordance with the Loan Documents, (iii) statutory Liens, such as inchoate mechanics', inchoate materialmen's, landlord's, warehousemen's, and carriers' liens, and other similar liens, other than those described in clause (i) above, arising in the ordinary course of business with respect to obligations which are not delinquent or are being contested in good faith by appropriate proceedings, provided that, if delinquent, adequate reserves have been set aside with respect thereto as required by GAAP and, by reason of nonpayment, no property is subject to a material risk of loss or forfeiture; (iv) Liens relating to Capital Lease Obligations permitted hereunder and Liens securing any leases permitted in Section 7.5, (v) judgment Liens that do not constitute an Event of Default under Section 8.1(i), (vi) Liens, if they constitute such, of any true lease and consignment UCC filings permitted hereunder, and (vii) Purchase Money Liens.

"Person" means and includes natural persons, corporations, limited partnerships, general partnerships, limited liability companies, limited liability partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts, or other organizations, irrespective of whether they are legal entities, and governments and agencies and political subdivisions thereof.

"Plan" means an employee benefit plan as defined in Section 3(3) of ERISA in which any personnel of any member of the ERISA Group participate or from which any such personnel may derive a benefit or with respect to which any member of the ERISA Group may incur liability, excluding any Multiemployer Plan, but including any plan either established or maintained by any member of the ERISA Group or to which such Person contributes under the laws of any foreign country.

"Purchase Agreement" means an agreement between a purchaser and a seller setting forth the terms and conditions for the consummation of an Acquisition.

"Purchase Money Lien" means a Lien on any item of equipment of Borrower; provided that (i) such Lien attaches only to that Asset and (ii) the purchase-money obligation secured by such item of equipment does not exceed one hundred percent (100%) of the purchase price of such item of equipment.

"Quick Ratio" means, as of the date of determination, the ratio of (i) Borrower's accounts receivable plus Borrower's cash on hand and marketable securities, to (ii) Current Liabilities (including the Obligations).

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System, as such regulation may be amended or supplemented from time to time.

"Reimbursement Obligations" means the obligations of Borrower to reimburse Bank pursuant to Section 3.5 amounts drawn under Letters of Credit.

"Reportable Event" means any of the events described in Section 4043 (c) of ERISA other than a Reportable Event as to which the provision of 30 days notice to the PBGC is waived under applicable regulations.

"Responsible Officer" means either the Chief Executive Officer, Chief Financial Officer or Controller of a Person, or such other officer, or employee of such Person designated by a Responsible Officer in a writing delivered to Bank.

"Retiree Health Plan" means an employee welfare benefit plan within the meaning of Section 3(1) of ERISA that provides benefits to individuals after termination of their employment, other than as required by Section 601 of ERISA.

"Revolving Credit Commitment" means Fifteen Million Dollars (\$15,000,000).

"Revolving Loans" has the meaning given to such term in Section 2.1.

"Revolving Loans Maturity Date" means August 31, 2006.

"SEC" means United States Securities and Exchange Commission.

"Solvent means, with respect to any Person on the date any determination thereof is to be made, that on such date: (a) the present fair valuation of the Assets of such Person is greater than such Person's probable liability in respect of existing debts; (b) such Person does not intend to, and does not believe that it will, incur debts beyond such Person's ability to pay as such debts mature; and (c) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, which would leave such Person with Assets remaining which would constitute unreasonably small capital after giving effect to the nature of the particular business or transaction. For purposes of this definition (i) the fair valuation of any property or assets means the amount realizable within a reasonable time, either through collection or sale of such Assets at their regular market value, which is the amount obtainable by a capable and diligent Person from an interested buyer willing to purchase such property or assets within a reasonable time under ordinary circumstances; and (ii) the term debts includes any payment obligation, whether or not reduced to judgment, equitable or legal, matured or unmatured, liquidated or unliquidated, disputed or undisputed, secured or unsecured, absolute, fixed or contingent.

"Subsidiary" means any corporation, limited liability company, partnership, trust or other entity (whether now existing or hereafter organized or acquired) of which Borrower or one or more Subsidiaries of Borrower at the time owns or controls directly or indirectly more than 50% of the shares of stock or partnership or other ownership interest having general voting power under

ordinary circumstances to elect a majority of the board of directors, managers or trustees or otherwise exercising control of such corporation, limited liability company, partnership, trust or other entity (irrespective of whether at the time stock or any other form of ownership of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"Swaps" means payment obligations with respect to interest rate swaps, currency swaps and similar obligations obligating a Person to make payments, whether periodically or upon the happening of a contingency. For the purposes of this Agreement, the amount of the obligation under any Swap shall be the amount determined, in respect thereof as of the end of the then most recently ended fiscal quarter of Borrower, based on the assumption that such Swap had terminated at the end of such fiscal quarter, and in making such determination, if any agreement relating to such Swap provides for the netting of amounts payable by and to each party thereto or if any such agreement provides for the simultaneous payment of amounts by and to each party, then in each such case, the amount of such obligation shall be the net amount so determined.

"Taxes" has the meaning set forth in Section 9.1.

"Transferee" has the meaning set forth in Section 11.5(e).

"Uniform Customs" means the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be amended from time to time.

"Unmatured Event of Default" means any condition or event which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Unused Revolving Commitment Fee" has the meaning given to such term in Section 2.14(a).

1.2 Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP.

1.3 Computation of Time Periods. In this Agreement, with respect to the computation of periods of time from a specified date to a later specified date, the word from means from and including and the words to and until each mean to but excluding. Periods of days referred to in this Agreement shall be counted in calendar days unless otherwise stated.

1.4 Construction. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular and to the singular include the plural, references to any gender include any other gender, the part includes the whole, the term including is not limiting, and the term or has, except where otherwise indicated, the inclusive meaning represented by the phrase and/or. References in this Agreement to determination by Bank include good faith estimates by Bank (in the case of quantitative determinations), and good faith beliefs by Bank (in the case of qualitative determinations). The words hereof, herein, hereby, hereunder, and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement, except when a specific reference to a particular provision is made.

Article, section, subsection, clause, exhibit and schedule references are to this Agreement, unless otherwise specified. Any reference in this Agreement or any of the Loan Documents to this Agreement or any of the Loan Documents includes any and all permitted alterations, amendments, changes, extensions, modifications, renewals, or supplements thereto or thereof, as applicable.

1.5 Exhibits and Schedules. All of the exhibits and schedules attached hereto shall be deemed incorporated herein by reference.

1.6 No Presumption Against Any Party. Neither this Agreement, any of the Loan Documents, any other document, agreement, or instrument entered into in connection herewith, nor any uncertainty or ambiguity herein or therein shall be construed or resolved using any presumption against any party hereto, whether under any rule of construction or otherwise. On the contrary, this Agreement, the Loan Documents, and the other documents, instruments, and agreements entered into in connection herewith have been reviewed by each of the parties and their counsel and shall be construed and interpreted according to the ordinary meanings of the words used so as to accomplish fairly the purposes and intentions of all parties hereto.

1.7 Independence of Provisions. All agreements and covenants hereunder, under the Loan Documents, and the other documents, instruments, and agreements entered into in connection herewith shall be given independent effect such that if a particular action or condition is prohibited by the terms of any such agreement or covenant, the fact that such action or condition would be permitted within the limitations of another agreement or covenant shall not be construed as allowing such action to be taken or condition to exist.

ARTICLE II

TERMS OF THE CREDIT

2.1 Revolving Loans. Provided that no Event of Default or Unmatured Event of Default has occurred and is continuing, and subject to the other terms and conditions hereof, Bank agrees to make revolving loans ("Revolving Loans") to Borrower, upon notice in accordance with Section 2.5(b), from the Closing Date up to but not including the Revolving Loans Maturity Date, the proceeds of which shall be used only for the purposes allowed in Section 7.1 (a), subject to the following conditions and limitations:

(a) the principal amount of Revolving Loans outstanding after giving effect to any proposed Borrowing plus the Letter of Credit Usage on such date shall not exceed the Revolving Credit Commitment;

(b) Borrower shall not be permitted to borrow, and Bank shall not be obligated to make, any Revolving Loans to Borrower, unless and until all of the conditions for a Borrowing set forth in Section 4.2 have been met to the satisfaction of Bank in its sole and absolute discretion; and

(c) Borrower may repay and, subject to the terms and conditions hereof, reborrow Revolving Loans. All such repayments shall be without penalty or premium except as otherwise required by Section 2.7 with respect to repayments of LIBOR Lending Rate Portions. Borrower shall give Bank at least three (3) Business Days' prior written notice of any repayment of a Base Lending Rate Portion and at least three (3) LIBOR Business Days' prior written notice of any

repayment of a LIBOR Lending Rate Portion. On the Revolving Loans Maturity Date, Borrower shall pay to Bank the entire unpaid principal balance of the Revolving Loans together with all accrued but unpaid interest thereon,

2.2 Reserved.

2.3 Reserved.

2.4 Interest Rates; Payments of Interest.

(a) Revolving Loans. Subject to the terms and conditions hereof, all Revolving Loans, or portions thereof, may be outstanding as either Base Lending Rate Portions or LIBOR Lending Rate Portions, by designating, in accordance with Sections 2.5(b) and 2.6(b), either the Base Lending Rate or the LIBOR Lending Rate to apply to all or any portion of the unpaid principal balance of the Revolving Loans.

(b) Reserved.

(c) Limitations on LIBOR Lending Rate Portions. LIBOR Lending Rate Portions shall be in minimum aggregate amounts each of One Million Dollars (\$1,000,000).

(d) Lending Office. Each type of Loan shall be made and maintained by Bank at Bank's Lending Office for such type of Loan.

(e) Default Rate. Upon the occurrence and during the continuance of an Event of Default, in addition to and not in substitution of any of Bank's other rights and remedies with respect to such Event of Default, at Bank's option, the entire unpaid principal balance of the Loans shall bear interest at the otherwise applicable rate(s) plus three hundred (300) basis points. In addition, interest, Expenses, the Fees, and other amounts due hereunder not paid when due shall bear interest at the Base Lending Rate plus three hundred (300) basis points until such overdue payment is paid in full.

(f) Computation of Interest. All computations of interest shall be calculated on the basis of a year of three hundred sixty (360) days for the actual days elapsed. In the event that the Base Rate announced is, from time to time, changed, adjustment in the rate of interest payable hereunder on all Base Lending Rate Portions shall be made as of 12:01 a.m. (Pacific time) on the effective date of the change in the Base Rate. Interest shall accrue from the Closing Date to the date of repayment of the Loans in accordance with the provisions of this Agreement; provided, however, if a Loan is repaid on the same day on which it is made, then one (1) day's interest shall be paid on that Loan. Any and all interest not paid when due shall thereafter be deemed to be a Revolving Loan as a Base Lending Rate Portion made under Section 2.1 and shall bear interest thereafter as provided for in Section 2.4(e).

(g) Maximum Interest Rate. In no event shall the interest rate and other charges hereunder exceed the highest rate permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such a court determines that Bank has received interest and other charges hereunder in excess of the highest rate applicable hereto, such excess shall be deemed received on account of, and shall automatically be applied to reduce, the Obligations, other than interest, in the inverse order of maturity, and the

provisions hereof shall be deemed amended to provide for the highest permissible rate. If there are no Obligations outstanding, Bank shall refund to Borrower such excess.

(h) Payments of Interest. All accrued but unpaid interest on the Loans, calculated in accordance with this Section 2.4, shall be due and payable, in arrears, on each and every Interest Payment Date.

2.5 Notice of Borrowing Requirements.

(a) Each Borrowing of a Base Lending Rate Portion shall be made on a Business Day, and each Borrowing of a LIBOR Lending Rate Portion shall be made on a LIBOR Business Day.

(b) Each Borrowing shall be made upon telephonic notice given by a Responsible Officer of Borrower, and, at Bank's request, followed by a Notice of Borrowing, given by facsimile or personal service, delivered to Bank at the address set forth in the Notice of Borrowing. If for a Base Lending Rate Portion, Bank shall be given such notice no later than 11:00 a.m., Pacific time, one (1) Business Day prior to the day on which such Borrowing is to be made, and, if for a LIBOR Lending Rate Portion, Bank shall be given notice no later than 9:00 a.m., Pacific time, three (3) LIBOR Business Days prior to the day on which such Borrowing is to be made, and such notice shall state the amount thereof (subject to the provisions of Section 2.1).

(c) Bank shall not incur any liability to Borrower in acting upon any telephonic notice which Bank believes in good faith to have been given by a Responsible Officer of Borrower, or for otherwise acting in good faith under this Section 2.5, and in making any Loans pursuant to any such telephonic notice.

(d) So long as all of the conditions for a Borrowing of a Loan set forth herein have been satisfied, Bank shall credit the proceeds of such Loan on the applicable Borrowing date into Borrower's general deposit account number 1892476985 maintained with Bank or any other demand deposit account maintained by Borrower with Bank as Borrower may, from time to time, specify by notice to Bank.

2.6 Conversion or Continuation Requirements.

(a) Borrower shall have the option to: (i) convert, at any time, all or any portion of any of the outstanding Loans, subject to the limitations and requirements of Section 2.4(a), from a portion bearing interest at one of the interest rate options available pursuant to Section 2.4(a) to another; or (ii) upon the expiration of any Interest Period applicable to a LIBOR Lending Rate Portion, to continue all or any portion of such LIBOR Lending Rate Portion as a LIBOR Lending Rate Portion with the succeeding Interest Period(s) of such continued LIBOR Lending Rate Portion commencing on the expiration date of the Interest Period previously applicable thereto, subject to the following limitations:

(i) a LIBOR Lending Rate Portion may only be converted to a Base Lending Rate Portion, or continued as a LIBOR Lending Rate Portion, on the expiration date of the Interest Period applicable thereto;

(ii) no outstanding Loan, or portion thereof, may be continued as, or be converted into, a LIBOR Lending Rate Portion in the event that, on the earlier of the date of the delivery of the Notice of Conversion or Continuation or the telephonic notice in respect thereof, any Event of Default or Unmatured Event of Default has occurred and is continuing;

(iii) if Borrower fails to deliver the appropriate Notice of Conversion or Continuation or the telephonic notice in respect thereof pursuant to the required notice period before the expiration of the Interest Period of a LIBOR Lending Rate Portion, such LIBOR Lending Rate Portion shall automatically be converted to a Base Lending Rate Portion; and

(iv) no outstanding portion of a Loan may be continued as, or be converted into, a LIBOR Lending Rate Portion in the event that, after giving effect to such conversion or continuation, there would be more than five (5) LIBOR Lending Rate Portions outstanding.

(b) Borrower shall give telephonic notice of any proposed continuation or conversion pursuant to this Section 2.6, and, at Bank's request, followed by a Notice of Conversion or Continuation, given by facsimile or personal service, delivered to Bank at the address set forth in the Notice of Conversion or Continuation. Bank shall be given such notice no later than 11:00 a.m., Pacific time, on the Business Day which is the proposed conversion date (in the case of a conversion to a Base Lending Rate Portion) and no later than 9:00 a.m., Pacific time, three (3) LIBOR Business Days in advance of the proposed conversion or continuation date (in the case of a conversion to, or a continuation of, a LIBOR Lending Rate Portion). If such Notice of Conversion or Continuation is received by Bank not later than 11:00 a.m., Pacific time, on a LIBOR Business Day, such day shall be treated as the first LIBOR Business Day of the required notice period. In any other event, such notice will be treated as having been received at the opening of business of the next LIBOR Business Day. A Notice of Conversion or Continuation shall specify: (1) the proposed conversion or continuation date (which shall be a Business Day or a LIBOR Business Day, as applicable); (2) the amount of the Revolving Loan to be converted or continued; (3) the nature of the proposed conversion or continuation; and (4) in the case of a conversion to or continuation of a LIBOR Lending Rate Portion, the requested Interest Period.

(c) Bank shall not incur any liability to Borrower in acting upon any telephonic notice referred to above which Bank believes in good faith to have been given by a Responsible Officer of Borrower or for otherwise acting in good faith under this Section 2.6. Any Notice of Conversion or Continuation (or telephonic notice in respect thereof) shall be irrevocable and Borrower shall be bound to convert or continue in accordance therewith.

2.7 LIBOR Costs.

(a) Borrower shall reimburse Bank for any increase in Bank's costs (which shall include, but not be limited to, taxes, other than taxes imposed on the overall net income of Bank, fees or charges), or any loss or expense (including, without limitation, any loss or expense incurred by reason of the liquidation or re-employment of deposits or other funds acquired by Bank to fund or maintain outstanding the principal amount of the Loans) incurred by it directly or indirectly resulting from the making of any LIBOR Lending Rate Portion due to: (i) the modification, adoption, or enactment of any law, rule, regulation or treaty or the interpretation thereof by any governmental or other authority (whether or not having the force of law) which becomes effective after the date hereof; (ii) the modification or new application of any law,

regulation or treaty or the interpretation thereof by any governmental or other authority (whether or not having the force of law) which becomes effective after the date hereof; (iii) compliance by Bank with any request or directive (whether or not having the force of law) of any monetary or fiscal agency or authority which becomes effective after the date hereof; (iv) violations by Borrower of the terms of this Agreement; or (v) any prepayment of a LIBOR Lending Rate Portion at any time prior to the end of the applicable Interest Period, including pursuant to Section 8.2.

(b) The amount of such costs, losses, or expenses shall be reasonably determined solely by Bank based upon the assumption that Bank funded one hundred percent (100%) of each LIBOR Lending Rate Portion in the LIBOR market. In attributing Bank's general costs relating to its eurocurrency operations to any transaction under this Agreement or averaging any costs over a period of time, Bank may use any reasonable attribution or averaging methods which it deems appropriate and practical. Bank shall notify Borrower of the amount due Bank pursuant to this Section 2.7 in respect of any LIBOR Lending Rate Portion as soon as practicable but in any event within forty-five (45) days after the last day of the Interest Period of such LIBOR Lending Rate Portion, and Borrower shall pay to Bank the amount due within fifteen (15) days of its receipt of such notice. A certificate as to the amounts payable pursuant to the foregoing sentence together with whatever detail is reasonably available to Bank shall be submitted by Bank to Borrower. Such determination shall, if not objected to within ten (10) days, be conclusive and binding upon Borrower in the absence of manifest error. If Bank claims increased costs, loss, or expenses pursuant to this Section 2.7, then Bank, if requested by Borrower, shall use reasonable efforts to take such steps that Borrower reasonably requests, including designating different Lending Offices, as would eliminate or reduce the amount of such increased costs, losses, or expenses, so long as taking such steps would not, in the reasonable judgment of Bank, otherwise be disadvantageous to Bank. Any recovery by Bank or its Lending Office of amounts previously borne by Borrower pursuant to this Section 2.7 shall be promptly remitted, without interest (unless Bank received interest on such recovered amounts), to Borrower by Bank.

