UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2012

OR

o **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 001-11919

TeleTech Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**84-1291044**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9197 South Peoria Street

Englewood, Colorado 80112

(Address of principal executive offices)

Registrant s telephone number, including area code: (303) 397-8100

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes R No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes R No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer R
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No R

As of November 1, 2012, there were 53,714,715 shares of the registrant s common stock outstanding.

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2012 FORM 10-Q

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(Amounts in thousands, except share amounts)

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	$ 170,377	$ 156,371
Accounts receivable, net	244,175	243,636
Prepaids and other current assets	60,323	37,434
Deferred tax assets, net	15,628	22,994
Income tax receivable	19,879	17,847
Total current assets	510,382	478,282
Long-term assets		
Property, plant and equipment, net	111,431	100,321
Goodwill	72,154	70,844
Contract acquisition costs, net	2,115	2,866
Deferred tax assets, net	34,823	32,512
Other long-term assets	74,699	62,153
Total long-term assets	295,222	268,696
Total assets	$ 805,604	$ 746,978
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 25,053	$ 27,555
Accrued employee compensation and benefits	69,586	71,500
Other accrued expenses	23,723	33,816
Income taxes payable	11,041	10,051
Deferred tax liabilities, net	1,995	912
Deferred revenue	22,766	15,895
Other current liabilities	7,404	10,282
Total current liabilities	161,568	170,011
Long-term liabilities		
Line of credit	88,000	64,000
Negative investment in deconsolidated subsidiary	76	76
Deferred tax liabilities, net	3,248	3,020
Deferred rent	8,565	6,729
Other long-term liabilities	45,228	32,895
Total long-term liabilities	145,117	106,720
Total liabilities	306,685	276,731
Commitments and contingencies (Note 10)		
Stockholders equity		
Preferred stock - $0.01 par value: 10,000,000 shares authorized; zero shares outstanding as of September 30, 2012 and December 31, 2011	-	-

Common stock - $0.01 par value; 150,000,000 shares authorized; 53,712,342 and 56,635,319 shares outstanding as of September 30, 2012 and December 31, 2011, respectively		537		566
Additional paid-in capital		349,131		350,386
Treasury stock at cost: 28,339,911 and 25,416,934 shares as of September 30, 2012 and December 31, 2011, respectively		(404,307)		(357,267)
Accumulated other comprehensive income (loss)		19,123		(5,474)
Retained earnings		520,409		470,776
Noncontrolling interest		14,026		11,260
Total stockholders equity		498,919		470,247
Total liabilities and stockholders equity	$	805,604	$	746,978

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

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(Amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenue	$ 286,268	$ 304,235	$ 867,720	$ 878,850
Operating expenses				
Cost of services (exclusive of depreciation and amortization presented separately below)	201,766	220,795	622,782	630,274
Selling, general and administrative	43,845	43,445	137,689	138,529
Depreciation and amortization	10,695	11,807	31,040	34,828
Restructuring charges, net	2,440	1,616	20,694	2,298
Impairment losses	161	-	2,958	230
Total operating expenses	258,907	277,663	815,163	806,159
Income from operations	27,361	26,572	52,557	72,691
Other income (expense)				
Interest income	780	896	2,235	2,282
Interest expense	(2,129)	(1,143)	(4,810)	(3,814)
Other income (expense), net	97	(386)	(227)	(647)
Total other income (expense)	(1,252)	(633)	(2,802)	(2,179)
Income before income taxes	26,109	25,939	49,755	70,512
Benefit (Provision) for income taxes	3,611	496	3,030	(9,482)
Net income	29,720	26,435	52,785	61,030
Net income attributable to noncontrolling interest	(1,291)	(1,064)	(3,152)	(2,969)
Net income attributable to TeleTech stockholders	$ 28,429	$ 25,371	$ 49,633	$ 58,061
Other comprehensive income (loss)				
Net income	$ 29,720	$ 26,435	$ 52,785	$ 61,030
Foreign currency translation adjustment	7,358	(16,612)	10,607	(9,731)
Derivative valuation, gross	7,260	(7,104)	21,650	(17,584)
Derivative valuation, tax effect	(2,906)	3,270	(8,480)	7,170
Other, net of tax	298	113	933	334
Total other comprehensive income (loss)	12,010	(20,333)	24,710	(19,811)
Total comprehensive income	41,730	6,102	77,495	41,219
Comprehensive income attributable to noncontrolling interest	(1,357)	(697)	(3,265)	(2,604)
Comprehensive income attributable to TeleTech stockholders	$ 40,373	$ 5,405	$ 74,230	$ 38,615
Weighted average shares outstanding				