2.8 Illegality; Impossibility. Notwithstanding anything herein to the contrary, if Bank determines (which determination shall be conclusive absent manifest error) that any law, rule, regulation, treaty or directive, 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 its Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for Bank (or its Lending Office) to fund or maintain a LIBOR Lending Rate Portion in the LIBOR market or to continue such funding or maintaining, then Bank shall give notice of such circumstances to Borrower and (a) in the case of each and every LIBOR Lending Rate Portion which is outstanding, Borrower shall, if requested by Bank, prepay such LIBOR Lending Rate Portion(s) on or before the date specified in such request, together with interest accrued thereon, and the date so specified shall be deemed to be the last day of the Interest Period of that LIBOR Lending Rate Portion, and concurrent with any such prepayment, Bank shall make a Base Lending Rate Portion to Borrower in the principal amount equal to the principal amount of the LIBOR Lending Rate Portions so prepaid, and (b) Bank shall not be obligated to make any further LIBOR Lending Rate Portions until Bank determines that it would no longer be unlawful or impossible to do so.

2.9 Disaster. Notwithstanding anything herein to the contrary, if Bank determines (which determination shall be conclusive absent manifest error) that (a) Bank is unable

to determine the LIBOR Lending Rate with respect to any Notice of Borrowing or Notice of Conversion or Continuation selecting the LIBOR Lending Rate because quotations of interest rates for the relevant deposits are not being provided in the relevant amounts or for the relative maturities or (b) the LIBOR Lending Rate will not adequately reflect the cost to Bank of making or funding LIBOR Lending Rate Portions, then (i) the right of Borrower to select the LIBOR Lending Rate shall be suspended until Bank notifies Borrower that the circumstances causing such suspension no longer exist, and (ii) Borrower shall repay in full the then outstanding principal balance of all LIBOR Lending Rate Portions, together with interest accrued thereon, on the last day of the Interest Period applicable to each such LIBOR Lending Rate Portion, and concurrent with any such prepayment, Bank shall make a Base Lending Rate Portion to Borrower in the principal amount equal to the principal amount of the LIBOR Lending Rate Portions so repaid.

2.10 Increased Risk-Based Capital Cost. If the amount of capital required or expected to be maintained by Bank or any Person directly or indirectly owning or controlling Bank (each a "Control Person"), shall be affected by:

(a) the introduction or phasing in of any law, rule or regulation after the date hereof;

(b) any change after the date hereof in the interpretation of any existing law, rule or regulation by any central bank or United States or foreign governmental authority charged with the administration thereof; or

(c) compliance by Bank or such Control Person with any directive, guideline or request from any central bank or United States or foreign governmental authority (whether or not having the force of law) promulgated or made after the date hereof, and Bank shall have reasonably determined that such introduction, phasing in, change or compliance shall have had or will thereafter have the effect of reducing (x) the rate of return on Bank's or such Control Person's capital, or (y) the asset value to Bank or such Control Person of the Loans made or maintained by Bank, in either case to a level below that which Bank or such Control Person could have achieved or would thereafter be able to achieve but for such introduction, phasing in, change or compliance (after taking into account Bank's or such Control Person's policies regarding capital), in either case by an amount which Bank in its reasonable judgment deems material, then, on demand by Bank, Borrower shall pay to Bank or such Control Person such additional amount or amounts as shall be sufficient to compensate Bank or such Control Person, as the case may be, for such reduction.

2.11 Note; Statements of Obligations. The Loans and Borrower's obligation to repay the same shall be evidenced by the Note, this Agreement and the books and records of Bank. Bank shall render monthly statements of the Loans to Borrower, including statements of all principal and interest owing on the Loans, and all Fees and Expenses owing, and such statements shall be presumed to be correct and accurate and constitute an account stated between Borrower and Bank's unless, within thirty (30) days after receipt thereof by Borrower, Borrower delivers to Bank, at the address specified in Section 10.1, written objection thereof specifying the error or errors, if any, contained in any such statement.

2.12 Holidays. Any principal or interest in respect of the Loans (other than in respect of a LIBOR Lending Rate Portion) which would otherwise become due on a day other than a Business Day, shall instead become due on the next succeeding Business Day and such adjustment shall be reflected in the computation of interest; provided, however, that in the event that such due

date shall, subsequent to the specification thereof by Bank, for any reason no longer constitute a Business Day, Bank may change such specified due date in accordance with this Section 2.12.

2.13 Time and Place of Payments.

(a) All payments due hereunder shall be made available to Bank in immediately available Dollars, not later than 12:00 p.m., Pacific time, on the day of payment, to the following address or such other address as Bank may from time to time specify by notice to Borrower:

Comerica Bank
301 East Ocean Boulevard, Suite 1800
Long Beach, CA 90802
Attention: Thomas R. Kelly

(b) Borrower hereby authorizes Bank to charge Borrower's demand deposit account number 1892476985 with Bank, or any other demand deposit account maintained by Borrower with Bank, for the amount of any payment due or past due hereunder or under any Loan Document, for the full amount thereof. Should there be insufficient funds in any such demand deposit account to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable in cash by Borrower.

(c) In addition, Borrower hereby authorizes Bank at its option, without prior notice to Borrower, to advance a Revolving Loan as a Base Lending Rate Portion for any payment due or past due hereunder, including interest owing on the Loans, the Fees and all Expenses, and to pay the proceeds of such Revolving Loan to Bank for application toward such due or past due payment.

2.14 Fees.

(a) Borrower shall pay to Bank on a quarterly basis an unused commitment fee (the "Unused Revolving Commitment Fee") in an amount equal to the Applicable Unused Commitment Fee Percentage times the difference of the Revolving Credit Commitment minus the sum of (i) the average daily outstanding Revolving Loans during the prior quarter plus (ii) the average daily Letter of Credit Usage during the prior quarter. The Unused Commitment Fee shall begin to accrue on the Closing Date and shall be due and payable, in arrears, on the first Business Day of each and every calendar quarter, and the Revolving Loans Maturity Date. The Unused Commitment Fee shall be calculated on the basis of a year of three hundred sixty (360) days for the actual days elapsed.

(b) Borrower shall pay to Bank a fee (the "Closing Fee") in an amount equal to Two Thousand Five Hundred Dollars (\$2,500), receipt of which is hereby acknowledged. The Closing Fee is fully earned and nonrefundable.

(c) If any payment due hereunder, whether for principal, interest, or otherwise, is not paid on or before the tenth (10th) day after the date such payment is due, in addition to and not in substitution of any of Bank's other rights and remedies with respect to such nonpayment, Borrower shall pay to Bank a late payment fee (the "Late Payment Fee") equal to five

percent (5%) of the amount of such overdue payment. The Late Payment Fee shall be due and payable on the eleventh (11th) day after the due date of the overdue payment with respect thereto.

ARTICLE III

LETTERS OF CREDIT

3.1 Letters of Credit.

(a) Provided that no Event of Default or Unmatured Event of Default is continuing and subject to the other terms and conditions hereof, Bank agrees to issue commercial and standby letters of credit ("Letters of Credit") for the account of Borrower in such form as may be approved from time to time by Bank, subject to the following limitations:

(i) The face amount of the Letter of Credit requested if and when issued must not cause the sum of the aggregate principal amount outstanding of all Revolving Loans plus the Letter of Credit Usage to exceed the Revolving Credit Commitment;

(ii) The face amount of the Letter of Credit requested if and when issued must not cause the Letter of Credit Usage to exceed the Letter of Credit Sublimit;

(iii) Standby Letters of Credit may not have an expiry date or draw period which extends beyond the earlier of (x) 365 days following the date of issuance, or (y) the date which is thirty (30) days prior to the Revolving Loans Maturity Date;

(iv) Commercial Letters of Credit may not have an expiry date or draw period which extends beyond the date which is thirty (30) days prior to the Revolving Loans Maturity Date; and

(v) The conditions specified in Section 4.2 shall have been satisfied on the date of issuance of such Letter of Credit.

(b) Each Letter of Credit shall (i) be denominated in Dollars, and (ii) be a standby letter of credit issued to support obligations of Borrower or any Subsidiary, contingent or otherwise, to finance the working capital and business needs of Borrower or such Subsidiary, in the ordinary course of business or Acquisitions, either permitted under Section 7.8 or otherwise consented to, in writing, by Bank.

(c) Each Letter of Credit shall be subject to the Uniform Customs or the ISP, as determined by Bank, in its sole discretion, and, to the extent not inconsistent therewith, the laws of the State of California.

(d) The Bank shall not at any time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause the Bank to exceed any limits imposed by its organizational or governing documents or by any applicable law, rule, regulation or treaty or determination of an arbitrator or a court or other governmental authority to which Bank is subject.

3.2 Procedure for Issuance of Letters of Credit. Borrower may request that the Bank issue a Letter of Credit at any time prior to the date which is thirty (30) days prior to the Revolving Loans Maturity Date by delivering to the Bank a Letter of Credit Request at its address for notices specified herein a Letter of Credit Request therefor, completed to the satisfaction of the Bank, together with such other certificates, documents and other papers and information as the Bank may request. Upon receipt of any Letter of Credit Request, the Bank will process such Letter of Credit Request and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby (but in no event shall the Bank be required to issue any Letter of Credit earlier than three (3) Business Days after its receipt of the Letter of Credit Request therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed by the Bank and Borrower. The Bank shall furnish a copy of such Letter of Credit to Borrower promptly following the issuance thereof.

3.3 Fees, Commissions and Other Charges.

(a) With respect to each Standby Letter of Credit, Borrower shall pay to Bank a fee in an amount equal to the greater of \$600 or the face amount of such Standby Letter of Credit times one and one quarter percent (1.25%) per annum pro-rated for time period shorter than one year (the "Standby Letter of Credit Fee"). The Standby Letter of Credit Fee shall be due and payable Upon issuance of the applicable Letter of Credit and again on" each anniversary thereof; "With respect to each Commercial Letter of Credit, Borrower shall pay to Bank Bank's standard fees as set forth on Bank's Commercial Letter of Credit Fee Schedule, as updated from time to time (the "Commercial Letter of Credit Fee"). The Standby Letter of Credit Fee and the Commercial Letter of Credit Fee are collectively referred to herein as the "Letter of Credit Fees".

(b) In addition to the foregoing, Borrower shall pay or reimburse the Bank for such normal and customary costs and expenses as are reasonably incurred or charged by the Bank in issuing, effecting payment under, amending or otherwise administering any Letter of Credit.

3.4 Reimbursement Obligations.

(a) Borrower agrees to reimburse the Bank on the same Business Day on which a draft is presented under any Letter of Credit and paid by the Bank, provided that the Bank provides notice to Borrower prior to 11:00 a.m., Pacific time, on such Business Day and otherwise Borrower will reimburse the Bank on the next succeeding Business Day; provided, further, that the failure to provide such notice shall not affect Borrower's absolute and unconditional obligation to reimburse the Bank when required hereunder for any draft paid under any Letter of Credit. The Bank shall provide notice to Borrower on such Business Day as a draft is presented and paid by the Bank indicating the amount of (i) such draft so paid and (ii) any taxes, fees, charges or other costs or expenses incurred by the Bank in connection with such payment. Each such payment shall be made to the Bank at its address specified on the signature pages hereof in Dollars.

(b) Interest shall be payable on any and all amounts remaining unpaid by Borrower under this Section from the date such amounts become payable (whether at stated maturity, by acceleration or otherwise) until payment in full at the rate which would be payable on any outstanding Revolving Loans that are (i) in the case of the first day on which such amounts become

payable (except where such amounts become payable by reason of the acceleration thereof), Base Lending Rate Portions which were not then overdue and (ii) in all cases to which clause (i) is not applicable, Base Lending Rate Portions which were then overdue.

(c) Each drawing under any Letter of Credit shall constitute a request by Borrower to Bank for a Borrowing of a Revolving Loan as a Base Lending Rate Portion. The date of such drawing shall be deemed the date on which such Borrowing is made.

3.5 Obligations Absolute.

(a) Borrower's obligations under this Article III shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment which any Borrower may have or have had against the Bank or any beneficiary of a Letter of Credit.

(b) Borrower also agrees with the Bank that Borrower's Reimbursement Obligations under Section 3.4 shall not be affected by, among other things, (i) the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or (ii) any dispute between or among Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or (iii) any claims whatsoever of Borrower against the beneficiary of such Letter of Credit or any such transferee

(c) Bank shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions caused by the Bank's gross negligence or willful misconduct.

(d) Borrower agrees that any action taken or omitted by the Bank under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in the UCC, shall be binding on Borrower and shall not result in any liability of the Bank to Borrower.

3.6 Letter of Credit Payments. If any draft shall be presented for payment under any Letter of Credit, the responsibility of the Bank to Borrower in connection with such draft shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are in conformity with such Letter of Credit. In determining whether to pay under any Letter of Credit, only the Bank shall be responsible for determining that the documents and certificates required to be delivered under the Letter of Credit have been delivered and that they comply on their face with the requirements of such Letter of Credit.

3.7 Outstanding Letters of Credit Following Event of Default. With respect to all Letters of Credit outstanding upon the occurrence of an Unmatured Event of Default or Event of Default, Borrower shall either replace such Letters of Credit, whereupon such Letters of Credit shall be canceled, with letters of credit issued by another issuer acceptable to the beneficiary of such Letter of Credit, or provide the Bank, as security for such Letters of Credit, with a cash collateral deposit in an amount equal to one hundred and five percent (105%) of the Letter of Credit Usage for so long as such Letters of Credit remain outstanding during the continuance of such Unmatured

Event of Default or Event of Default. Borrower hereby grants to Bank a security interest in such cash collateral to secure all Obligations of Borrower under this Agreement and the other Loan Documents. Amounts held in such cash collateral account shall be applied by Bank to the payment of drafts drawn under such Letters of Credit and the payment of customary costs and expenses charged or incurred by the Bank in connection therewith, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other Obligations. After all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other Obligations shall have been paid in full in cash, and the obligations of Bank hereunder have terminated the balance, if any, in such cash collateral account shall be returned to Borrower. Borrower shall execute and deliver to Bank such further documents and instruments as Bank may request to evidence the creation and perfection of the within security interest in such cash collateral account.

3.8 Letter of Credit Applications. In the event of any conflict between the terms of this Article III and the terms of any Letter of Credit Application, the terms of such Letter of Credit Application shall govern and control any such conflict.

ARTICLE IV

CONDITIONS PRECEDENT

4.1 Conditions to Initial Loans or Letter of Credit.

"Bank's obligation to make the initial Loans and/or to issue the initial Letter of Credit is subject to and contingent upon the fulfillment of each of the following conditions to the satisfaction of Bank and its counsel:

(a) receipt by Bank of this Agreement and each of the Loan Documents, all duly executed by Borrower and/or the other Persons party thereto, acknowledged where required, and in form and substance satisfactory to Bank in its sole and absolute discretion;

(b) receipt by Bank, of a duly executed opinion of Borrower's counsel, dated as of the Closing Date, covering the matters set forth in Exhibit 4.1(b) and otherwise in form and substance satisfactory to Bank in its sole and absolute discretion;

(c) receipt by Bank of a Certificate of the Secretary of Borrower, dated as of the Closing Date, certifying (i) the incumbency and signatures of the Responsible Officers of Borrower who are executing this Agreement and the Loan Documents on behalf of Borrower; (ii) the Amended and Restated By Laws of Borrower and all amendments thereto as being true and correct and in full force and effect; and (iii) the resolutions of the Board of Directors of Borrower as being true and correct and in full force and effect, authorizing the execution and delivery of this Agreement and the Loan Documents, and authorizing the transactions contemplated hereunder and thereunder, and authorizing the Responsible Officers of Borrower to execute the same on behalf of Borrower;

(d) receipt by Bank of Borrower's Amended and Restated Certificate of Incorporation and all amendments thereto, certified by the Delaware Secretary of State and dated a recent date prior to the Closing Date;

(e) receipt by Bank of a certificate of status and good standing for Borrower, dated a recent date prior to the Closing Date, showing that Borrower is in good standing under the laws of the State of Delaware;

(f) receipt by Bank of certificates of foreign qualification and good standing for Borrower, dated a recent date prior to the Closing Date, showing that Borrower is in good standing under the laws of the State of California;

(g) receipt by Bank of a certificate signed by the President and Chief Financial Officer of Borrower, dated as of the Closing Date, certifying that (i) both immediately before and immediately after giving effect to the transactions contemplated by this Agreement and the Loan Documents, Borrower is and will be Solvent; (ii) to the best of their knowledge after due and diligent inquiry, the representations and warranties of Borrower contained in this Agreement and the Loan Documents are true and correct in all material respects, and (iii) to the best of their knowledge after due and diligent inquiry, both immediately before and immediately after giving effect to the transactions contemplated by this Agreement and the Loan Documents, no Event of Default or Unmatured Event of Default is continuing or shall occur;

(h) receipt by Bank of (i) the Closing Fee, and (ii) all Expenses owing on the Closing Date, of which Bank acknowledges receipt of \$12,500;

(i) no Material Adverse Effect shall have occurred, as reasonably determined by Bank in its sole and absolute discretion;

(j) receipt by Bank of copies of insurance binders or insurance certificates evidencing Borrower's having caused to be obtained insurance in accordance with Section 6.5;

(k) receipt by Bank of the Pay-Off Letter from the Old Lender, if any, and such UCC-2 Termination Statements and other Lien releases as Bank shall require, duly executed by such Old Bank's, all of the foregoing in form and substance satisfactory to Bank;

(l) receipt by Bank of such other documents, instruments and agreements as Bank may reasonably request in connection with the transactions contemplated hereunder; and

(m) the Closing Date shall have occurred on or before September 30, 2003.

4.2 Conditions to all Loans and Letters of Credit. Bank's obligation hereunder to make any Loans to Borrower (including the initial Loans), and/or to issue any Letters of Credit (including the initial Letter of Credit), is further subject to and contingent upon the fulfillment of each of the following conditions to the satisfaction of Bank:

(a) (i) in the case of a Borrowing, receipt by Bank of a Notice of Borrowing as required by Section 2.5(b) and written disbursement instructions to Bank consistent with Section 7.1, and (ii) in the case of a Letter of Credit, receipt by Bank of a Letter of Credit Request and the other papers and information required under Section 3.2;

(b) the fact that, immediately before and after such Borrowing or issuance of Letter of Credit, as the case may be, no Event of Default or Unmatured Event of Default shall have occurred or be continuing; and

(c) the fact that the representations and warranties of Borrower contained in this Agreement shall be true on and as of the date of such Borrowing, or issuance of Letter of Credit, as the case may be.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

In order to induce Bank to enter into this Agreement and to make Loans and/or issue any Letters of Credit, Borrower represents and warrants to Bank that on the Closing Date and on the date of each Borrowing or issuance of a Letter of Credit:

5.1 Legal Status. Borrower is a corporation duly organized and existing under the laws of the State of Delaware. Borrower and each Subsidiary has the power and authority to own its own Assets and to transact the business in which it is engaged, and is properly licensed, qualified to do business and in good standing in every jurisdiction in which it is doing business where failure to so qualify could have a Material Adverse Effect.

5.2 No Violation; Compliance. The execution, delivery and performance of this Agreement and the Loan Documents to which Borrower is a party are within Borrower's powers, are not in conflict with the terms of the Governing Documents, and do not result in a breach of or constitute a default under any contract, obligation, indenture or other instrument to which Borrower is a party or by which Borrower is bound or affected, which breach or default could reasonably be expected to have a Material Adverse Effect. There is no law, rule or regulation (including Regulations T, U and X of the Federal Reserve Board), nor is there any judgment, decree or order of any court or Governmental Authority binding on Borrower which would be contravened by the execution, delivery, performance or enforcement of this Agreement and the Loan Documents to which Borrower is a party.

5.3 Authorization; Enforceability. Borrower has taken all corporate action necessary to authorize the execution and delivery of this Agreement and the Loan Documents to which Borrower is a party, and the consummation of the transactions contemplated hereby and thereby. Upon their execution and delivery in accordance with the terms hereof, this Agreement, and the Loan Documents to which Borrower is a party will constitute legal, valid and binding agreements and obligations of Borrower enforceable against Borrower in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency, and similar laws and equitable principles affecting the enforcement of creditors' rights generally.

5.4 Approvals; Consents. No approval, consent, exemption or other action by, or notice to or filing with, any Governmental Authority is necessary in connection with the execution, delivery, performance or enforcement of this Agreement or the Loan Documents. All requisite Governmental Authorities and third parties have approved or consented to the transactions contemplated by this Agreement and Loan Documents, and all applicable waiting periods have expired and there is no governmental or judicial action, actual or threatened, that has or could have a reasonable likelihood of restraining, preventing or imposing burdensome conditions on the transactions contemplated by this Agreement and Loan Documents.

5.5 Liens. Borrower and each of the Subsidiaries has good and marketable title to, or valid leasehold interests in, all of its Assets, free and clear of all Liens or rights of others, except for Permitted Liens.

5.6 Debt. Borrower and each of the Subsidiaries has no Debt other than Permitted Debt.

5.7 Litigation. Except as set forth in Schedule 5.7, there are no suits, proceedings, claims or disputes pending or, to the Knowledge of Borrower, threatened, against or affecting (i) Borrower, (ii) or any of Borrower's Assets, (iii) or any Subsidiary, or (iv) any of such Subsidiary's Assets, which are not fully covered by applicable insurance and as to which no reservation of rights has been taken by the insurer thereunder.

5.8 No Default. No Event of Default or Unmatured Event of Default has occurred and is continuing or would result from the incurring of obligations by Borrower or any Subsidiary under this Agreement or the Loan Documents.

5.9 Subsidiaries. Set forth in Schedule 5.9 is a complete and accurate list of the Subsidiaries, showing the jurisdiction of incorporation of each and showing the percentage of Borrower's ownership of the Capital Stock of each Subsidiary. All of the outstanding Capital Stock of each Subsidiary has been validly issued, is fully paid and nonassessable, and is owned by Borrower free and clear of all Liens except Permitted Liens

5.10 Taxes. All tax returns required to be filed by Borrower and each of the Subsidiaries in any jurisdiction have in fact been filed, and all taxes, assessments, fees and other governmental charges upon Borrower and each of the Subsidiaries or upon any of their Assets, income or franchises, which are due and payable have been paid. The provisions for taxes on the books of Borrower and each of the Subsidiaries are adequate for all open years, and for Borrower's and each of the Subsidiaries current fiscal period.

5.11 Correctness of Financial Statements. Borrower's audited Financial Statement as of its fiscal year ended December 31, 2003, and Borrower's internally prepared Financial Statement as of its fiscal quarters ended March 31, 2003 and June 30, 2003, and all other information and data furnished by Borrower to Bank in connection therewith, are complete and correct and accurately and fairly present the financial condition and results of operations of Borrower and the Subsidiaries as of their respective dates. Any forecasts of future financial performance delivered by Borrower to Bank have been made in good faith and are based on reasonable assumptions and investigations by Borrower. Said Financial Statements have been prepared in accordance with GAAP. Since the date of such Financial Statements, there has been no change in Borrower's or its Subsidiaries' financial condition or results of operations sufficient to have a Material Adverse Effect. Borrower and the Subsidiaries have no contingent obligations, liabilities for taxes or other outstanding financial obligations which are material in the aggregate, except as disclosed in such statements, information and data.

5.12 ERISA. Neither Borrower nor any member of the ERISA Group maintains or contributes to any Plan or Multiemployer Plan, other than those listed on Schedule 5.12. Borrower and each member of the ERISA Group have satisfied the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and Multiemployer Plan to which it is obligated to contribute. No ERISA Event has occurred nor has any other event occurred that

may result in an ERISA Event that reasonably could be expected to result in a Material Adverse Effect. None of Borrower, any member of the ERISA Group, or any fiduciary of any Plan is subject to any direct or indirect liability with respect to any Plan (other than to make regularly scheduled required contributions and to pay Plan benefits in the normal course) under any applicable law, treaty, rule, regulation, or agreement. Neither Borrower nor any member of the ERISA Group is required to provide security to any Plan under Section 401(a)(29) of the Internal Revenue Code. Each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under GAAP.

5.13 Other Obligations. Neither Borrower nor any of its Subsidiaries is in default on any (i) Debt or (ii) any other lease, commitment, contract, instrument or obligation which is material to the operation of its business.

5.14 Public Utility Holding Company Act. Borrower is not a holding company, or an affiliate of a holding company or a subsidiary company of a holding company, within the meaning of the Public Utility Holding Company Act of 1935, as amended.

5.15 Investment Company Act. Borrower is not an investment company, or a company controlled by an investment company, within the meaning of the Investment Company Act of 1940, as amended.

5.16 Patents, Trademarks, Copyrights, and Intellectual Property, etc. To Borrower's knowledge, Borrower and each Subsidiary has all necessary, patents, patent rights, licenses, trademarks, trademark rights, trade names, trade name rights, copyrights, permits, and franchises in order for it to conduct its business and to operate its Assets, without known conflict with the rights of third Persons, and all of same are valid and subsisting and the consummation of the transactions contemplated by this Agreement will not alter or impair any of such rights of Borrower or any Subsidiary. Except as set forth in Schedule 5.7, Borrower and each Subsidiary has not been charged or, to the best of Borrower's knowledge after due inquiry, threatened to be charged with any infringement or, after due inquiry, infringed on any, unexpired trademark, trademark registration, trade name, patent, copyright, copyright registration, or other proprietary right of any Person.

5.17 Environmental Condition, (i) None of Borrower's or any Subsidiary's Assets has ever been used by Borrower or such Subsidiary or, to Borrower's knowledge, by previous owners or operators in the disposal of, or to produce, store, handle, treat, release, or transport, any Hazardous Materials; (ii) none of Borrower's or any Subsidiary's Assets has ever been designated or identified in any manner pursuant to any environmental protection statute as a Hazardous Materials disposal site, or a candidate for closure pursuant to any environmental protection statute; (iii) no Lien arising under any environmental protection statute has attached to any revenues or to any real or personal property owned or operated by Borrower or any Subsidiary; and (iv) neither Borrower nor any Subsidiary has received a summons, citation, notice, or directive from the Environmental Protection Agency or any other federal or state governmental agency concerning any action or omission by Borrower or any Subsidiary resulting in the releasing or disposing of Hazardous Materials into the environment.

5.18 Solvency. Borrower and each Subsidiary is Solvent. No transfer of property is being made by Borrower or any Subsidiary and no obligation is being incurred by Borrower or any Subsidiary in connection with the transactions contemplated by this Agreement or the Loan

Documents with the intent to hinder, delay, or defraud either present or future creditors of Borrower or any Subsidiary.

ARTICLE VI

AFFIRMATIVE COVENANTS

Borrower covenants and agrees that from the Closing Date and thereafter until the indefeasible payment, performance and satisfaction in full of the Obligations, all of Bank's obligations hereunder have been terminated and no Letters of Credit are outstanding, Borrower shall:

6.1 Punctual Payments. Punctually pay the interest and principal on the Loans, the Fees and all Expenses and any other fees and liabilities due under this Agreement and the Loan Documents at the times and place and in the manner specified in this Agreement or the Loan Documents.

6.2 Books and Records. Maintain, and cause each of the Subsidiaries to maintain, adequate books and records in accordance with GAAP, and permit any officer, employee or agent of Bank, upon reasonable notice and during normal business hours from time to time, to inspect, audit and examine such books and records, and to make copies of the same.

6.3 Financial Statements. Deliver to Bank the following, all in form and detail reasonably satisfactory to Bank and in such number of copies as Bank may reasonably request:

(a) as soon as available but not later than forty-five (45) days after the end of each fiscal quarter, a consolidating and consolidated internally prepared Financial Statement for Borrower and the Subsidiaries which shall include Borrower's and the Subsidiaries' consolidating and consolidated balance sheet as of the close of such period, and Borrower's and the Subsidiaries' consolidating and consolidated statement of income and retained earnings and statement of cash flow for such period and year to date, certified by the Chief Financial Officer of Borrower, to the best of his or her knowledge after due and diligent inquiry, as being complete and correct and fairly presenting in all material respects Borrower's and its Subsidiaries' financial condition and results of operations for such period;

(b) as soon as available but not later than forty-five (45) days after the end of each fiscal quarter, a Compliance Certificate from the Chief Financial Officer of Borrower, stating, among other things, that he or she has reviewed the provisions of this Agreement and the Loan Documents and that, to the best of his or her knowledge after due and diligent inquiry there exists no Event of Default or Unmatured Event of Default, and containing the calculations and other details necessary to demonstrate compliance with Sections 7.15;

(c) as soon as available but not later than thirty (30) days after the end of each fiscal year, an annual operating budget for the following fiscal year;

(d) as soon as available but not later than ninety (90) days after the end of each fiscal year, a complete copy of Borrower's and the Subsidiaries' consolidated and consolidating audited Financial Statement, which shall include at least Borrower's and the Subsidiaries' balance sheet as of the close of such fiscal year, and Borrower's and the Subsidiaries' statement of income and retained earnings and statement of cash flow for such fiscal year, certified

by a certified public accountant selected by Borrower and satisfactory to Bank, (Bank acknowledges that PricewaterhouseCoopers is satisfactory to Bank), which certificate shall not be qualified in any manner whatsoever, and shall include or be accompanied by a statement from such accountant that during the examination, solely with respect to accounting and auditing matters herein, there was observed no Event of Default or Unmatured Event of Default, or a statement of such Event of Default or Unmatured Event of Default if any is found and the actions taken or to be taken with respect thereto;

(e) promptly upon receipt by Borrower, copies of any and all reports and management letters submitted to Borrower or any Subsidiary by any certified public accountant in connection with any examination of Borrower's or any Subsidiary's financial records made by such accountant;

(f) as soon as available but not later than three (3) days after filing, notify Bank that they are available on the Borrower's website or deliver copies of all quarterly, annual and any other reports filed with the SEC; and

(g) from time to time, operating statistics, operating plans and any other information as Bank may reasonably request, promptly upon such request.

6.4 Existence; Preservation of Licenses; Compliance with Law. Preserve and maintain, and cause each Subsidiary to preserve and maintain, its corporate existence and good standing in the state of its organization, qualify and remain qualified, and cause each Subsidiary to qualify and remain qualified, as a foreign corporation in every jurisdiction where the failure to preserve and maintain or be so qualified could have a Material Adverse Effect; and preserve, and cause each of the Subsidiaries to preserve, all of its licenses, permits, governmental approvals, rights, privileges and franchises required for its operations; and comply, and cause each of the Subsidiaries to comply, with the provisions of its Governing Documents; and comply, and cause each of the Subsidiaries to comply, with the requirements of all applicable laws, rules, regulations, orders of any Governmental Authority having authority or jurisdiction over it, except for such laws, rules and regulations where the failure to so comply could not have a Material Adverse Effect, and comply, and cause each of the Subsidiaries to comply, with all requirements for the maintenance of its business, insurance, licenses, permits, governmental approvals, rights, privileges and franchises.

6.5 Insurance.

(a) Maintain, at Borrower's expense, insurance respecting its Assets wherever located, covering loss or damage by fire, theft, explosion, and all other hazards and risks as ordinarily are insured against by other Persons engaged in the same or similar businesses. Borrower also shall maintain business interruption, public liability, and product liability insurance, as well as insurance against larceny, embezzlement, and criminal misappropriation.

(b) Original policies or certificates thereof satisfactory to Bank evidencing such insurance shall be delivered to Bank at least 30 days prior to the expiration of the existing or preceding policies. Borrower shall give Bank prompt notice of any loss covered by such insurance. Borrower shall, concurrently with the annual Financial Statements required to be delivered by Borrower pursuant to Section 6.3(d), deliver to Bank, as Bank may request, copies of certificates describing all insurance of Borrower and the Subsidiaries then in effect.

6.6 Assets. Maintain, keep and preserve, and cause each Subsidiary to maintain, keep and preserve, all of its Assets (tangible or intangible) which are necessary to its business in good repair and condition, and from time to time make necessary repairs, renewals and replacements thereto so that such Assets shall be fully and efficiently preserved and maintained.

6.7 Taxes and Other Liabilities. Pay and discharge when due, and cause each Subsidiary to pay and discharge when due, any and all assessments and taxes, both real or personal and including federal and state income taxes, and any and all other Permitted Debt.

6.8 Notice to Bank. Promptly, upon Borrower acquiring Knowledge thereof, give written notice to Bank of:

(a) all litigation affecting Borrower or any Subsidiary where the amount in controversy is in excess of Five Hundred Thousand Dollars (\$500,000);

(b) any dispute which may exist between Borrower or any Subsidiary, on the one hand, and any Governmental Authority, on the other;

(c) any labor controversy resulting in or threatening to result in a strike against Borrower or any Subsidiary;

(d) any proposal by any Governmental Authority to acquire the Assets or business of Borrower or any Subsidiary, or to compete with Borrower or any Subsidiary;

(e) any reportable event under Section 4043(c)(5), (6) or (13) of ERISA with respect to any Plan, any decision to terminate or withdraw from a Plan, any finding made with respect to a Plan under Section 4041(c) or (e) of ERISA, the commencement of any proceeding with respect to a Plan under Section 4042 of ERISA, or any material increase in the actuarial present value of unfunded vested benefits under all Plans over the preceding year;

(f) any Event of Default or Unmatured Event of Default; and

(g) any other matter which has resulted or could reasonably be expected to result in a Material Adverse Effect.

6.9 Employee Benefits.

(a) (i) Promptly, and in any event within ten (10) Business Days after Borrower obtains Knowledge that an ERISA Event has occurred that reasonably could be expected to result in a Material Adverse Effect, deliver or cause to be delivered a written statement of the Chief Financial Officer of Borrower describing such ERISA Event and any action that is being taken with respect thereto by Borrower or member of the ERISA Group, and any action taken or threatened by the Internal Revenue Service, Department of Labor, or PBGC. Borrower shall (i) be deemed to know all facts known by the administrator of any Plan of which it is the plan sponsor; (ii) promptly and in any event within three (3) Business Days after the filing thereof with the Internal Revenue Service, deliver or cause to be delivered a copy of each funding waiver request filed with respect to any Plan and all communications received by Borrower or, to the knowledge of Borrower, any member of the ERISA Group with respect to such request; and (iii) promptly and in any event within three (3) Business Days after receipt by Borrower or, to the knowledge of Borrower, any member

of the ERISA Group, of the PBGC's intention to terminate a Plan or to have a trustee appointed to administer a Plan, copies of each such notice.

(b) Cause to be delivered to Bank, upon Bank's request, each of the following: (i) a copy of each Plan (or, where any such plan is not in writing, complete description thereof) (and if applicable, related trust agreements of other funding instruments) and all amendments thereto, all written interpretations thereof and written descriptions thereof that have been distributed to employees or former employees of Borrower or its Subsidiaries; (ii) the most recent determination letter issued by the IRS with respect to each Plan; (iii) for the three (3) most recent Plan years, annual reports on Form 5500 Series required to be filed with any governmental agency for each Plan; (iv) all actuarial reports prepared for the last three (3) Plan years for each Plan; (v) a listing of all Multiemployer Plans, with the aggregate amount of the most recent annual contributions required to be made by Borrower or any member of the ERISA Group to each such plan and copies of the collective bargaining agreements requiring such contributions; (vi) any information that has been provided to Borrower or any member of the ERISA Group regarding withdrawal liability under any Multiemployer Plan; and (vii) the aggregate amount of the most recent annual payments made to former employees of Borrower or its Subsidiaries under any Retiree Health Plan.

6.10 Further Assurances. Execute and deliver, or cause to be executed and delivered, upon the request of Bank and at Borrower's expense, such additional documents, instruments and agreements as Bank may reasonably determine to be necessary or advisable to carry out the provisions of this Agreement and the Loan Documents, and the transactions and actions contemplated hereunder and thereunder.

6.11 Bank Accounts. Maintain its primary operating accounts at Bank and its cash equivalent investments in accounts at an Affiliate of Bank.