Basic	54,093	56,476	55,233	56,790
Diluted	54,905	57,748	55,991	58,173
Net income per share attributable to TeleTech stockholders				
Basic	$ 0.53	$ 0.45	$ 0.90	$ 1.02
Diluted	$ 0.52	$ 0.44	$ 0.89	$ 1.00

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

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders Equity

(Amounts in thousands)

(Unaudited)

	Stockholders Equity of the Company									
	Preferred Stock		Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling interest	Total Equity
	Shares	Amount	Shares	Amount						
Balance as of December 31, 2011	-	$ -	56,635	$ 566	$ (357,267)	$ 350,386	$ (5,474)	$ 470,776	$ 11,260	$ 470,247
Net income	-	-	-	-	-	-	-	49,633	3,152	52,785
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-	941	941
Dividends distributed to noncontrolling interest	-	-	-	-	-	-	-	-	(1,440)	(1,440)
Foreign currency translation adjustments	-	-	-	-	-	-	10,494	-	113	10,607
Derivatives valuation, net of tax	-	-	-	-	-	-	13,170	-	-	13,170
Vesting of restricted stock units	-	-	485	5	6,765	(10,802)	-	-	-	(4,032)
Exercise of stock options	-	-	98	1	1,371	(237)	-	-	-	1,135
Excess tax benefit from equity-based awards	-	-	-	-	-	(472)	-	-	-	(472)
Equity-based compensation expense	-	-	-	-	-	10,256	-	-	-	10,256
Purchases of common stock	-	-	(3,506)	(35)	(55,176)	-	-	-	-	(55,211)
Other	-	-	-	-	-	-	933	-	-	933
Balance as of September 30, 2012	-	$ -	53,712	$ 537	$ (404,307)	$ 349,131	$ 19,123	$ 520,409	$ 14,026	$ 498,919

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

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Cash flows from operating activities		
Net income	$ 52,785	$ 61,030
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,040	34,828
Amortization of contract acquisition costs	763	1,448
Amortization of debt issuance costs	531	435
Imputed interest expense	600	649
Provision for doubtful accounts	490	301
Loss (gain) on disposal of assets	180	(351)
Impairment losses	2,958	230
Deferred income taxes	2,134	5,582
Excess tax benefit from equity-based awards	(1,005)	(5,276)
Equity-based compensation expense	10,310	11,563
(Gain) loss on foreign currency derivatives	(574)	966
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	1,091	(26,332)
Prepaids and other assets	(30,893)	(8,939)
Accounts payable and accrued expenses	(15,696)	(28,302)
Deferred revenue and other liabilities	8,697	(8,330)
Net cash provided by operating activities	63,411	39,502
Cash flows from investing activities		
Proceeds from grant for property, plant and equipment	110	2,197
Proceeds from sale of long-lived assets	450	-
Purchases of property, plant and equipment, net of acquisitions	(33,259)	(21,166)
Payment of contract acquisition costs	-	(738)
Acquisitions, net of cash acquired of $1,373 and $14, respectively	(4,809)	(45,787)
Net cash used in investing activities	(37,508)	(65,494)
Cash flows from financing activities		
Proceeds from line of credit	857,650	556,800
Payments on line of credit	(833,650)	(426,500)
Proceeds from other debt	8,014	-
Payments on other debt	(2,783)	(1,646)
Dividends distributed to noncontrolling interest	(1,440)	(2,783)
Proceeds from exercise of stock options	1,135	8,528
Excess tax benefit from equity-based awards	1,005	5,276
Purchase of treasury stock	(55,211)	(58,367)
Payments of debt issuance costs	(432)	(22)
Net cash (used in) provided by financing activities	(25,712)	81,286
Effect of exchange rate changes on cash and cash equivalents	13,815	(4,870)
Increase in cash and cash equivalents	14,006	50,424
Cash and cash equivalents, beginning of period	156,371	119,385
Cash and cash equivalents, end of period	$ 170,377	$ 169,809

Supplemental disclosures

Cash paid for interest	$	3,168	$	2,908
Cash paid for income taxes	$	13,213	$	16,710
Non-cash investing and financing activities				
Purchases of equipment through financing agreements	$	6,100	$	-
Landlord incentives credited to deferred rent	$	1,723	$	-

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

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(1) OVERVIEW AND BASIS OF PRESENTATION

Overview

TeleTech Holdings, Inc. and its subsidiaries (TeleTech or the Company) serve their clients through the primary businesses of Business Process Outsourcing (BPO), which includes data-driven strategic consulting and marketing services, customer management, and hosted and managed technologies, for a variety of industries via operations in the U.S., Argentina, Australia, Belgium, Brazil, Canada, China, Costa Rica, England, France, Germany, Ghana, Italy, Kuwait, Lebanon, Mexico, New Zealand, Northern Ireland, the Philippines, Scotland, South Africa, Spain, Turkey and the United Arab Emirates.

Basis of Presentation

The Consolidated Financial Statements are comprised of the accounts of TeleTech, its wholly owned subsidiaries, its 55% equity owned subsidiary Percepta, LLC, its 80% interest in Peppers & Rogers Group (PRG) and its 80% interest in iKnowtion, LLC which was acquired on February 27, 2012 (see Note 2 for additional information). All intercompany balances and transactions have been eliminated in consolidation.

The accompanying unaudited Consolidated Financial Statements do not include all of the disclosures required by accounting principles generally accepted in the U.S. (GAAP), pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The unaudited Consolidated Financial Statements reflect all adjustments which, in the opinion of management, are necessary to present fairly the consolidated financial position of the Company as of September 30, 2012, and the consolidated results of operations and comprehensive income and cash flows of the Company for the three and nine months ended September 30, 2012 and 2011. Operating results for the nine months ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

These unaudited Consolidated Financial Statements should be read in conjunction with the Company s audited Consolidated Financial Statements and footnotes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

Certain amounts for 2011 have been reclassified in the Consolidated Financial Statements to conform to the 2012 presentation.

Use of Estimates

The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates including those related to derivatives and hedging activities, income taxes including the valuation allowance for deferred tax assets, self-insurance reserves, litigation reserves, restructuring reserves, allowance for doubtful accounts and valuation of goodwill, long-lived and intangible assets. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ materially from these estimates under different assumptions or conditions. In the three months ended June 30, 2012, the Company recorded a change in estimate which resulted in a decrease of $4.6 million to employee related expenses in connection with an authoritative ruling in Spain related to the legally required cost of living adjustment for our employees   salaries for the years 2010, 2011 and 2012.

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Recently Issued Accounting Pronouncements

In May 2011, the FASB amended its guidance, to converge fair value measurement and disclosure guidance in U.S. GAAP with International Financial Reporting Standards (IFRS). IFRS is a comprehensive series of accounting standards published by the International Accounting Standards Board. The amendment changes the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The FASB does not intend for the amendment to result in a change in the application of the requirements in the current authoritative guidance. The amendment became effective prospectively for the Company s interim period ended March 31, 2012. The adoption of this guidance did not have a material impact on its financial position, results of operations or cash flows.

In June 2011, the FASB amended its guidance on the presentation of comprehensive income. Under the amended guidance, an entity has the option to present comprehensive income in either one or two consecutive financial statements. The Company decided to present a single statement showing the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income. The amendment became effective retrospectively for the Company s interim period ended March 31, 2012.