6.12 Environment. Be and remain, and cause each Subsidiary and each operator of any of Borrower's or any Subsidiary's Assets to be and remain, in compliance with the provisions of all federal, state and local environmental, health and safety laws, codes and ordinances, and all rules and regulations issued thereunder; notify Bank immediately of any notice of a hazardous discharge or environmental complaint received from any Governmental Authority or any other Person; notify Bank immediately of any hazardous discharge from or affecting its premises; immediately contain and remove the same, in compliance with all applicable laws; promptly pay any fine or penalty assessed in connection therewith; permit Bank to inspect the premises, to conduct tests thereon, and to inspect all books, correspondence, and records pertaining thereto; and at Bank's request, and at Borrower's expense, provide a report of a qualified environmental engineer, satisfactory in scope, form and content to Bank, and such other and further assurances reasonably satisfactory to Bank that the condition has been corrected.

ARTICLE VII

NEGATIVE COVENANTS

Borrower further covenants and agrees that from the Closing Date and thereafter until the indefeasible payment, performance and satisfaction in full of the Obligations, all of Bank's obligations hereunder have been terminated and no Letters of Credit are outstanding, Borrower shall not:

7.1 Use of Funds; Margin Regulation.

(a) Use any proceeds of the Revolving Loans for any purpose other than (i) for working capital and general corporate purposes, and (ii) Acquisitions, subject to Section 7.8(b); or

(b) Use any portion of the proceeds of the Loans in any manner which might cause the Loans, the application of the proceeds thereof, or the transactions contemplated by this Agreement to violate Regulation T, U, or X of the Board of Governors of the Federal Reserve System, or any other regulation of such board, or to violate the Securities and Exchange Act of 1934, as amended or supplemented.

7.2 Debt. Create, incur, assume or suffer to exist, or permit any Subsidiary to create, incur, assume or suffer to exist, any Debt except Permitted Debt.

7.3 Liens. Create, incur, assume or suffer to exist, or permit any Subsidiary to create, incur, assume or suffer to exist, any Lien (including the lien of an attachment, judgment or execution) on any of its Assets, whether now owned or hereafter acquired, except Permitted Liens; or sign or file, or permit any Subsidiary to sign or file, under the UCC as adopted in any jurisdiction, a financing statement which names Borrower or any Subsidiary as a debtor, except with respect to Permitted Liens, or sign, or permit any Subsidiary to sign, any security agreement authorizing any secured party thereunder to file such a financing statement, except with respect to Permitted Liens.

7.4 Merger, Consolidation, Transfer of Assets. Wind up, liquidate or dissolve, reorganize, reincorporate, merge or consolidate with or into any other Person, or acquire all or substantially all of the Assets or the business of any other Person, or permit any Subsidiary to do so, except as may be otherwise permitted under Section 7.8(b); provided, however, upon prior written notice to Bank, any Subsidiary may merge into or consolidate with or transfer Assets to Borrower or any other Subsidiary,

7.5 Reserved.

7.6 Sales and Leasebacks. Sell, transfer, or otherwise dispose of, or permit any Subsidiary to sell, transfer, or otherwise dispose of, any real or personal property to any Person, and thereafter directly or indirectly leaseback the same or similar property.

7.7 Asset Sales. Conduct any Asset Sale, or permit any Subsidiary to do so, other than (i) sales of Inventory in the ordinary course of business, (ii) dispositions of obsolete, worn or nonfunctional equipment, and (iii) other Asset Sales involving Assets valued in the aggregate not more than \$2,500,000.

7.8 Investments and Acquisitions.

(a) Except as otherwise provided in Section 7.8(b), make, or permit any Subsidiary to make, any loans or advances to, or any investment in, any Person; or acquire, or permit any Subsidiary to acquire, any Capital Stock, Assets, obligations, or other securities of, make any contribution to, or otherwise acquire any interest in, any Person; or acquire or form or permit any Subsidiary to acquire or form, any new Subsidiary; or participate, or permit any Subsidiary to participate, as a partner or joint venturer with any other Person.

(b) Notwithstanding the terms of Section 7.8(a), Borrower may make Acquisitions from time to time, provided that all of the following conditions with respect thereto have been fulfilled to the satisfaction of Bank, in its sole discretion, prior to the closing of any Acquisition:

(i) The aggregate investment of Borrower in all Acquisitions shall not exceed \$35,000,000 over the Revolving Credit Commitment;

(ii) No Acquisition shall be "hostile";

(iii) The target company must be in the electronics industry and sell products related to Borrower's products;

(iv) Borrower shall have delivered to Bank a pro forma Compliance Certificate, certified by the Chief Financial Officer of Borrower, demonstrating that both before and after giving effect to the applicable Acquisition, no Event of Default is continuing or will result therefrom;

(v) Borrower shall not close in any 12 month period more than two Acquisitions each of which having total consideration payable to the seller of greater than \$5,000,000;

(vi) Borrower shall not close in any 12 month period more than five Acquisitions of any size;

(vii) Borrower shall not close any Acquisition having total consideration payable to the seller of greater than \$5,000,000 unless the Consolidated EBITDA for the target company is positive on a trailing 12 month basis; and

(viii) Borrower shall not be a party to more than two Purchase Agreements at a time unless the aggregate consideration payable to the sellers under all such Purchase Agreements is less than \$15,000,000.

7.9 Character of Business. Engage in any business activities or operations substantially different from or unrelated to its present business activities and operations, or permit any Subsidiary to do so.

7.10 Distributions.

(a) Except as otherwise permitted by Sections 7.10(b) and (c), declare or pay any Distributions; or purchase, redeem, retire, or otherwise acquire for value any of its Capital Stock now or hereafter outstanding; or make any distribution of Assets to its shareholders, whether in cash, Assets, or in obligations of Borrower; or allocate or otherwise set apart any sum for the payment of any Distribution on, or for the purchase, redemption or retirement of, any of its Capital Stock; or make any other distribution by reduction of capital or otherwise in respect of any of its Capital Stock; or permit any Subsidiary to purchase or otherwise acquire for value any Capital Stock of Borrower or any other Subsidiary.

(b) Notwithstanding Section 7.10(a), commencing with Borrower's fiscal year which began January 1, 2003, Borrower may declare and pay quarterly cash Distributions to its shareholders in an amount not to exceed one hundred percent (100%) of Borrower's Consolidated Net Income for the prior fiscal quarter; provided that such Distributions are paid within 90 days of the applicable fiscal quarter end; provided, further, that any Distributions permitted under this Section 7.10(b) but not paid, may be carried forward and paid at any time within 90 days of the end of the same fiscal year.

(c) Notwithstanding Section 7.10(a), Borrower may redeem or purchase on the open market up to 1,500,000 shares of its outstanding Common Stock.

7.11 Guaranty. Assume, guaranty, endorse (other than checks and drafts received by Borrower in the ordinary course of business or otherwise be or become directly or contingently responsible or liable, or permit any Subsidiary to assume, guaranty, endorse (other than checks and drafts received by such Subsidiary in the ordinary course of business), or otherwise be or become directly or contingently responsible or liable (including, any agreement to purchase any obligation, stock, Assets, goods, or services or to supply or advance any funds, Assets, goods, or services, or any agreement to maintain or cause such Person to maintain, a minimum working capital or net worth, or otherwise to assure the creditors of any Person against loss) for the obligations of any other Person; or pledge or hypothecate, or permit any Subsidiary to pledge or hypothecate, any of its Assets as security for any liabilities or obligations of any other Person.

7.12 Reserved.

7.13 Transactions with Affiliates. Enter into any transaction, including borrowing or lending and the purchase, sale, or exchange of property or the rendering of any service (including management services), with any Affiliate, or permit any Subsidiary to enter into any transaction, including borrowing or lending and the purchase, sale, or exchange of property or the rendering of any service (including management services), with any Affiliate, other than in the ordinary course of and pursuant to the reasonable requirements of Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to Borrower or such Subsidiary than would be obtained in a comparable arm's length transaction with a Person not an Affiliate.

7.14 Reserved.

7.15 Financial Condition. Permit or suffer:

(a) Consolidated Effective Tangible Net Worth, measured as of the end of each fiscal quarter, at any time to be less than \$66,000,000.

(b) the Consolidated Total Liabilities to Consolidated Effective Tangible Net Worth Ratio, measured as of the end of each fiscal quarter, at any time to exceed the 0.65:1.0.

(c) the Quick Ratio, measured as of the end of each fiscal quarter, at any time to be less than 1.50:1.0.

(d) Consolidated Net Income at the end of any two consecutive fiscal quarters to be less than \$0.

(e) Consolidated Net Income at the end of any fiscal year to be less than \$2,500,000.

7.16 Transactions Under ERISA. Directly or indirectly:

(a) engage, or permit any member of the ERISA Group to engage, in any prohibited transaction which is reasonably likely to result in a civil penalty or excise tax described in Sections 406 of ERISA or 4975 of the Internal Revenue Code for which a statutory or class exemption is not available or a private exemption has not been previously obtained from the Department of Labor;

(b) permit to exist with respect to any Plan any accumulated funding deficiency (as defined in Sections 302 of ERISA and 412 of the Internal Revenue Code), whether or not waived;

(c) fail, or permit any member of the ERISA Group to fail, to pay timely required contributions or installments due with respect to any waived funding deficiency to any Plan;

(d) terminate, or permit any member of the ERISA Group to terminate, any Plan where such event would result in any liability of Borrower or any member of ERISA Group under Title IV of ERISA;

(e) fail, or permit any member of the ERISA Group to fail, to make any required contribution or payment to any Multiemployer Plan;

(f) fail, or permit any member of the ERISA Group to fail, to pay to a Plan or Multiemployer Plan any required installment or any other payment required under Section 412 of the Internal Revenue Code on or before the due date for such installment or other payment;

(g) amend, or permit any member of the ERISA Group to amend, a Plan resulting in an increase in current liability for the plan year such that either of Borrower or any member of the ERISA Group is required to provide security to such Plan under Section 401(a)(29) of the Internal Revenue Code; or

(h) withdraw, or permit any member of the ERISA Group to withdraw, from any Multiemployer Plan where such withdrawal is reasonably likely to result in any liability of any such entity under Title IV of ERISA;

(i) which, individually or in the aggregate, results in or reasonably would be expected to result in a claim against or liability of Borrower, any of the Subsidiaries or any member of the ERISA Group in excess of Five Hundred Thousand Dollars (\$500,000).

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

8.1 Events of Default. The occurrence of any one or more of the following events, acts or occurrences shall constitute an event of default (an "Event of Default") hereunder:

(a) Borrower fails to pay when due any payment of principal or interest due on the Loans;

(b) Borrower fails to pay when due any Fees, Expenses or any other amount payable hereunder or under any Loan Document involving individually or in the aggregate Twenty-Five Thousand Dollars (\$25,000.00) or more and such failure continues for fifteen (15) days after the same shall have been due;

(c) Borrower fails to observe or perform any of the covenants and agreements set forth in Article VII;

(d) Borrower fails to observe or perform any covenant or agreement set forth in this Agreement or the Loan Documents (other than those covenants and agreements described in Sections 8.1 (a) and 8.1(b)), and such failure continues for fifteen (15) days after the earlier to occur of (i) Borrower obtaining Knowledge of such failure or (ii) Bank's dispatch of notice to Borrower of such failure;

(e) Any representation, warranty or certification made by Borrower or any Responsible Officer of Borrower in this Agreement or any Loan Document, in any certificate, financial statement or other document delivered pursuant to this Agreement or any Loan Document proves to have been misleading or untrue in any material respect when made or if any such representation warranty or certification is withdrawn;

(f) Any event or condition occurs that: (i) results in the acceleration of the maturity of any of Borrower's Debt; or (ii) permits (or, with the giving of notice or lapse of time or both, would permit) the holder or holders of such Debt or any Person acting on behalf of such holder or holders to accelerate the maturity thereof;

(g) Borrower commences a voluntary Insolvency Proceeding seeking liquidation, reorganization or other relief with respect to itself or its Debt or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official over it or any substantial part of its property, or consents to any such relief or to the appointment of or taking possession by any such official in an involuntary Insolvency Proceeding or fails generally to pay its Debt as it becomes due, or takes any action to authorize any of the foregoing;

(h) An involuntary Insolvency Proceeding is commenced against Borrower seeking liquidation, reorganization or other relief with respect to it or its Debt or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and any of the following events occur: (i) the petition commencing the Insolvency Proceeding is not timely controverted; (ii) the petition commencing the Insolvency Proceeding is not dismissed within thirty (30) calendar days of the date of the filing thereof; (iii) an interim trustee is appointed to take possession of all or a substantial portion of the Assets of, or to operate all or any substantial portion of the business of, Borrower or such Guarantor; or (iv) an order for relief shall have been issued or entered therein;

(i) Borrower suffers (i) one or more judgements in the aggregate over applicable insurance coverage or (ii) one or more writs, warrant of attachment, or similar process; any of which individually or in the aggregate involves One Hundred Fifty Thousand Dollars (\$150,000) or more;

(j) A judgment creditor obtains possession of any of the Assets of Borrower by any means, including levy, distraint, replevin, or self-help, or any order, judgment or decree is entered decreeing the dissolution of Borrower;

(k) Borrower is enjoined, restrained or in any way prevented by court order from continuing to conduct all or any material part of its business affairs;

(l) A notice of lien, levy or assessment is filed of record with respect to any or all of Borrower's Assets by any Governmental Authority, or any taxes or debts owing at any time hereafter to any Governmental Authority becomes a Lien, whether inchoate or otherwise, upon any or all of Borrower's Assets and the same is not paid on the payment date thereof;

(m) If Borrower's records are prepared and kept by an outside computer service bureau on the Closing Date or during the term of this Agreement such an agreement with an outside service bureau is entered into, and at any time thereafter, or Borrower terminates, modifies, amends or changes its contractual relationship with said computer service bureau, each without first obtaining the written consent of Bank, (provided however, that Bank acknowledges that Borrower maintains or is in the process of maintaining its stock option plan information with Transcentive, Inc.) or said computer service bureau fails to provide Bank with any requested information or financial data pertaining to Borrower's financial condition or the results of Borrower's operations;

(n) Any reportable event, which Bank determines constitutes grounds for the termination of any Plan by the PBGC or for the appointment by the appropriate United States District Court of a trustee to administer any such Plan, shall have occurred and be continuing thirty (30) days after written notice of such determination shall have been given to Borrower by Bank, or any such Plan shall be terminated within the meaning of Title IV of ERISA, or a trustee shall be appointed by the appropriate United States District Court to administer any such Plan, or the PBGC shall institute proceedings to terminate any Plan and in case of any event described in this Section 8.1(o), the aggregate amount of Borrower's liability to the PBGC under Sections 4062, 4063 or 4064 of ERISA shall exceed five percent (5%) of the Consolidated Effective Tangible Net Worth;

(o) Any Change of Control occurs;

(p) Any of the Loan Documents fails to be in full force and effect for any reason, or a breach, default or an event of default occurs under any Loan Document; or

(q) Any other Material Adverse Effect occurs.

8.2 Remedies. Upon the occurrence of any Event of Default described in Section 8.1(g) or 8.1(h), Bank's obligation hereunder to make Loans to Borrower and/or Bank's to issue Letters of Credit shall immediately terminate and the Obligations shall become immediately due and payable without any election or action on the part of Bank, without presentment, demand, protest or notice of any kind, all of which Borrower hereby expressly waives. Upon the occurrence and continuance of any other Event of Default, either or both of the following actions may be taken: (i) Bank may without notice of its election and without demand, immediately terminate the Revolving Credit Commitment, whereupon Bank's obligation to make Loans to Borrower and/or to issue Letters of Credit shall immediately cease; and (ii) Bank may, without notice of its election and without demand, declare the Obligations to be due and payable, whereupon the Obligations shall

become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which Borrower hereby expressly waives.

8.3 Appointment of Receiver or Trustee. Borrower hereby irrevocably agrees that Bank, has the right under this Agreement, upon the occurrence of an Event of Default, to seek the appointment of a receiver, trustee or similar official over Borrower to effect the transactions contemplated by this Agreement, and that Bank is entitled to seek such relief. Borrower hereby irrevocably agrees not to object to such appointment on any grounds.

8.4 Remedies Cumulative. The rights and remedies of Bank herein and in the Loan Documents are cumulative, and are not exclusive of any other rights, powers, privileges, or remedies, now or hereafter existing, at law, in equity or otherwise.

ARTICLE IX

TAXES

9.1 Taxes on Payments. All payments in respect of the Obligations shall be made free and clear of and without any deduction or withholding for or on account of any present and future taxes, levies, imposts, deductions, charges, withholdings, assessments or governmental charges, and all liabilities with respect thereto, imposed by the United States of America, any foreign government, or any political subdivision or taxing authority thereof or therein, excluding any taxes imposed on Bank under the Internal Revenue Code or similar state and local laws and determined by such Bank's net income, and any franchise taxes imposed on Bank by any state (or any political subdivision thereof) (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings, assessments, charges and liabilities being hereinafter referred to as "Taxes"). If any Taxes are imposed and required by law to be deducted or withheld from any amount payable to Bank, then Borrower shall (i) increase the amount of such payment so that Bank will receive a net amount (after deduction of all Taxes) equal to the amount due hereunder, and (ii) pay such Taxes to the appropriate taxing authority for the account of Bank prior to the date on which penalties attach thereto or interest accrues thereon; provided, however, if any such penalties or interest shall become due, Borrower shall make prompt payment thereof to the appropriate taxing authority.

9.2 Indemnification For Taxes. Borrower shall indemnify Bank for the full amount of Taxes (including penalties, interest, expenses and Taxes arising from or with respect to any indemnification payment) arising therefrom or with respect thereto, whether or not the Taxes were correctly or legally asserted. This indemnification shall be made on demand. If Borrower makes a payment under Section 9.1 or this Section 9.2 for account of Bank and Bank reasonably determines that it has received or been granted a credit against or relief or remission for, or repayment of, any Tax paid or payable by it in respect of or calculated with reference to the deduction or withholding giving rise to such payment, Bank shall, to the extent that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to Borrower such amount as Bank shall have reasonably determined to be attributable to such deduction or withholding. The amount paid by Bank to Borrower pursuant to the immediately preceding sentence shall not exceed: (x) in the case of a refund of cash, the amount of cash refunded to Bank with respect to such Tax; or (y) in the case of a refund taking the form of a credit against Tax, the economic benefit to Bank with respect to the amount received as credit with respect to such Tax. Borrower further agrees promptly to return to Bank the amount of any credit or refund actually paid to Borrower by Bank if Bank is required to repay it.