In December 2011, the FASB issued additional guidance related to the presentation of other comprehensive income. This guidance is intended to allow the FASB time to re-deliberate whether it is necessary to require entities to present the effects of reclassifications out of accumulated other comprehensive income in both the statement in which net income is presented and the statement in which other comprehensive income is presented. This guidance defers the effective date of only those provisions in the other comprehensive income guidance that relate to the presentation of reclassification adjustments out of other comprehensive income and reinstates the previous requirements to present reclassification adjustments either on the face of the statement in which other comprehensive income is reported or to disclose them in a note to the financial statements. The amendments in this new guidance became effective at the same time as the amendments in the other comprehensive income guidance explained above. The Company s adoption of this standard did not have a material impact on the Company s financial position, results of operations or cash flows.

In July 2012, the FASB issued new accounting guidance that simplifies the impairment test for indefinite-lived intangible assets other than goodwill. The new guidance gives the option to first assess qualitative factors to determine if it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative valuation test. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning on or after September 15, 2012. The Company will adopt this accounting guidance during the fourth quarter of 2012 and does not expect this adoption to have a material impact on the Company s financial position, results of operations or cash flows.

(2) ACQUISITIONS

OnState

On January 1, 2012, the Company entered into an asset purchase agreement with OnState Communications Corporation (OnState) to acquire 100% of its assets and assume certain of its liabilities for total cash consideration of $3.3 million. OnState provides hosted business process outsourcing solutions to a variety of small businesses. OnState was headquartered in Boston, MA with a minimal employee base.

As of the nine months ended September 30, 2012, the Company has paid $3.1 million of the purchase price. The remaining purchase price will be paid out once the potential for covered losses has expired per the purchase agreement, which is expected to be in 2013. The Company paid $0.1 million of acquisition related expenses as part of the OnState purchase. These costs were recorded in Selling, general and administrative expenses in the accompanying Consolidated Statements of Comprehensive Income during the nine months ended September 30, 2012.

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

The following summarizes the fair values of the identifiable assets acquired and liabilities assumed as of the acquisition date (in thousands):

		Acquisition Date Fair Value
Cash	$	36
Accounts Receivable		68
Property, plant and equipment		33
Software		2,100
Goodwill		1,132
		3,369
Accounts payable		93
		93
Total purchase price	$	3,276

The software acquired will be amortized over four years once it is placed into service. The goodwill recognized from the OnState acquisition is primarily attributable to the synergies resulting from incorporating the acquired software into the Company s current technology platforms in addition to the acquisition of the employees who developed the acquired software. Since this acquisition is an asset acquisition for tax purposes, the goodwill of $1.1 million and software are deductible over their respective tax lives. The acquired goodwill of OnState is reported within the Customer Technology Services segment from the date of acquisition.

iKnowtion

On February 27, 2012, the Company acquired an 80% interest in iKnowtion, LLC (iKnowtion). iKnowtion integrates proven marketing analytics methodologies and business consulting capabilities to help clients improve their return on marketing expenditures in such areas as demand generation, share of wallet, and channel mix optimization. iKnowtion is located in Boston, MA and has approximately 40 employees.

The up-front cash consideration paid was $1.0 million. The Company was also obligated to pay a working capital adjustment equivalent to any acquired working capital from iKnowtion in excess of a working capital floor as defined in the purchase and sale agreement. The working capital adjustment was $0.2 million and was paid during the second quarter of 2012.

The Company is also obligated to make earn-out payments over the next four years if iKnowtion achieves specified earnings before interest, taxes, depreciation and amortization (EBITDA) targets, as defined by the purchase and sale agreement. The fair value of the contingent payments was measured based on significant inputs not observable in the market (Level 3 inputs). Key assumptions included in the fair value calculation include a discount rate of 21% and expected future value of payments of $4.3 million. The $4.3 million of expected future payments was calculated using a probability weighted EBITDA assessment with higher probability associated with iKnowtion achieving the maximum EBITDA targets. As of the acquisition date, the fair value of the contingent payments was approximately $2.9 million. As of September 30, 2012, the fair value of the contingent consideration was $3.4 million, of which $1.0 million and $2.4 million were included in Other accrued expenses and Other long-term liabilities in the accompanying Consolidated Balance Sheets, respectively.

The fair value of the 20% noncontrolling interest in iKnowtion at the date of acquisition was $0.9 million and was estimated based on a 20% interest of the fair value of 100% interest in iKnowtion and was discounted for a lack of control at a rate of 23.1%.

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

In the event iKnowtion meets certain EBITDA targets for calendar year 2015, the purchase and sale agreement requires TeleTech to purchase the remaining 20% interest in iKnowtion in 2016 for an amount equal to a multiple of iKnowtions s 2015 EBITDA as defined in the purchase and sale agreement. These terms represent a contingent redemption feature. The fair value of the redemption feature is based on a comparison of EBITDA multiples and the EBITDA multiple to purchase the remaining 20% of iKnowtion approximates EBITDA multiples in the market for similar acquisitions.

The Company paid $0.1 million of acquisition related expenses as part of the iKnowtion purchase. These costs were recorded in Selling, general and administrative expenses in the accompanying Consolidated Statements of Comprehensive Income during the nine months ended September 30, 2012.

The following summarizes the fair values of the identifiable assets acquired and liabilities and noncontrolling interest assumed as of the acquisition date (in thousands):

		Acquisition Date Fair Value
Cash	$	1,337
Accounts Receivable		1,792
Property, plant and equipment		161
Other assets		90
Customer relationships		1,400

During the years ended December 31, 2010, 2009 and 2008, we had net sales to two significant customers, that when combined with their subcontractors, each totaled to more than 10% of our consolidated net sales as follows:

	Year Ended December 31,					
	2010		2009		2008	
	$ (thousands)	% of Net Sales	$ (thousands)	% of Net Sales	$ (thousands)	% of Net Sales
Customer A	$ 45,367	13.7%	$ 66,849	21.1%	$ 55,316	19.3%
Customer B	$ 42,716	12.9%	$ 35,382	11.1%	$ 38,577	13.4%

Trade receivables with these customers were the following on December 31, 2010 and 2009:

	December 31, 2010		December 31, 2009	
		% of Accounts		% of Accounts

	$ (thousands)	receivable, net	$ (thousands)	Receivable, net
Customer A	$ 9,481	11.0%	$ 7,006	10.9%
Customer B	$ 4,786	5.5%	$ 6,516	10.1%

We had a third customer that accounted for greater than 10% of accounts receivable, net on December 31, 2010, but did not account for greater than 10% of net sales for the year then ended. Trade receivables with this customer

59

Table of Contents

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

amounted to $10,458 thousand, or 12.1%, of our accounts receivable, net on December 31, 2010. We had a fourth customer that accounted for greater than 10% of accounts receivable, net on December 31, 2009, but did not account for greater than 10% of net sales for the year then ended. Trade receivables with this customer amounted to $6,866 thousand, or 10.7%, of our accounts receivable, net on December 31, 2009.

The loss of these customers or any other customer, either in the United States or abroad, due to their financial weakness or bankruptcy, or our inability to obtain orders or maintain our order volume with them, may have a material adverse effect on our financial condition, results of operations and cash flows. Please see Note 2 under the captions *Revenue Recognition and Sales Allowances* and *Financial Instruments* for further information regarding our accounting principles.