9.3 Evidence of Payment. Within thirty (30) days after the date of payment of any Taxes, Borrower shall furnish to Bank the original or a certified copy of a receipt evidencing payment thereof. If no Taxes are payable in respect of any payment due hereunder or under the Notes, Borrower shall furnish to Bank a certificate from each appropriate taxing authority, or an opinion of counsel acceptable to Bank, in either case stating that such payment is exempt from or not subject to Taxes.

ARTICLE X

MISCELLANEOUS

10.1 Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission or similar writing) and shall be given to such party at its address or facsimile number set forth on the signature pages hereof or such other address or facsimile number as such party may hereafter specify by notice to the other party in accordance with this Section 10.1. Each such notice, request or other communication shall be deemed given on the second (2nd) business day after mailing; provided that actual notice, however and from whomever given or received, shall always be effective on receipt; provided further that notices to Bank pursuant to Article II and Article III shall not be effective until received by a Responsible Officer of Bank.

10.2 No Waivers. No failure or delay by Bank in exercising any right, power or privilege hereunder or under any Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

10.3 Expenses; Documentary Taxes; Indemnification.

(a) Borrower shall pay all Expenses on demand.

(b) Borrower shall pay all and indemnify Bank against any and all transfer taxes, documentary taxes, assessments, or charges made by any Governmental Authority and imposed by reason of the execution and delivery of this Agreement, any of the Loan Documents, or any other document, instrument or agreement entered into in connection herewith.

(c) Borrower shall and hereby agrees to indemnify, protect, defend and hold harmless Bank and their respective directors, officers, Banks, employees and attorneys (collectively, the "Indemnified Persons" and individually, an "Indemnified Person") from and against (i) any and all losses, claims, damages, liabilities, deficiencies, judgments, costs and expenses (including attorneys' fees and attorneys' fees incurred pursuant to proceedings arising under the Bankruptcy Code) incurred by any Indemnified Person (except to the extent that it is finally judicially determined to have resulted from the gross negligence or willful misconduct of any Indemnified Person) arising out of or by reason of any litigations, investigations, claims or proceedings (whether administrative, judicial or otherwise), including discovery, whether or not Bank is designated a party thereto, which arise out of or are in any way related to (1) this Agreement, the Loan Documents or the transactions contemplated hereby or thereby, (2) any actual or proposed use by Borrower of the proceeds of the Loans, or (3) Bank's entering into this Agreement, the Loan Documents or any other agreements and documents relating hereto; (ii) any such losses, claims, damages, liabilities, deficiencies, judgments, costs and expenses arising out of or by reason of the

use, generation, manufacture, production, storage, release, threatened release, discharge, disposal or presence on, under or about Borrower's operations or property or property leased by Borrower of any material, substance or waste which is or becomes designated as Hazardous Materials; and (iii) any such losses, claims, damages, liabilities, deficiencies, judgments, costs and expenses incurred in connection with any remedial or other action taken by Borrower or Bank in connection with compliance by Borrower with any federal, state or local environmental laws, acts, rules, regulations, orders, directions, ordinances, criteria or guidelines (except to the extent that it is finally judicially determined to have resulted from the gross negligence or willful misconduct of any Indemnified Person); and (iv) all losses and expenses which any Indemnified Person sustains or incurs as a result of (x) any prepayment of a LIBOR Lending Rate Portion prior to the last day of the applicable Interest Period for any reason, including termination of this Agreement or pursuant to Section 8.2, or (y) any failure by Borrower, for any reason, to borrow any LIBOR Lending Rate Portion in accordance with the terms hereof. The indemnification set forth herein shall include, without limitation, all losses and expenses arising from interest and fees that Bank pays to lenders of funds it obtained in order to fund the Loans to Borrower at the LIBOR Lending Rate, and all losses incurred in liquidating or re-deploying deposits from which such funds were obtained and loss of profit for the period after termination. If and to the extent that the obligations of Borrower hereunder are unenforceable for any reason, Borrower hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations to Bank which is permissible under applicable law.

(d) Borrower's obligations under this Section 10.3 and under Section 9.2 shall survive any termination of this Agreement and the Loan Documents and the payment in full of the Obligations, and are in addition to, and not in substitution of, any other of its obligations set forth in this Agreement.

10.4 Amendments and Waivers. Neither this Agreement nor any Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 10.4. Bank may from time to time, (a) enter into with Borrower or any other Person written amendments, supplements or modifications hereto and to the Loan Documents or (b) waive, on such terms and conditions as Bank may specify in such instrument, any of the requirements of this Agreement or the Loan Documents or any Event Default or Unmatured Event of Default and its consequences, if, but only if, such amendment, supplement, modification or waiver is in writing and is signed by the party asserted to be bound thereby, and then such amendment, supplement, modification or waiver shall be effective only in the specific instance and specific purpose for which given. Any such waiver and any such amendment, supplement or modification shall be binding upon Borrower, Bank and all future holders of the Loans. In the case of any waiver, Borrower and Bank shall be restored to their former positions and rights hereunder and under the Loan Documents, and any Event of Default or Unmatured Event of Default waived shall be deemed to be cured and not continuing; no such waiver shall extend to any subsequent or other Event of Default or Unmatured Event of Default or impair any right consequent thereon.

10.5 Successors and Assigns; Participations; Disclosure.

(a) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of all Bank's and any such prohibited assignment or transfer by Borrower shall be void.

(b) Bank may make, carry or transfer the Loans at, to or for the account of, any of its branch offices or the office of an Affiliate of Bank or to any Federal Reserve Bank, all without Borrower's consent.

(c) Bank may, at its own expense, assign to one or more banks or other financial institutions all or a portion of its rights (including voting rights) and obligations under this Agreement and the Loan Documents. In the event of any such assignment by Bank pursuant to this Section 10.5(c), Bank's obligations under this Agreement arising after the effective date of such assignment shall be released and concurrently therewith, transferred to and assumed by Bank's assignee to the extent provided for in the document evidencing such assignment, and Bank shall give prompt notice of such assignment to Borrower. The provisions of this Section 10.5 relate only to absolute assignments (whether or not arising as the result of foreclosure of a security interest) and that such provisions do not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by Bank of any Loan or the Note to any Federal Reserve Bank in accordance with applicable law.

(d) Bank may at any time sell to one or more banks or other financial institutions (each a "Participant") participating interests in the Loans, the Letters of Credit and in any other interest of Bank hereunder. In the event of any such sale by Bank of a participating interest to a Participant, Bank's obligations under this Agreement shall remain unchanged, Bank shall remain solely responsible for the performance thereof, and Borrower shall continue to deal solely and directly with Bank in connection with Bank's rights and obligations under this Agreement. Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article IX with respect to its participating interest.

(e) Borrower authorizes each Bank to disclose to any assignee under Section 10.5(c) or any Participant (either, a "Transferee") and any prospective Transferee any and all financial information in such Bank's possession concerning Borrower which has been delivered to such Bank by Borrower pursuant to this Agreement or which has been delivered to such Bank by Borrower in connection with such Bank's credit evaluation prior to entering into this Agreement; provided that such Transferee or prospective Transferee has first agreed to be bound by the provisions of Section 10.6.

(f) Borrower agrees that Bank may use Borrower's and the Subsidiaries' name(s) in advertising and promotional materials, and in conjunction therewith, Bank may disclose the amount of the Loans and the purpose thereof.

10.6 Confidentiality. Bank agrees to keep confidential any information relating to Borrower and the Subsidiaries previously delivered or delivered from time to time by Borrower hereunder; provided that nothing herein shall prevent Bank from disclosing such information: (a) to any Affiliate of Bank or any actual or potential Transferee that agrees to be bound by this Section 10.6, (b) upon order, subpoena, or other process of any court or administrative agency, (c) upon the request or demand of any regulatory agency or authority having jurisdiction over Bank, (d) which has been publicly disclosed (other than by Bank or any Transferee unless such disclosure was otherwise permitted hereunder), (e) which has been obtained from any Person that is not a party hereto or an Affiliate of any such party, (f) in connection with the exercise of any remedy, or the resolution of any dispute, hereunder or under any Loan Document, (g) to the legal counsel or certified public accountants for Bank or (h) as otherwise permitted by Borrower or as expressly contemplated by this Agreement.

10.7 Counterparts; Effectiveness; Integration. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall be effective when executed by each of the parties hereto. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

10.8 Severability. The provisions of this Agreement are severable. The invalidity, in whole or in part, of any provision of this Agreement shall not affect the validity or enforceability of any other of its provisions. If one or more provisions hereof shall be declared invalid or unenforceable, the remaining provisions shall remain in full force and effect and shall be construed in the broadest possible manner to effectuate the purposes hereof.

10.9 Knowledge. For purposes of this Agreement, an individual will be deemed to have knowledge of a particular fact or other matter if: (a) such individual is actually aware of such fact or other matter; or (b) a prudent individual could be expected to discover or otherwise become aware of such fact or other matter in the course of conducting a reasonably comprehensive investigation concerning the existence of such fact or other matter. Borrower will be deemed to have knowledge of a particular fact or other matter if the chief executive officer, chief operating officer, chief financial officer, controller, treasurer, president, senior vice president or other such officer of Borrower has, or at any time had, knowledge of such fact or other matter.

10.10 Additional Waivers.

(a) Borrower agrees that checks and other instruments received by Bank in payment or on account of the Obligations constitute only conditional payment until such items are actually paid to Bank and Borrower waives the right to direct the application of any and all payments at any time or times hereafter received by Bank on account of the Obligations and Borrower agrees that Bank shall have the continuing exclusive right to apply and reapply such payments in any manner as Bank may deem advisable, notwithstanding any entry by Bank upon its books.

(b) Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, documents, instruments, chattel paper, and guarantees at any time held by Bank on which Borrower may in any way be liable.

(c) Borrower waives the right and the right to assert a confidential relationship, if any, it may have with any accountant, accounting firm and/or service bureau or consultant in connection with any information requested by Bank pursuant to or in accordance with this Agreement, and agrees that a Bank may contact directly any such accountants, accounting firm and/or service bureau or consultant in order to obtain such information.

10.11 Destruction Of Borrower's Documents. Any documents, schedules, invoices or other papers delivered to Bank may be destroyed or otherwise disposed of by Bank six (6) months after they are delivered to or received by Bank, unless Borrower requests, in writing, the return of the said documents, schedules, invoices or other papers and makes arrangements, at Borrower's expense, for their return.

10.12 CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER.

(a) THE VALIDITY OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (UNLESS EXPRESSLY PROVIDED TO THE CONTRARY IN ANOTHER LOAN DOCUMENT IN RESPECT OF SUCH OTHER LOAN DOCUMENT), THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF AND THEREOF, AND THE RIGHTS OF THE PARTIES HERETO AND THERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD FOR PRINCIPLES OF CONFLICTS OF LAWS.

(b) THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT BANK'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE BANK ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. BORROWER AND BANK WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 10.12.

(c) BORROWER AND BANK HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN OR THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. BORROWER AND BANK REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

* * *

[remainder of this page intentionally left blank]

* * *

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

UNIVERSAL ELECTRONICS INC.

By /s/ Mark Z. Belzowski

Mark Z. Belzowski, Vice President and
Chief Financial Officer

Address for notices:

Universal Electronics Inc.
6101 Gateway Drive
Cypress, CA 90630
Attn: Chief Financial Officer
Telephone: (714) 820-1000
Facsimile: (714)820-1151

with a required copy to:
Richard A. Firehammer, Jr.
Sr. VP and General Counsel
Universal Electronics Inc.
8190 Carrington Place
Bainbridge Township, Ohio 44023
Telephone: (440) 708-0720
Facsimile: (440) 708-0721

COMERICA BANK

By /s/ Thomas R. Kelly

Thomas R. Kelly, Vice President

Address for notices and Lending Office:

Comerica Bank - California
301 Ocean Boulevard, Suite 1800
Long Beach, CA 90802
Attn: Thomas R. Kelly
Telephone: (562) 590-2530
Facsimile: (562) 590-2534

Exhibit 2.5(b)
To
Credit Agreement

Form of Notice of Borrowing

NOTICE OF BORROWING

To: COMERICA BANK
301 Ocean Boulevard, Suite 1800
Long Beach, California 90802
Attn: Thomas R. Kelly
Vice President

This Notice of Borrowing is given pursuant to Section 2.5(b) of that certain Credit Agreement, dated as of September 15, 2003 (the "Agreement"), between UNIVERSAL ELECTRONICS INC., a Delaware corporation ("Borrower"), and COMERICA BANK, a Michigan banking corporation ("Bank"). All initially capitalized terms used but not defined in this Notice of Borrowing shall have the meanings assigned to such terms in the Agreement.

The undersigned hereby requests a Borrowing as follows:

\$ _____ Base Lending Rate Portion(1)

\$ _____ LIBOR Lending Portion with an Interest Period of ___ [1, 2, 3, 4 or 6] months and expiring on _____, 20 ____ (\$1,000,000 minimum)(2)

\$ _____ Total

The undersigned requests that such Borrowing be made available on _____, 20____, and credited into Borrower's general deposit account number _____ maintained with Bank.

The undersigned certifies that, as of the date of the requested Borrowing:

(a) the representations and warranties of Borrower contained in the Agreement and the Loan Documents are true and correct on and as of such date, except to the extent such representations and warranties expressly relate solely to an earlier date;

(b) no Event of Default or Unmatured Event of Default has occurred or will result from the proposed Borrowing;

(c) after giving effect to the Loans requested hereby, the aggregate principal amount of Revolving Loans outstanding plus the Letter of Credit Usage will not exceed the aggregate amount of the Revolving Credit Commitment;

- (1) Notice must be given to Bank no later than 11:00 a.m., Pacific time, one (1) Business Day prior to the day on which such Borrowing is to be made.
- (2) Notice must be given to Bank no later than 9:00 a.m., Pacific time, three (3) LIBOR Business Days prior to the day in which such Borrowing is to be made.

Exhibit 2.5(b)

(d) after giving effect to the Borrowing(s) requested hereby, there shall be no more than three (3) LIBOR Lending Rate Portions outstanding;

(e) the proceeds of the Loan requested hereby shall be used in accordance with Section 7.1 of the Agreement; and

(f) Borrower has satisfied in all respects all conditions under the Agreement to be performed or satisfied by it on or before such date.

Dated: _____, 20__

UNIVERSAL ELECTRONICS INC.

By _____
Name: _____
Title: _____

Exhibit 2.5(b)

Exhibit 2.6(b)
To
Credit Agreement

Form of Notice of Conversion or Continuation

NOTICE OF CONVERSION OR CONTINUATION

To: COMERICA BANK
301 Ocean Boulevard, Suite 1800
Long Beach, California 90802
Attn: Thomas R. Kelly
Vice President

This Notice of Conversion or Continuation is given pursuant to Section 2.6(b) of that certain Credit Agreement, dated as of September 15, 2003 (the "Agreement"), between UNIVERSAL ELECTRONICS INC., a Delaware corporation ("Borrower"), and COMERICA BANK, a Michigan banking corporation ("Bank"). All initially capitalized terms used but not defined in this Notice of Conversion or Continuation shall have the meanings assigned to such terms in the Agreement.

We hereby request that you:

- 1. Convert \$ [\$1,000,000 minimum] in principal amount of Base Lending Rate Portions of Revolving Loans on [20] to a LIBOR Lending Rate Portion with an Interest Period of [1, 2, 3, 4 or 6] months and expiring on [20];
2. Convert \$ in principal amount of LIBOR Lending Portions of Revolving Loans on the expiration of the Interest Period applicable thereto, to a Base Lending Rate Portion;
3. Continue as LIBOR Lending Rate Portions \$ in principal amount of presently outstanding LIBOR Lending Rate Portions of Revolving, commencing on the expiration of the Interest Period applicable thereto, with a new Interest Period of [1, 2, 3, 4 or 6] months and expiring on [20];

We certify that, as of the date hereof:

- (a) no Event of Default or Unmatured Event of Default is continuing; and
(b) after giving effect to the continuation or conversion requested hereby, there shall be no more than three (3) LIBOR Lending Rate Portions outstanding.

Dated: [], 20 [] UNIVERSAL ELECTRONICS INC.
By /s/ MARK Z. BELZOWSKI
Name: []
Title: []

Exhibit 2.6(b)

Exhibit 4.1(b)
To
Credit Agreement

Form of Opinions of Borrower's Counsel

Exhibit 6.3(b)
To
Credit Agreement

Form of Compliance Certificate

COMPLIANCE CERTIFICATE

To: COMERICA BANK
301 Ocean Boulevard, Suite 1800
Long Beach, California 90802
Attn: Thomas R. Kelly
Vice President

This Compliance Certificate is given pursuant to Section 6.3(b) of that certain Credit Agreement, dated as of September 15, 2003 (the "Agreement"), between UNIVERSAL ELECTRONICS INC., a Delaware corporation ("Borrower"), and COMERICA BANK, a Michigan banking corporation ("Bank"). All initially capitalized terms used but not defined in this Compliance Certificate shall have the meanings assigned to such terms in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

- (1) He/She is the duly elected Chief Financial Officer of Borrower;
- (2) He/She reviewed the terms of the Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and condition of Borrower during the accounting period covered by the attached financial statements; and
- (3) The examinations described in Paragraph (2) above did not disclose, and he/she has no knowledge of, the existence of any condition or event which constitutes an Unmatured Event of Default or Event of Default during, or at the end of, the accounting period covered by the attached financial statements or as of the date of this Compliance Certificate, except as set forth below; and

Described below are the exceptions, if any, to Paragraph (3) above which list, in detail, the nature of the condition or event, the period during which it has existed and the action which Borrower has taken, is taking, or proposes to take with respect to each such condition or event:

This Compliance Certificate, together with the computations set forth in Schedule 1 hereto and the financial statements delivered concurrently herewith in support hereof, are made and delivered this 16 day of September, 2003

UNIVERSAL ELECTRONICS INC.