Note 5 Inventories, Net and Significant Suppliers

Inventories, net consisted of the following at December 31, 2010 and 2009:

(in thousands)	2010	2009
Raw materials	$ 15,416	$ 2,192
Components	10,806	9,384
Work in process	2,885	
Finished goods	38,430	31,121
Reserve for excess and obsolete inventory	(2,135)	(1,750)
Inventories, net	$ 65,402	$ 40,947

Reserve for Excess and Obsolete Inventory

Changes in the reserve for excess and obsolete inventory during the years ended December 30, 2010, 2009 and 2008 were composed of the following:

(In thousands) Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses(1)	Sell Through(2)	Write-offs/FX Effects	Balance at End of Period
Reserve for excess and obsolete inventory:					
Year Ended December 31, 2010	$ 1,750	$ 2,887	$ (1,043)	$ (1,459)	$ 2,135
Year Ended December 31, 2009	$ 1,535	$ 3,340	$ (865)	$ (2,260)	$ 1,750
Year Ended December 31, 2008	$ 1,826	$ 2,409	$ (454)	$ (2,246)	$ 1,535

(1) The additions charged to costs and expenses does not include inventory directly written-off that was scrapped during production totaling $0.6 million, $0.8 million, and $0.9 million for the years ended December 31, 2010, 2009 and 2008. These amounts are production waste and are not included in management s reserve for excess and obsolete inventory.

(2) This column represents the gross book value of inventory items sold during the period that had been previously written down to zero net book value. Sell through is the result of differences between our judgment concerning the salability of inventory items during the excess and obsolete inventory review process and our subsequent experience.

Please see Note 2 under the caption *Inventories* for further information regarding our accounting principles.

Significant Suppliers

We purchase integrated circuits, used principally in our wireless control products, from two main suppliers. The total purchased from one of these suppliers was greater than 10% of our total inventory purchases. In addition, our purchases from one component and finished good supplier amounted to greater than 10% of our total inventory purchases for the year ended December 31, 2010. Our purchases from three component and finished good suppliers each amounted to greater than 10% of our total inventory purchases for the years ended December 31, 2009 and 2008.

60

Table of Contents

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

During the years ended December 31, 2010, 2009 and 2008, the amounts purchased from these four suppliers were the following:

	Year Ended December 31,					
	2010		2009		2008	
	$ (thousands)	% of Total Inventory Purchases	$ (thousands)	% of Total Inventory Purchases	$ (thousands)	% of Total Inventory Purchases
Integrated circuit supplier A	$ 30,047	15.3%	$ 28,290	14.8%	$ 28,208	15.2%
Component and finished good supplier A	$ 36,966	18.9%	$ 44,590	23.3%	$ 50,566	27.3%
Component and finished good supplier B (1)			$ 46,004	24.1%	$ 38,088	20.6%
Component and finished good supplier C			$ 28,879	15.1%	$ 18,612	10.0%

The total accounts payable to each of these suppliers on December 31, 2010 and 2009 were the following:

	December 31, 2010		December 31, 2009	
	$ (thousands)	% of Accounts Payable	$ (thousands)	% of Accounts Payable
Integrated circuit supplier A	$ 3,731	6.7%	$ 3,613	9.1%
Component and finished good supplier A	$ 9,172	16.4%	$ 8,290	21.0%
Component and finished good supplier B (1)			$ 11,887	30.1%
Component and finished good supplier C			$ 6,760	17.1%

(1) Component and finished good supplier B is Enson Assets Limited and its subsidiaries. See Note 21 for further information regarding our acquisition of Enson Assets Limited.

We have identified alternative sources of supply for these integrated circuits, components, and finished goods; however, there can be no assurance that we will be able to continue to obtain these inventory purchases on a timely basis. We generally maintain inventories of our integrated circuits, which may be utilized 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, a reduction in their quality or reliability, or a significant increase in the prices of components, would have an adverse effect on our operating results, financial condition and cash flows.

61

Table of Contents

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 6 Property, Plant, and Equipment, Net

Property, plant, and equipment, net consisted of the following at December 31, 2010 and 2009:

(in thousands)	2010	2009
Buildings	$ 41,679	$
Tooling	21,287	12,816
Computer equipment	3,681	2,701
Software	6,489	3,066
Furniture and fixtures	3,486	1,651
Leasehold improvements	14,654	2,932
Machinery and equipment	35,348	1,482
	126,624	24,648
Accumulated depreciation	(54,868)	(17,868)
	71,756	6,780
Construction in progress	6,341	3,210
Total property, plant, and equipment, net	$ 78,097	$ 9,990

Depreciation expense, including tooling depreciation which is recorded in cost of goods sold, was $5.9 million, $5.0 million and $4.6 million for the years ended December 31, 2010, 2009 and 2008, respectively.

The net book value of property, plant, and equipment located within the People s Republic of China was $70.3 million and $3.6 million on December 31, 2010 and 2009, respectively.

On December 31, 2010, construction in progress included $2.2 million of building improvements, $0.8 million of tooling, $1.7 million of internal use software costs and $1.6 million of machinery and equipment. We expect that approximately 100% of the construction in progress costs will be placed in service during the first and second quarters of 2011. We will begin to depreciate those assets at that time. On December 31, 2009, construction in progress included $0.6 million of tooling, $2.2 million of internal use software costs, and $0.3 million of machinery and equipment.

Please see Note 2 under the captions *Property, plant, and equipment* and *Long-Lived and Intangible Assets Impairment* for further information regarding our accounting principles.

Note 7 Goodwill and Intangible Assets, Net

Goodwill

Under the accounting guidance, the unit of accounting for goodwill is at a level of reporting referred to as a reporting unit. A reporting unit is either (1) an operating segment or (2) one level below an operating segment referred to as a component. During the fourth quarter 2010, as a result of us flattening our management structure, we merged our international component with our domestic component. We no longer have segment management of the international component and the financial results of our international component are not separate. In addition, these components have similar economic characteristics. As a result of these changes, our domestic and international components have been merged into our single operating segment.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

The goodwill on December 31, 2010 and changes in the carrying amount of goodwill during the two years ended December 31, 2010 were the following:

(in thousands)	
Balance at December 31, 2008	$ 10,757
Goodwill acquired during the period (1)	2,902
Goodwill adjustments (2)	65
Balance at December 31, 2009	$ 13,724
Goodwill acquired during the period (3)	16,839
Goodwill adjustments (2)	(184)
Balance at December 31, 2010	$ 30,379

(1) During the first quarter of 2009, we recognized $2.9 million of goodwill related to the Zilog acquisition. Please refer to Note 21 for further information about this acquisition.

(2) The adjustment included in international goodwill was the result of fluctuations in the foreign currency exchange rates used to translate the balance into U.S. dollars.

(3) During the fourth quarter of 2010, we recognized $16.8 million of goodwill related to the Enson Assets Limited acquisition. Please refer to Note 21 for further information about this acquisition.

We conducted annual goodwill impairment reviews on December 31, 2010, 2009 and 2008 utilizing significant unobservable inputs (level 3). Based on the analysis performed, we determined that our goodwill was not impaired. Please see Note 2 under the captions *Goodwill* and *Fair-Value Measurements* for further information regarding our accounting principles and the valuation methodology utilized.

Intangible Assets, Net

The components of intangible assets, net at December 31, 2010 and December 31, 2009 are listed below:

	2010			**2009**		
		Accumulated			**Accumulated**	
(in thousands)	**Gross**	**Amortization**	**Net**	**Gross**	**Amortization**	**Net**
Carrying amount(1):						
Distribution rights (10 years)	$ 384	$ (51)	$ 333	$ 411	$ (54)	$ 357
Patents (10 years)	8,612	(4,589)	4,023	7,810	(3,925)	3,885
Trademark and trade names (10 years) (2)	2,836	(565)	2,271	840	(441)	399
Developed and core technology (5 -15 years)(3)	3,500	(438)	3,062	3,500	(204)	3,296
Capitalized software development costs (1-2 years)	1,896	(1,165)	731	1,420	(704)	716
Customer relationships (10-15 years)(4)	26,349	(775)	25,574	3,100	(181)	2,919
Total carrying amount	$ 43,577	$ (7,583)	$ 35,994	$ 17,081	$ (5,509)	$ 11,572

(1) This table excludes the gross value of fully amortized intangible assets totaling $7.6 million and $7.6 million on December 31, 2010 and 2009, respectively.