By: /s/ MARK Z. BELZOWSKI

Chief Financial Officer

Exhibit 6.3(b)

COMPLIANCE CERTIFICATE

SCHEDULE 1

SCHEDULE OF COMPLIANCE

FOR THE FISCAL QUARTER ENDED ON _____, 20____

SECTION 7.15(a) - CONSOLIDATED EFFECTIVE TANGIBLE NET WORTH

A. Borrower's consolidated total stockholder's equity: \$ _____

B. Intangible Assets of Borrower: \$ _____

C. Amounts due to Borrower from Affiliates: \$ _____

D. Line A minus the sum of Lines B and C: \$ _____

E. Base Amount \$ 66,000,000

F. Covenant: Is Line D greater than Line E Yes ___ No ___

SECTION 7.15(b) - CONSOLIDATED TOTAL LIABILITIES TO CONSOLIDATED EFFECTIVE TANGIBLE NET WORTH

A. Borrower's consolidated total liabilities, calculated in accordance with GAAP: \$ _____

B. Consolidated Effective Tangible Net Worth: \$ _____

C. Ratio of Line A to Line B: _____ :1.0

D. Covenant: (Not greater than): 0.65:1.0

SECTION 7.15(c) - QUICK RATIO

A. The sum of Borrowers' accounts receivable plus Borrowers' cash on hand and marketable securities: \$ _____

B. Current Liabilities (including the Obligations): \$ _____

C. Ratio of Line A to Line B: _____ :1.0

D. Covenant: (Not less than) 1.50:1.0

SECTION 7.15(d) - CONSOLIDATED NET INCOME (FISCAL QUARTERS)

A. The consolidated net income of Borrower and the Subsidiaries after all federal, state and local income taxes reflected on Borrower's Financial Statement, as of the end

Exhibit 6.3(b)

of the last two consecutive fiscal quarters, calculated in accordance with GAAP:

\$ _____

B. Base Amount

\$ 0

G. Covenant: Line A less than Line B

Yes ___ No ___

SECTION 7.15(e) - CONSOLIDATED NET INCOME (FISCAL YEAR) (3)

C. The consolidated net income of Borrower and the Subsidiaries after all federal, state and local income taxes reflected on Borrower's Financial Statement, as of the end of the last fiscal year, calculated in accordance with GAAP:

\$ _____

D. Base Amount

\$ 2,500,000

H. Covenant: Line A less than Line B

Yes ___ No ___

- - - - -

(3) Required to be reported for fiscal quarter ending December 31.

Exhibit 6.3(b)

Schedule 5.7
To
Credit Agreement

Litigation

See Borrower's filings with the Securities and Exchange Commission

Schedule 5.9
To
Credit Agreement

Subsidiaries

See Borrower's filings with the Securities and Exchange Commission

Schedule 5.12
To
Credit Agreement

Employee Benefit Plans

Universal Electronics Inc. Flexible Spending Plan

Universal Electronics Inc. 401(k) And Profit Sharing Plan

Universal Electronics Inc. Jefferson Pilot Group Long Term Disability Insurance Policy

Universal Electronics Inc. Jefferson Pilot Group Insurance Policy

Universal Electronics Inc. Jefferson Pilot Group Dental Policy

Universal Electronics Inc. Aetna U.S. Healthcare (Customer #US 033846)

Universal Electronics Inc. Executive Bonus 162 Plan - Life Insurance - Equitable Life

PROMISSORY NOTE

\$15,000,000

Cypress, California
September 15, 2003

1. FOR VALUE RECEIVED, UNIVERSAL ELECTRONICS INC., a Delaware corporation ("Maker"), promises to pay to the order of COMERICA BANK, a Michigan banking corporation ("Payee"), on or before the Revolving Loans Maturity Date, the principal sum of Fifteen Million Dollars (\$15,000,000), or such lesser sum as shall equal the aggregate outstanding principal amount of the Loans made by Payee to Maker pursuant to the Agreement (as defined below).

2. Maker promises to make principal reduction payments on the outstanding principal balance hereof in the amounts and on the dates specified in the Agreement. Maker further promises to pay interest from the date of this Promissory Note (this "Note"), in like money, on the aggregate outstanding principal amount hereof at the rates and on the dates provided in the Agreement. All computations of interest shall be in accordance with the provisions of the Agreement.

3. Subject to the Agreement, Maker hereby authorizes Payee to record in its books and records the date, type and amount of each Loan, and of each continuation, conversion and payment of principal made by Maker, and Maker agrees that all such notations shall, in the absence of manifest error, be conclusive as to the matters so noted; provided, however, any failure by Payee to make such notation with respect to any Loan or continuation, conversion, or payment thereof shall not limit or otherwise affect Maker's obligations under the agreement or this Note.

4. Subject to the Agreement, upon the occurrence and during the continuance of an Event of Default, in addition to and not in substitution of any of Payee's other rights and remedies with respect to such Event of Default, at Payee's option the entire unpaid principal balance of the Loans shall bear interest at the otherwise applicable rate plus three hundred (300) basis points. In addition, interest, Expenses, the Fees, and other amounts due hereunder not paid when due shall bear interest at the Base Lending Rate plus three hundred (300) basis points until such overdue payment is paid in full.

5. If any payment due hereunder, whether for principal, interest, or otherwise, is not paid on or before the tenth day after the date such payment is due, in addition to and not in substitution of any of Payee's other rights and remedies with respect to such nonpayment, Maker shall pay to Payee, a late payment fee ("Late Payment Fee") equal to five percent (5%) of the amount of such overdue payment. The Late Payment Fee shall be due and payable on the eleventh day after the due date of the overdue payment with respect thereto.

6. Maker shall make all payments hereunder immediately available Dollars to Payee at Payee's office located at 301 East Ocean Boulevard, Suite 1800, Long Beach, California

90802 Attention: Thomas R. Kelly; or to such other address as Payee may from time to time specify by notice to Maker in accordance with the terms of the Agreement.

7. In no event shall the interest rate and other charges hereunder exceed the highest rate permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such a court determines that Payee has received interest and other charges hereunder in excess of the highest rate applicable hereto, such excess shall be deemed received on account of, and shall automatically be applied to reduce, the Obligations, other than interest, in the inverse order of maturity, and the provisions hereof shall be deemed amended to provide for the highest permissible rate. If there are no Obligations outstanding, Payee shall refund to Maker such excess.

8. This Note is the "Note" issued pursuant to that certain Credit Agreement, dated as of even date herewith (as may be at any time hereafter amended, supplemented, or otherwise modified or restated, the "Agreement"), by and between Maker (as Borrower), and Payee (as Bank), and is governed by the terms thereof. Initially capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Agreement. The Agreement, among other things, contains provisions for acceleration of the maturity of this Note upon the happening of certain stated events and also for prepayments on account of principal of this Note prior to the maturity hereof upon the terms and conditions specified in the Agreement. This Note and the Loans evidenced hereby may be assigned or otherwise transferred in whole or in part by Payee pursuant to the terms of the Agreement.

9. Maker hereby waives presentment for payment, notice of dishonor, protest and notice of protest.

10. (a) THE VALIDITY OF THIS NOTE, THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF, AND THE RIGHTS OF THE PARTIES HERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR RELATED HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD FOR PRINCIPLES OF CONFLICTS OF LAWS.

(b) THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS NOTE SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT PAYEE'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE PAYEE ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. MAKER AND PAYEE WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 10.

(c) MAKER AND PAYEE HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS NOTE OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. MAKER AND PAYEE REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS NOTE MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

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

UNIVERSAL ELECTRONICS INC.
a Delaware corporation

By -s- Mark Z. Belzowski

Mark Z. Belzowski, Vice President and
Chief Financial Officer

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release ("Agreement") is made and entered into this 7th day of October, 2003 (the "Effective Date") by and between Universal Electronics Inc. ("UEI") and Jerry Bardin ("Bardin").

WITNESSETH:

WHEREAS, Bardin has been employed by UEI since August 3, 1998;

WHEREAS, effective on the "Separation Date" (as defined herein), Bardin hereby voluntarily resigns as an employee of UEI and any of its subsidiaries and affiliates and UEI hereby accepts such resignation.

NOW, THEREFORE, in consideration of the mutual covenants and promises of the parties to this Agreement, including UEI's agreement to pay Bardin pursuant to Paragraph 2 of this Agreement, the receipt and sufficiency of which are hereby acknowledged, Bardin and UEI agree as follows:

1. TERMINATION AS AN EMPLOYEE. Effective on the October 17, 2003, (the "Separation Date"), Bardin hereby voluntarily resigns as an employee of UEI and any of its subsidiaries or affiliates and UEI hereby accepts such resignation.

2. PAYMENTS. On the Separation Date, UEI will pay, as set forth below, to Bardin a gross amount (before deduction of appropriate taxes and other customary withholdings which Bardin understands and agrees shall also be deducted from this amount) of \$14,258.09 which includes \$11,538.47 (representing Bardin's bi-weekly payroll through the Separation Date), and \$2,719.62 (representing accrued but unused vacation through the Separation Date). The payment of this payroll and vacation (less appropriate taxes and other customary withholdings) shall be paid via check presented to Bardin on the Separation Date. Bardin acknowledges and agrees that such amount represents all compensation, salary, vacation pay, profit sharing, bonuses, and commissions to which he is entitled. In addition to the above payment, UEI agrees to pay to Bardin as severance, an amount equal to \$16,666.67 (one (1) month pay) less appropriate taxes and other customary withholdings which shall be deducted from the payment made pursuant to this Paragraph 2 (the "Severance Amount"). The payment of the Severance Amount shall be made in one lump sum on UEI's first regularly scheduled payroll date after the expiration of the revocation period as set forth in Paragraph 20. Bardin shall be entitled to this Severance Amount by virtue of this Agreement and the performance by him of his obligations hereunder and Bardin acknowledges and agrees that he has no independent right to it.

3. STOCK OPTIONS. UEI and Bardin hereby agree that all options granted to him are as set forth below and Bardin represents, warrants and agrees that this Paragraph 3 accurately sets forth all options granted to him and that there are no other options which have been granted to him, that he has not exercised any of the options granted him other than those stated in sub-paragraphs a and b

below, and that no other options have been promised to him and he acknowledges that he is not entitled to any other options:

a. On August 3, 1998, UEI, pursuant to one of its Stock Option Plans, granted to Bardin the option to purchase up to 30,000 shares of common stock of UEI at an exercise price of \$6.1875 per share. As of the Separation Date, Bardin shall be vested in 100% of the option (30,000 shares), of which 7,500 have been exercised by Bardin. Bardin may exercise the vested portion of such option until the end of UEI's business day on February 28, 2005 and otherwise in accordance with the terms and conditions set forth within the agreement, after which date such option shall terminate and be of no further force and effect.

b. On January 28, 1999, UEI, pursuant to one of its Stock Option Plans, granted to Bardin the option to purchase up to 10,000 shares of common stock of UEI at an exercise price of \$7.50 per share. As of the Separation Date, Bardin shall be vested in 100% of the option (10,000 shares), of which 2,353 have been exercised by Bardin. Bardin may exercise the vested portion of such option until the end of UEI's business day on February 28, 2005 and otherwise in accordance with the terms and conditions set forth within the agreement, after which date such options shall terminate and be of no further force and effect.

c. On October 7, 1999, UEI, pursuant to one of its Stock Option Plans, granted to Bardin the option to purchase up to 20,000 shares of common stock of UEI at an exercise price of \$11.016 per share. As of the Separation Date, Bardin shall be vested in 100% of the option (20,000 shares), none of which have been exercised by Bardin. Bardin may exercise the vested portion of such option until the end of UEI's business day on February 28, 2005 and otherwise in accordance with the terms and conditions set forth within the agreement, after which date such options shall terminate and be of no further force and effect.

d. On August 24, 2000, UEI, pursuant to one of its Stock Option Plans, granted to Bardin the option to purchase up to 10,000 shares of common stock of UEI at an exercise price of \$20.188 per share. As of the Separation Date, Bardin shall be vested in 75% of the option (7,500 shares), none of which have been exercised by Bardin. Bardin may exercise the vested portion of such option until the end of UEI's business day on February 28, 2005 and otherwise in accordance with the terms and conditions set forth within the agreement, after which date such options shall terminate and be of no further force and effect. It is understood and agreed to by the parties that, effective immediately on the Separation Date, the unvested portion of the option terminated automatically and was of no further force and effect.

e. On February 5, 2002, UEI, pursuant to one of its Stock Option Plans, granted to Bardin the option to purchase up to 10,000 shares of common stock of UEI at an exercise price of \$15.98 per share. As of the Separation Date, Bardin shall be vested in 25% of the option (2,500 shares), none of which have been exercised by Bardin. As further consideration to Bardin in exchange for his obligations and duties hereunder, UEI hereby agrees that an additional 25% of the option shall vest on its next regularly scheduled vesting date (as set forth

within the agreement - February 5, 2004) at which time Bardin shall become 50% vested in the option. Bardin may exercise the vested portion of such option until the end of UEI's business day on February 28, 2005 and otherwise in accordance with the terms and conditions set forth within the agreement, after which date such options shall terminate and be of no further force and effect. It is understood and agreed to by the parties that, effective immediately on the Separation Date, the remaining unvested portion of the option (50% after the next vest) terminated automatically and was of no further force and effect.

f. On November 12, 2002, UEI, pursuant to one of its Stock Option Plans, granted to Bardin the option to purchase up to 10,000 shares of common stock of UEI at an exercise price of \$8.45 per share. As of the Separation Date, Bardin shall be vested in 0% of the option (0 shares). As further consideration to Bardin in exchange for his obligations and duties hereunder, UEI hereby agrees that the first 25% of the option shall vest on its next regularly scheduled vesting date (as set forth within the agreement - November 12, 2003) at which time Bardin shall become 25% vested in the option. Bardin may exercise the vested portion of such option until the end of UEI's business day on February 28, 2005 and otherwise in accordance with the terms and conditions set forth within the agreement, after which date such options shall terminate and be of no further force and effect. It is understood and agreed to by the parties that, effective immediately on the Separation Date, the remaining unvested portion of the option (75% after the next vest) terminated automatically and was of no further force and effect.

4. INSURANCE CONTINUATION. UEI has provided Bardin or will provide Bardin in accordance with law, all notices for continuation of health and disability insurance as required by COBRA. Bardin understands and agrees that it is his responsibility to elect to continue such insurance under COBRA and that he must notify UEI timely of such election. Bardin further understands and agrees that he shall be solely and fully responsible for all premiums, deductibles and co-payments as required under the specific insurance plans continued by virtue of Bardin's election. Further, Bardin acknowledges and agrees that all life insurance previously provided Bardin by UEI shall terminate as of the last day of the month in which the Separation Date falls.

5. EXPENSES. Bardin acknowledges and agrees that he has submitted all expense reports and that he has received payment therefore and that there are no other expense items due him.

6. NO AUTHORITY. Bardin acknowledges that effective immediately on his Separation Date he does not have authority to bind UEI to any contracts or commitments and agrees not to create any obligation of UEI or bind or attempt to bind UEI in any manner whatsoever, and agrees not to involve himself in any activities of UEI, except as may be requested in writing by an authorized officer of UEI.

7. DUTY TO COOPERATE/CONSULTING

a. Bardin agrees to cooperate fully, subject to reimbursement by UEI of reasonable out-of-pocket costs and expenses, with UEI and its counsel with respect to any matter (including any litigation, investigation or governmental proceeding) which relates to matters with which Bardin was involved during the term of his employment with UEI. Such cooperation shall include appearing from time to time at the offices of UEI or UEI's counsel for conferences and interviews and in general providing the officers of UEI and its counsel with the full benefit of Bardin's knowledge with respect to any such matter. Bardin agrees to render such cooperation in a timely fashion and at such times as may be mutually agreeable to the parties concerned. During the entire period in which Bardin provides cooperation as set forth above, all information concerning UEI or its businesses learned or received by Bardin shall be treated as confidential in the same manner as such information would have been treated during any period of employment and in accordance with the terms and conditions of confidentiality in Paragraph 9 below which terms and conditions are hereby incorporated for purposes of this subparagraph.

b. The parties agree to enter into that certain Consulting Agreement of even date herewith attached here to as Attachment A.

8. RETURN OF UEI'S PROPERTY. All notes, reports, sketches, plans, books, credit cards, calling cards, keys, computers, and related paraphernalia, computer passwords, unpublished memoranda or other documents or property which were created, developed, generated or held or controlled by Bardin and which 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. Bardin acknowledges that he has received all of his personal property that was located at UEI's offices. In the event that UEI or Bardin shall discover any other property of the other in its or his possession, UEI or Bardin, as the case may be, shall immediately return such property to the other.

9. CONFIDENTIAL INFORMATION. Bardin recognizes he has a duty and obligation to UEI to continue to protect the confidential and proprietary information and any trade secrets belonging to UEI ("Confidential Information") which includes but is not limited to information pertaining to pricing, customer lists, product development, marketing, accounts receivable, customer credit information, research or development, distribution, technology, product design, packaging, or manufacturing or assembly processes and know-how, and marketing and therefore agrees that:

a. Any and all UEI Confidential Information produced or received by Bardin during his employment and hereafter is the property of UEI.

b. Bardin shall not use, disclose, divulge or convey to any third person, anywhere in the world, any Confidential Information belonging to UEI or its affiliates until

such time as such information or secrets become publicly known by legitimate means, such as public disclosure by UEI or otherwise through no wrongful act by Bardin.

10. INDUCEMENT OF OTHER EMPLOYEES. For a two (2) year period ending on the second anniversary date of the Separation Date, Bardin will not, directly or indirectly, solicit, induce or encourage any other person or entity to leave employment, agency or office with UEI nor will he, directly or indirectly, hire any such person or entity.

11. REMEDIES.

a. Bardin acknowledges that failure to comply with the terms of this Agreement may cause irreparable damage to UEI and therefore, in addition to any other remedies at law or in equity available to UEI for Bardin's breach or threatened breach of this Agreement, UEI is entitled to apply for specific performance or injunctive relief against Bardin to prevent such damage or breach without the necessity of posting bond or other security, as well as an award of attorneys fees and costs incurred as a result of any action which is necessary to enforce this Agreement.

b. Bardin acknowledges that if he breaches any portion of this Agreement, in addition to any remedy afforded UEI at law or in equity or by this Agreement, UEI may seek damages for any alleged violation of this Agreement.

c. UEI acknowledges that if UEI breaches any portion of this Agreement, in addition to any remedy afforded Bardin at law or in equity or by the Agreement, Bardin may seek damages for any alleged violation of this Agreement.

12. KNOWING AND VOLUNTARY. Bardin also acknowledges and recites that

a. He enters into this Agreement knowingly and voluntarily;

b. He has read and understands this Agreement in its entirety;

c. He has been advised and directed orally and in writing (and this subparagraph 12(c) constitutes such written direction) to seek legal counsel and any other advice he wishes with respect to the terms of this Agreement before executing it, and he has had an opportunity to negotiate about its terms;

d. His execution of this Agreement has not been forced by any employee or agent of UEI;

e. He has been offered 21 calendar days after receipt of this Agreement to consider its terms before he executed it; and

f. That the Severance Amount in Paragraph 2 and the additional vesting of certain options as set forth in Paragraph 3 constitutes additional consideration to which he is entitled by virtue of this Agreement only.

13. RELEASE, DISCHARGE, WAIVER AND COVENANT NOT TO SUE. For and in consideration of the mutual covenants provided in this Agreement, each of UEI on behalf of itself, its affiliates, subsidiaries, successors and assigns and Bardin on behalf of himself and his heirs, executors, administrators, children, and assigns:

a. do hereby fully release and discharge the other and each of their respective past and present officers, directors, employees, attorneys, agents, subsidiaries, affiliates, related organizations, heirs, executors, administrators, children, successors and assigns from,

b. do hereby fully waive any obligations of the other, such persons or entities for, and

c. covenants not to sue or otherwise commence any action to recover from the other, such persons or entities,

any and all sums of money, accounts, actions, causes of action, claims and demands based upon or arising by reason of any damage, loss, injury or entitlement regardless of source or nature, whether known or unknown or contingent or absolute, which heretofore has been or which hereafter may be suffered or sustained, directly or indirectly, by either UEI or its past or present officers, directors, employees, attorneys, agents, subsidiaries, affiliates, related organizations, successors and assigns, or Bardin or his heirs, executors, administrators, children, or assigns in consequence of, arising out of, or in any way related to Bardin's employment, or termination of employment, with UEI or any of its affiliated organizations, divisions or operational subdivisions, including his separation as a UEI employee on the Separation Date. The foregoing release and discharge, waiver and covenant not to sue includes, but is not limited to, all claims, and any obligations or causes of action arising from such claims, which could have been raised under common law including wrongful or retaliatory discharge, breach of contract and any action arising in tort including libel, slander, defamation or intentional infliction of emotional distress, personal injury, and claims under any statute including Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 2000e, et. seq., the Civil Rights Act of 1866 and 1871, 42 U.S.C. Section 1981, et. seq., the National Labor Relations Act, 29 U.S. Section 151, et. seq.; the Age Discrimination in Employment Act, 29 U.S.C. Section 621, et. seq., including the Older Workers Benefit Protection Act, the Fair Labor Standards Act, 29 U.S.C. Section 201, et. seq., the Employee Retirement Income Security Act, 29 U.S.C. Section 1001, et. seq., the Americans with Disabilities Act of 1990, the Rehabilitation Act, or any statute under applicable state law including any antidiscrimination statutes and any wage and hour laws applicable to employees, and/or any claims under any express or implied contract which either party or its or his successors or assigns or representatives may claim existed with the other. This release and discharge, waiver and covenant not to sue expressly includes all claims, and any obligations or causes of action arising from such

claims, that could have been raised in state or federal court or with a state, federal or municipal agency or entity.

14. EXCLUSIVE PAYMENTS/BREACH. The payments outlined in this Agreement to be made to Bardin will be considered as fulfilling all compensation obligations to Bardin or UEI, including but not limited to salary, vacation, benefits, bonuses, profit sharing, commissions, and any other payments or benefits from UEI and Bardin agrees that all such payments, including all past compensation, are full and adequate consideration for his agreements and releases hereunder.

15. NON-DISCLOSURE. Bardin certifies that he has not and agrees that he will not discuss, disclose or release in any fashion any information relating to this Agreement to any person other than his attorney, accountant, financial advisor, and wife, each of whom he has advised of this confidentiality provision and directed to maintain the same.

16. SEVERABILITY. In the event that any term or provision of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of the Agreement shall continue in full force and effect. If any tribunal or Court of competent jurisdiction deems any term or provision hereof unenforceable, such term or provision shall be modified only to the extent necessary to render it enforceable and this Agreement shall be valid and enforceable and the parties hereto agree to be bound by and perform same as thus modified. In making such determination, any such tribunal or Court shall also consider a reduction to or reimbursement to UEI for any consideration to which Bardin has received or is to receive, including without limitation, any and all amounts and other items set forth in Paragraph 2 of this Agreement.

17. ENTIRE AGREEMENT. The terms of this Agreement constitute the entire Agreement between Bardin and UEI, and as of the date of this Agreement supersede any prior agreement whether in writing or orally, between Bardin and UEI.

18. GOVERNING LAW. This Agreement is to be executed in the State of California and shall be construed and enforced under the laws of the State of California without regard to its conflict of laws provisions.

19. SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and may be enforced by the parties to this Agreement and shall be binding upon Bardin, his executors, administrators, legatees, or any other successor in interest and upon UEI, its successors and any assignee or transferee of or successor to all or substantially all of the business or assets of UEI, and may not be amended, in whole or in part, except in writing signed by a duly authorized officer of UEI and Bardin.

20. REVOCATION. Bardin shall have seven (7) days from the date he executes this Agreement within which to revoke his execution, in which event this Agreement shall be unenforceable and null and void. In the event that Bardin elects to revoke this Agreement pursuant

to this Paragraph 20, Bardin shall, within five (5) days of such election return to, refund and/or reimburse UEI for any and all amounts paid to or on behalf of Bardin pursuant to this Agreement, which amounts shall include, without limitation, any and all Severance Amount.

21. UNEMPLOYMENT CLAIM. UEI agrees to not contest any claim made by Bardin for unemployment compensation.

IN WITNESS WHEREOF, the parties have executed this Agreement on the dated indicated above.

Witness:

Universal Electronics Inc.

By: _____
President and Chief Operating Officer

Witness:

Jerry Bardin

Dated: _____

Form of Consulting Agreement

Attached 7 Pages

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement"), made and entered into this 7th day of October, 2003, by and between Jerry Bardin, a California resident ("Consultant"), and Universal Electronics Inc., a Delaware Corporation ("UEI").

WHEREAS, UEI is engaged in the business of (i) developing software, and building and marketing pre-programmed, easy-to-use wireless control devices and chips principally for home entertainment equipment and the subscription broadcast market, including without limitation, remote control devices, combination keyboard/remotes and touch-screen remotes, (ii) licensing its patented technologies and database of infrared codes to companies selling into the cable and satellite industries, and to original equipment manufacturers and (iii) selling its universal remote control products to distributors and retailers in Europe, Asia, South America and Australia under the One For All(R) brand name; and

WHEREAS, Consultant is UEI's former Senior Vice President of Engineering, Operations and Quality and has expertise in and has intimate knowledge of UEI's business;

THEREFORE, the parties, intending to be legally bound, and for the good and valuable consideration, the adequacy of which is hereby recognized by the parties agree as follows:

1. DEFINITIONS.

(a) "Invention" shall mean 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, developed or considered and whether or not patentable, and all know-how related thereto.

(b) "Confidential Information" shall mean all information, whether provided orally or in writing, relating to the UEI's business that has economic value and is not generally known to others, including, but not limited to, trade secrets, proposed domain names, trade dress, software, know-how, costs, methods of business operation, business plans, business and marketing concepts, financial information, projections and data, sales information, profit data and information regarding business partners, suppliers, vendors, distributors, and customers.

(c) "Consulting Services" shall mean the services as defined by Section 3.

(d) "Work Product" shall mean all information and works of authorship fixed in any tangible medium that are created in the process of providing Consulting Services or related in any way to UEI's business, including, but not limited to, trade secrets, proposed domain names, trade dress, software, know-how, costs, methods of business operation, business plans, business and marketing concepts, financial information, projections and data, sales information, profit data and information regarding business partners, suppliers, vendors, distributors, and customers.

2. TERM. The term of this Agreement shall commence on October 18, 2003 and shall continue until the end of business on February 29, 2004 (the "Term"), unless sooner terminated in accordance with the terms hereof.

3. CONSULTING SERVICES. During the term of this Agreement, Consultant shall provide his services as shall be necessary for a period of time, not to exceed twenty (20) hours per month, to advise and consult with UEI in areas relating to product development, product procurement, manufacturing, scheduling, quality assurance, vendor selection, negotiation, and such other activities associated with the normal business of UEI in connection with the manufacturing of products. The services shall include Consultant 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 Consultant to the satisfaction of UEI.

4. COMPENSATION. As full compensation for the consulting services to be rendered by Consultant and for the performance of all other obligations hereunder, UEI shall pay to Consultant US\$66,666.68, the amount to be paid in advance on October 18, 2003.

5. RESPONSIBILITY FOR BUSINESS EXPENSES. Consultant agrees that he shall be responsible for:

(a) All individual taxes, fees, and licenses incurred in connection with rendering consulting services hereunder; and

(b) All travel, office, entertainment, and other costs incurred in connection with carrying out his consulting services hereunder.

6. PROTECTION OF CONFIDENTIAL INFORMATION. Consultant agrees with respect to any Confidential Information received by him from UEI:

(a) to hold the Confidential Information in confidence and use it only for the purposes authorized by UEI;

(b) to promptly return all Confidential Information received by Consultant, regardless of media or form, to UEI at the request of UEI and to retain no reproductions, copies, extracts or summaries of any Confidential Information; and

(c) to promptly notify UEI if the Confidential Information is required to be disclosed pursuant to any court or government action.

7. PROPRIETARY RIGHTS.

(a) Consultant 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 Consultant shall have no separate interests or rights with respect thereto.

(b) Consultant understands that all technologies, processes and research that was or is developed by UEI, Consultant is the sole property of UEI. Therefore, subject to Section 7(c) below with respect to all Inventions and Work Product made or conceived by Consultant, whether or not during the hours of his Consulting 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, Consultant hereby assigns all Inventions and Work Product to UEI and agrees to do the following:

(i) Communicate to UEI promptly and fully all Inventions made or conceived by Consultant (whether made or conceived solely by Consultant or jointly with others) during the term of this Agreement, (1) that relate to the business, work or investigations of UEI or of any companies that it owns or controls at the time the Inventions are created, or (2) that result from or are suggested by any work that Consultant has done or made for or on behalf of UEI, or (3) that are developed, tested, improved or investigated either in part or entirely on time for which Consultant was paid by UEI or using any funds, equipment, laboratories or other facilities of UEI.

(ii) Without charge to UEI, but at the request and expense of UEI, prepare applications for United States and/or foreign patents relating to Inventions as defined under Section 1(a) and prepare applications for copyright registrations relating to the Work Product as UEI may request, and assign to UEI, or its nominee, Consultant's entire right, title, and interest to all the Inventions, patents, Work Product, copyright registrations and applications relating to the foregoing. Consultant shall without charge to UEI, at the request and expense of UEI, provide assistance with, 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 Inventions may be involved or concerned, that UEI may consider necessary or proper to secure to UEI the fullest right to the 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. Consultant agrees to perform the above-specified acts whether or not this Agreement is in force at the time UEI requests Consultant's performance.

In the event UEI is unable for any reason whatsoever to secure Consultant's 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, Consultant 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, to execute and file any said application and to do all other lawfully-permitted acts to further the prosecution and issuance of a patent or copyright registration based thereon. Consultant hereby waives and quitclaims to UEI any and all claims, of any nature whatsoever, that Consultant may now have or may hereafter have for infringement of any patent(s) or copyright registration(s) from any said application.

(c) The foregoing notwithstanding, this Section 7 shall not apply to any Inventions of Consultant for which no equipment, supplies, facility, or trade secret information of UEI was used

and that was developed entirely on Consultant's 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 Consultant for UEI.

8. TERMINATION.

(a) This Agreement shall commence on the date hereof and shall terminate automatically at the end of the Term.

(b) Notwithstanding the provisions of Section 8(a) above, UEI shall have the right to terminate this Agreement immediately by delivering to the Consultant written notice of termination in the event (i) of any attempted transfer or assignment by Consultant of (1) the entire Agreement (whether by operation of law or otherwise), (2) any right or obligation of Consultant hereunder without the prior written consent of UEI, (ii) of the conviction of Consultant of any crime that may, in UEI's sole discretion, adversely affect the ownership, operation, management, business or interests of Consultant or UEI, (iii) Consultant shall become insolvent, or shall request his creditors for a moratorium, or shall enter into an assignment for the benefit of creditors or an assignment of composition with its creditors, or (iv) Consultant violates any provision of this Agreement.

(c) Upon termination of this Agreement, Consultant shall return to UEI promptly and without charge all materials provided to the Consultant by UEI.

9. SURVIVAL. Sections 5, 6, 7, 9, 10, 20 and 23 shall survive the termination of this Agreement.

10. REMEDIES. Consultant acknowledges that the covenants and agreements that he has made in this Agreement are reasonable and are required for the reasonable protection of UEI's business and its goodwill. Consultant 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, UEI and its subsidiaries, successors and assigns will be entitled to (i) withhold any payments or portion thereof due Consultant hereunder while Consultant is in breach, and (ii) enforce the specific performance by Consultant of Consultant's obligations hereunder and to enjoin Consultant from engaging in any activity in violation hereof, all without the need of posting bond or any other security, and that no claim by Consultant against UEI or its subsidiaries, successors or assigns will constitute a defense or bar to the specific enforcement of Consultant's obligations. Consultant 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. Consultant further agrees that the withholding of any payments or portion thereof due it by UEI pursuant to this Section 10 shall in no way be construed as a limitation to the amount of damages sustained by UEI or to which UEI may be entitled or as liquidated damages.

11. 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 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. If the scope of any covenant, provision or part thereof contained in this Agreement is too broad to permit enforcement to its full extent, this covenant, provision or part thereof 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. Consultant 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 12. The rights and obligations of Consultant hereunder, being personal in nature, may not be assigned or delegated without the prior written consent of UEI.

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. RELATIONSHIP OF THE PARTIES. None of the provisions of this Agreement shall be deemed to constitute an agency or employment relationship or partnership or joint venture between each of Consultant and UEI and neither Consultant nor UEI shall have any authority to bind the other in any way. Accordingly, the parties agree to the following:

(a) Consultant shall not be required to participate actively in the day to day operations of UEI.

(b) It is expressly understood that in furnishing the Consulting Services, neither Consultant nor any of its employees shall be an employee of UEI but shall act solely as an independent contractor. Accordingly, UEI will not supervise or control the manner in which Consultant performs the Consulting Services.

(c) Consultant shall be fully responsible and liable for all acts and omissions of Consultant's employees and agents.

(d) Neither Consultant nor any of its employees or agents shall make any representation that it, she or 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.

(e) Consultant shall indemnify 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 Consultant provided for under this Agreement.

15. 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 Consultant:

Jerry Bardin
To his last known address as shown on the book and
Records of UEI.

If to UEI:

Richard A. Firehammer, Jr.
Senior Vice President and General Counsel
Universal Electronics Inc.
8190 Carrington Place
Bainbridge Township, Ohio 44023
Facsimile No.: (440) 708-0721
Telephone No.: (440) 708-0720

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

16. NONEXCLUSIVITY. This Agreement does not grant to Consultant any exclusive right or privilege to provide Consulting Services to UEI of the type contemplated herein, and UEI reserves the right to contract with other parties for the procurement of comparable services.

17. 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.

18. 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.

19. BINDING EFFECT. This Agreement shall be binding upon the administrators, legal representatives, and successors and permitted assigns of Consultant and UEI.

20. GOVERNING LAW. This Agreement shall be construed and enforced in accordance with the laws of the California.

21. 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.

22. AUTHORITY. Each individual signing this Agreement warrants and represents that the individual has full power and proper authority to sign this Agreement and to bind the Party for which the individual purports to act.

23. VENUE AND JURISDICTION. The parties agree that all actions arising directly or indirectly as a result or in consequence of this Agreement, shall be instituted and litigated only in state or local

courts in California, or the federal courts for the or the Central District of California, and each of the parties hereby consent to the exclusive jurisdiction and venue of any such court, and waives any objection based on forum nonconveniens. Each of the parties hereby waives personal service of any and all process, and consents that all such service may be made by certified mail, return receipt requested, or by an overnight courier such as Federal Express and the like, directed to the party at the address(es) set forth herein.

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

CONSULTANT:

JERRY BARDIN

By: _____
Jerry Bardin

UEI:

UNIVERSAL ELECTRONICS INC.

By: _____
Robert P. Lilleness, President and COO

EMPLOYMENT AND SEPARATION AGREEMENT
AND
GENERAL RELEASE

THIS EMPLOYMENT AND SEPARATION AGREEMENT AND GENERAL RELEASE ("Agreement") is made and entered into this 31st day of October, 2003 (the "Effective Date") by and between Universal Electronics Inc. ("UEI") and Mark Z. Belzowski ("Belzowski").

WITNESSETH:

WHEREAS, Belzowski has been employed by UEI since May 18, 1998; and

WHEREAS, effective immediately after the filing of UEI's Quarterly Report of Form 10-Q for the quarter ended September 30, 2003, Belzowski's employment with UEI shall change as set forth in this Agreement; and

WHEREAS, effective on the "Separation Date" (as defined in Paragraph 2 of this Agreement), Belzowski hereby voluntarily resigns as an employee of UEI and any of its subsidiaries and affiliates and UEI hereby accepts such resignation.

NOW, THEREFORE, in consideration of the mutual covenants and promises of the parties to this Agreement, including UEI's agreement to pay Belzowski pursuant to Paragraph 3 of this Agreement, the receipt and sufficiency of which are hereby acknowledged, Belzowski and UEI agree as follows:

1. EMPLOYMENT.

(a) TITLE(S) AND POSITION(S).

(i) On the Effective Date of this Agreement, Belzowski shall continue to be employed in the executive officer position(s) of and shall have the title(s) of Vice President, Chief Financial Officer and Treasurer of UEI until the filing by UEI of its Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (the "3rd Quarter Form 10-Q") (currently anticipated to filed on or before November 14, 2003).

(ii) Effective immediately after the filing of the 3rd Quarter Form 10-Q, Belzowski shall cease being employed as an executive officer of UEI, shall no longer be employed in the positions nor carry the titles as set forth in subparagraph 1(a) (i) above, and until the "Separation Date" (as defined in Paragraph 2 of this Agreement), shall continue being employed by UEI as a non-executive officer in the position and with the title of Vice President - Finance of UEI.

(b) AUTHORITY AND DUTIES.

(i) From the Effective Date of this Agreement and until the filing of the 3rd Quarter Form 10-Q, Belzowski shall continue to perform those duties and responsibilities as applicable to the positions and titles set forth in subparagraph 1(a)(i) above as he has in the period of his employment prior to the Effective Date of the Agreement.

(ii) Effective immediately after the filing of the 3rd Quarter Form 10-Q and until the "Separation Date" (as defined in Paragraph 2 of this Agreement), Belzowski shall perform those duties and carry out those responsibilities as shall be assigned to him from time to time by UEI's Chief Executive Officer, President, or Chief Financial Officer.

(c) EXCLUSIVE SERVICES AND EFFORTS OF EXECUTIVE. Except as set forth in subparagraph 1(d) below, from the Effective Date of this Agreement and until the "Separation Date" (as defined in Paragraph 2 of this Agreement), Belzowski shall serve UEI as an employee and shall faithfully, diligently, competently and, to the best of his ability, exclusively devote his full business time, energy and attention (unless otherwise agreed to by the parties) to the business of UEI and to the promotion of its interest, although it is understood and agreed to by the parties that after the filing of the 3rd Quarter Form 10-Q, Belzowski shall no longer be required to maintain a presence in the offices of UEI. Belzowski recognizes that UEI's organization, business and relationship with clients, prospective clients and others having business dealings with UEI are and will be the sole property of UEI and Belzowski shall have no separate interests or rights with respect thereto, except as an employee of UEI. Belzowski may own less than a five percent (5%) interest in a supplier, client, or competitor of UEI if the supplier, client, or competitor is a publicly traded company.

(d) OTHER ACTIVITIES AND INTERESTS. UEI 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 Belzowski to UEI in carrying out his duties and responsibilities hereunder. Belzowski shall not, without the written consent of UEI, 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 UEI hereunder. Notwithstanding the foregoing sentence, Belzowski may spend time and attention to personal investment and community activity matters and such other personal matters consistent with UEI's policies and procedures set forth within UEI's policy manual in effect from time to time which are equally applicable to all of UEI's non-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 UEI hereunder; provided however, that UEI understands and agrees that during his employment during the period commencing immediately after the filing of the 3rd Quarter Form 10-Q and until the "Separation Date" (as defined in Paragraph 2 of this Agreement), Belzowski shall be permitted to devote a reasonable amount of time during the work day to seek new employment.

2. TERMINATION AS AN EMPLOYEE. Effective at the end of business on January 30, 2004, (the "Separation Date"), Belzowski hereby voluntarily resigns as an employee of UEI and any of its subsidiaries or affiliates and UEI hereby accepts such resignation.

3. PAYMENTS.

(a) On the Separation Date, UEI will pay, as set forth below, to Belzowski a gross amount (before deduction of appropriate taxes and other customary withholdings which Belzowski understands and agrees shall also be deducted from this amount) of \$16,658.64, which includes \$6,057.69 (representing Belzowski's bi-weekly payroll and all accrued but unpaid bonuses through the Separation Date), and \$10,600.95 (representing accrued but unused vacation through the Separation Date). The payment of this payroll and vacation (less appropriate taxes and other customary withholdings) shall be paid via check presented to Belzowski on the Separation Date. Belzowski acknowledges and agrees that such amount represents all compensation, salary, vacation pay, profit sharing, bonuses, and commissions to which he is entitled.

(b) In addition to the above payment, UEI agrees to pay to Belzowski as severance, an amount equal to \$65,624.95 (equal to five (5) months base salary pay) less appropriate taxes and other customary withholdings which shall be deducted from the payment made pursuant to this Paragraph 3 (the "Severance Amount"). The payment of the Severance Amount shall be made eleven (11) equal installments on UEI's regularly scheduled payroll dates, with the first such payment to be made on February 6, 2004 and the last such payment to be made on June 25, 2004. Belzowski shall be entitled to this Severance Amount by virtue of this Agreement and the performance by him of his obligations hereunder and Belzowski acknowledges and agrees that he has no independent right to it.

4. STOCK OPTIONS. UEI and Belzowski hereby agree that all options granted to him are as set forth below and Belzowski represents, warrants and agrees that this Paragraph 4 accurately sets forth all options granted to him and that there are no other options which have been granted to him, that he has not exercised any of the options granted him other than those stated in the subparagraphs below, and that no other options have been promised to him and he acknowledges that he is not entitled to any other options:

(a) On May 18, 1998, UEI, pursuant to one of its Stock Option Plans, granted to Belzowski the option to purchase up to 20,000 shares of common stock of UEI at an exercise

price of \$5.9375 per share. As of the Separation Date, Belzowski shall be vested in 100% of the option (20,000 shares), of which 10,000 have been exercised by Belzowski. Belzowski may exercise the vested portion of such option until the end of UEI's business day on February 28, 2005 and otherwise in accordance with the terms and conditions set forth within the agreement, after which date such option shall terminate and be of no further force and effect.

(b) On January 28, 1999, UEI, pursuant to one of its Stock Option Plans, granted to Belzowski the option to purchase up to 10,000 shares of common stock of UEI at an exercise price of \$7.50 per share. As of the Separation Date, Belzowski shall be vested in 100% of the option (10,000 shares), none of which have been exercised by Belzowski. Belzowski may exercise the vested portion of such option until the end of UEI's business day on February 28, 2005 and otherwise in accordance with the terms and conditions set forth within the agreement, after which date such options shall terminate and be of no further force and effect.

(c) On October 7, 1999, UEI, pursuant to one of its Stock Option Plans, granted to Belzowski the option to purchase up to 20,000 shares of common stock of UEI at an exercise price of \$11.016 per share. As of the Separation Date, Belzowski shall be vested in 100% of the option (20,000 shares), none of which have been exercised by Belzowski. Belzowski may exercise the vested portion of such option until the end of UEI's business day on February 28, 2005 and otherwise in accordance with the terms and conditions set forth within the agreement, after which date such options shall terminate and be of no further force and effect.

(d) On August 24, 2000, UEI, pursuant to one of its Stock Option Plans, granted to Belzowski the option to purchase up to 5,000 shares of common stock of UEI at an exercise price of \$20.188 per share. As of the Separation Date, Belzowski shall be vested in 75% of the option (3,750 shares), none of which have been exercised by Belzowski. Belzowski may exercise the vested portion of such option until the end of UEI's business day on February 28, 2005 and otherwise in accordance with the terms and conditions set forth within the agreement, after which date such options shall terminate and be of no further force and effect. It is understood and agreed to by the parties that, effective immediately on the Separation Date, the unvested portion of the option shall terminate automatically and be of no further force and effect.

(e) On February 5, 2002, UEI, pursuant to one of its Stock Option Plans, granted to Belzowski the option to purchase up to 5,000 shares of common stock of UEI at an exercise price of \$15.98 per share. As of the Separation Date, Belzowski shall be vested in 25% of the option (1,250 shares), none of which have been exercised by Belzowski. Belzowski may exercise the vested portion of such option until the end of UEI's business day on February 28, 2005 and otherwise in accordance with the terms and conditions set forth within the agreement, after which date such options shall terminate and be of no further force and effect. It is understood and agreed to by the parties that, effective immediately on the Separation Date, the remaining unvested portion of the option shall terminate automatically and be of no further force and effect.

5. INSURANCE CONTINUATION. UEI will provide Belzowski, in accordance with law, all notices for continuation of health and disability insurance as required by COBRA. Belzowski understands and agrees that it is his responsibility to elect to continue such insurance under COBRA and that he must notify UEI timely of such election. Belzowski further understands and agrees that he shall be solely and fully responsible for all premiums, deductibles and co-payments as required under the specific insurance plans continued by virtue of Belzowski's election. Further, Belzowski acknowledges and agrees that all life insurance previously provided Belzowski by UEI shall terminate as of the last day of the month in which the Separation Date falls, unless Belzowski elects to port such insurance to himself in accordance with the terms of such insurance.

6. EXPENSES. Belzowski acknowledges and agrees that within ten (10) days following the Separation Date, he will submit all expense reports with appropriate documentation, in accordance with UEI policies and procedures, and that when paid, he will have received full payment therefore and that there are no, nor will there be any, other expense items due him.

7. NO AUTHORITY. Belzowski acknowledges that effective immediately after the filing of the 3rd Quarter Form-Q, he will not have authority to bind UEI to any contracts or commitments and agrees not to create any obligation of UEI or bind or attempt to bind UEI in any manner whatsoever, except as may be requested in writing by an authorized officer of UEI. Furthermore, Belzowski acknowledges and agrees that effective immediately on his Separation Date, he agrees not to involve himself in any activities of UEI, except as may be requested in writing by an authorized officer of UEI.

8. DUTY TO COOPERATE. Belzowski agrees that after the Separation Date, he shall cooperate fully, subject to reimbursement by UEI of reasonable out-of-pocket costs and expenses, with UEI and its counsel with respect to any matter (including any accounting, litigation, investigation or governmental proceeding) which relates to matters with which Belzowski was involved during the term of his employment with UEI. Such cooperation shall include appearing from time to time at the offices of UEI or UEI's counsel for conferences and interviews and in general providing the officers of UEI and its counsel with the full benefit of Belzowski's knowledge with respect to any such matter. Belzowski agrees to render such cooperation in a timely fashion and at such times as may be mutually agreeable to the parties concerned. During the entire period in which Belzowski provides cooperation as set forth above, all information concerning UEI or its businesses learned or received by Belzowski shall be treated as confidential in the same manner as such information would have been treated during any period of employment and in accordance with the terms and conditions of confidentiality in Paragraph 10 below, which terms and conditions are hereby incorporated for purposes of this Paragraph.

9. RETURN OF UEI'S PROPERTY. Immediately after the filing of the 3rd Quarter Form 10-Q, all notes, reports, sketches, plans, books, credit cards, calling cards, keys, computers, and related paraphernalia, computer passwords, unpublished memoranda or other documents or property which were created, developed, generated or held or controlled by Belzowski and which 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 shall be returned to UEI immediately. Belzowski acknowledges that he has received all of his personal property that was located at UEI's offices. In the event that UEI or Belzowski shall discover any other property of the other in its or his possession, UEI or Belzowski, as the case may be, shall immediately return such property to the other.

10. CONFIDENTIAL INFORMATION. Belzowski recognizes he has a duty and obligation to UEI to continue to protect the confidential and proprietary information and any trade secrets belonging to UEI ("Confidential Information") which includes but is not limited to information pertaining to pricing, customer lists, product development, marketing, accounts receivable, customer credit information, research or development, distribution, technology, product design, packaging, or manufacturing or assembly processes and know-how, and marketing and therefore agrees that:

(a) Any and all UEI Confidential Information produced or received by Belzowski during his employment and hereafter is the property of UEI.

(b) Belzowski shall not use, disclose, divulge or convey to any third person, anywhere in the world, any Confidential Information belonging to UEI or its affiliates until such time as such information or secrets become publicly known by legitimate means, such as public disclosure by UEI or otherwise through no wrongful act by Belzowski.

11. INDUCEMENT OF OTHER EMPLOYEES. For a two (2) year period ending on the second anniversary date of the Separation Date, Belzowski will not, directly or indirectly, solicit, induce or encourage any other person or entity to leave employment, agency or office with UEI nor will he, directly or indirectly, hire any such person or entity.

12. REMEDIES.

(a) Belzowski acknowledges that failure to comply with the terms of this Agreement may cause irreparable damage to UEI and therefore, in addition to any other remedies at law or in equity available to UEI for Belzowski's breach or threatened breach of this Agreement, UEI is entitled to apply for specific performance or injunctive relief against Belzowski to prevent such damage or breach without the necessity of posting bond or other security, as well as an award of attorneys fees and costs incurred as a result of any action which is necessary to enforce this Agreement.

(b) Belzowski acknowledges that if he breaches any portion of this Agreement, in addition to any remedy afforded UEI at law or in equity or by this Agreement, UEI may seek damages for any alleged violation of this Agreement.

(c) UEI acknowledges that if UEI breaches any portion of this Agreement, in addition to any remedy afforded Belzowski at law or in equity or by the Agreement, Belzowski may seek damages for any alleged violation of this Agreement.

13. KNOWING AND VOLUNTARY. Belzowski also acknowledges and recites that:

(a) He enters into this Agreement knowingly and voluntarily;

(b) He has read and understands this Agreement in its entirety;

(c) He has been advised and directed orally and in writing (and this subparagraph 13(c) constitutes such written direction) to seek legal counsel and any other advice he wishes with respect to the terms of this Agreement before executing it, and he has had an opportunity to negotiate about its terms;

(d) His execution of this Agreement has not been forced by any employee or agent of UEI;

(e) He has been offered 21 calendar days after receipt of this Agreement to consider its terms before he executed it; and

(f) That the Severance Amount in subparagraph 3(b) constitutes additional consideration to which he is entitled by virtue of this Agreement only.

14. RELEASE, DISCHARGE, WAIVER AND COVENANT NOT TO SUE. For and in consideration of the mutual covenants provided in this Agreement, each of UEI on behalf of itself, its affiliates, subsidiaries, successors and assigns and Belzowski on behalf of himself and his heirs, executors, administrators, children, and assigns:

(a) do hereby fully release and discharge the other and each of their respective past and present officers, directors, employees, attorneys, agents, subsidiaries, affiliates, related organizations, heirs, executors, administrators, children, successors and assigns from,

(b) do hereby fully waive any obligations of the other, such persons or entities for, and

(c) covenants not to sue or otherwise commence any action to recover from the other, such persons or entities,

any and all sums of money, accounts, actions, causes of action, claims and demands based upon or arising by reason of any damage, loss, injury or entitlement regardless of source or nature, whether known or unknown or contingent or absolute, which heretofore has been or which hereafter may be suffered or sustained, directly or indirectly, by either UEI or its past or present officers, directors, employees, attorneys, agents, subsidiaries, affiliates, related organizations, successors and assigns, or Belzowski or his heirs, executors, administrators, children, or assigns in consequence of, arising out of, or in any way related to Belzowski's employment, or termination of employment, with UEI or

any of its affiliated organizations, divisions or operational subdivisions, including his separation as a UEI employee on the Separation Date. The foregoing release and discharge, waiver and covenant not to sue includes, but is not limited to, all claims, and any obligations or causes of action arising from such claims, which could have been raised under common law including wrongful or retaliatory discharge, breach of contract and any action arising in tort including libel, slander, defamation or intentional infliction of emotional distress, personal injury, and claims under any statute including Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 2000e, et. seq., the Civil Rights Act of 1866 and 1871, 42 U.S.C. Section 1981, et. seq., the National Labor Relations Act, 29 U.S. Section 151, et. seq.; the Age Discrimination in Employment Act, 29 U.S.C. Section 621, et. seq., including the Older Workers Benefit Protection Act, the Fair Labor Standards Act, Section 29 U.S.C. Section 201, et. seq., the Employee Retirement Income Security Act, 29 U.S.C. Section 1001, et. seq., the Americans with Disabilities Act of 1990, the Rehabilitation Act, or any statute under applicable state law including any antidiscrimination statutes and any wage and hour laws applicable to employees, and/or any claims under any express or implied contract which either party or its or his successors or assigns or representatives may claim existed with the other. This release and discharge, waiver and covenant not to sue expressly includes all claims, and any obligations or causes of action arising from such claims, that could have been raised in state or federal court or with a state, federal or municipal agency or entity.

15. EXCLUSIVE PAYMENTS/BREACH. The payments outlined in this Agreement to be made to Belzowski will be considered as fulfilling all compensation obligations to Belzowski or UEI, including but not limited to salary, vacation, benefits, bonuses, profit sharing, commissions, and any other payments or benefits from UEI and Belzowski agrees that all such payments, including all past compensation, are full and adequate consideration for his agreements and releases hereunder.

16. NON-DISCLOSURE. Belzowski certifies that he has not and agrees that he will not discuss, disclose or release in any fashion any information relating to this Agreement to any person other than his attorney, accountant, financial advisor, and wife, each of whom he has advised of this confidentiality provision and directed to maintain the same.

17. SEVERABILITY. In the event that any term or provision of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of the Agreement shall continue in full force and effect. If any tribunal or Court of competent jurisdiction deems any term or provision hereof unenforceable, such term or provision shall be modified only to the extent necessary to render it enforceable and this Agreement shall be valid and enforceable and the parties hereto agree to be bound by and perform same as thus modified. In making such determination, any such tribunal or Court shall also consider a reduction to or reimbursement to UEI for any consideration to which Belzowski has received or is to receive, including without limitation, any and all amounts and other items set forth in subparagraph 3(b) of this Agreement.

18. ENTIRE AGREEMENT. The terms of this Agreement constitute the entire Agreement between Belzowski and UEI, and as of the date of this Agreement supersede any prior agreement

whether in writing or orally, between Belzowski and UEI, including without limitation that certain Salary Continuation Agreement dated February 1, 1999 by and between the parties hereto.

19. GOVERNING LAW. This Agreement is to be executed in the State of California and shall be construed and enforced under the laws of the State of California without regard to its conflict of laws provisions.

20. SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and may be enforced by the parties to this Agreement and shall be binding upon Belzowski, his executors, administrators, legatees, or any other successor in interest and upon UEI, its successors and any assignee or transferee of or successor to all or substantially all of the business or assets of UEI, and may not be amended, in whole or in part, except in writing signed by a duly authorized officer of UEI and Belzowski.

21. REVOCATION. Belzowski shall have seven (7) days from the date he executes this Agreement within which to revoke his execution, in which event this Agreement shall be unenforceable and null and void. In the event that Belzowski elects to revoke this Agreement pursuant to this Paragraph 21, Belzowski shall, within five (5) days of such election return to, refund and/or reimburse UEI for any and all amounts paid to or on behalf of Belzowski pursuant to this Agreement, which amounts shall include, without limitation, any and all Severance Amount.

IN WITNESS WHEREOF, the parties have executed this Agreement on the dated indicated above.

Witness: Universal Electronics Inc.

By: _____
Chief Executive Officer

Witness: _____
Mark Z. Belzowski
Dated: _____

CERTIFICATIONS

I, Paul D. Arling, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Universal Electronics Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2003

By: /s/ Paul D. Arling
Chief Executive Officer

CERTIFICATIONS

I, Mark Z. Belzowski, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Universal Electronics Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2003

By: /s/ Mark Z. Belzowski
Chief Financial Officer

SECTION 1350 CERTIFICATIONS

Pursuant to 18 U.S.C. Section 1350, each of the undersigned officers of Universal Electronics Inc. (the "Company"), hereby certifies that the Company's Form 10-Q for the fiscal quarter ended September 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Dated: November 14, 2003

By: /s/ Paul D. Arling
Chief Executive Officer

By: /s/ Mark Z. Belzowski
Chief Financial Officer

A signed original of this written statement has been provided to Universal Electronics Inc. and will be retained by it and furnished to the Securities and Exchange Commission or its staff upon request.