(2) As part of our acquisition of Enson Assets Limited during the fourth quarter of 2010, we purchased trademark and trade names valued at $2.0 million, which are being amortized ratably over ten years. Refer to Note 21 for further information regarding our purchase of trademark and trade names.

(3) During the first quarter of 2009, we purchased core technology from Zilog Inc. valued at $3.5 million, which is being amortized ratably over fifteen years. Refer to Note 21 for further information about this acquisition.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

(4) During the first quarter of 2009, we purchased customer relationships from Zilog valued at $3.1 million, which are being amortized ratably over fifteen years. During the fourth quarter of 2010 as part of the Enson Assets Limited acquisition we purchased customer relationships valued at $23.3 million, which are being amortized ratably over ten years. Refer to Note 21 for further information regarding our purchase of these customer relationships.

Amortization expense is recorded in selling, general and administrative expenses, except amortization expense related to capitalized software development costs which is recorded in cost of sales. Amortization expense by income statement caption during the years ended December 31, 2010, 2009 and 2008 is the following:

	Year Ended December 31,		
(in thousands)	2010	2009	2008
Cost of sales	$ 492	$ 450	$ 329
Selling, general and administrative	1,686	1,397	1,192
Total amortization expense	$ 2,178	$ 1,847	$ 1,521

Estimated future amortization expense related to our intangible assets at December 31, 2010, is the following:

(in thousands)	
2011	$ 4,309
2012	4,108
2013	3,843
2014	3,822
2015	3,759
Thereafter	16,153
	$ 35,994

The remaining weighted average amortization period of our intangible assets is 9.6 years.

Intangibles Measured at Fair Value on a Nonrecurring Basis

We recorded impairment charges related to our intangible assets of $0.02 million, $0.01 million and $0.1 million for the years ended December 31, 2010, 2009 and 2008, respectively. Impairment charges are recorded in selling, general and administrative expenses as a component of amortization expense, except impairment charges related to capitalized software development costs which are recorded in cost of sales. The fair value adjustments for intangible assets measured at fair value on a nonrecurring basis during the year ended December 31, 2010 were the following:

	Fair Value Measurement Using			
(In thousands)	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total

Description	December 31, 2010	(Level 1)	(Level 2)	(Level 3)	Gains (Losses)
Patents, trademarks and trade names	$ 6,294			$ 6,294	$ (21)

Thirteen patents and eight trademarks with an aggregate carrying amount of $21 thousand were disposed of, resulting in impairment charges of $21 thousand during 2010. We disposed of patents and trademarks with a carrying amount of $13 thousand in 2009. We disposed of patents with a carrying amount of $27 thousand, capitalized software development costs with a carrying value of $46 thousand, and other intangibles with a carrying amount of $55 thousand in 2008. These assets no longer held any probable future economic benefits and were written-off.

64

Table of Contents

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

See Note 2 under the captions *Long-Lived and Intangible Assets Impairment, Capitalized Software Development Costs,* and *Fair-Value Measurements* for further information regarding our accounting principles and the valuation methodology utilized.

Note 8 Notes Payable

Notes payable on December 31, 2010 and 2009 were comprised of the following:

	Amount Outstanding	
(In thousands)	**2010**	**2009**
U.S. Bank Term Loan Facility(1)	$ 35,000	$

(1) Under the U.S. Bank term loan, we may elect to pay interest based on the bank s prime rate or LIBOR plus a fixed margin of 1.5%. The applicable LIBOR (1, 3, 6, or 12-month LIBOR) corresponds with the loan period we select. On December 31, 2010, the 1-month LIBOR plus the fixed margin was approximately 1.8% and the bank s prime rate was 3.25%. If a LIBOR rate loan is prepaid prior to the completion of the loan period, the Company must pay the bank the difference between the interest the bank would have earned had prepayment not occurred and the interest the bank actually earned.

Our total interest expense on borrowings was $0.1 million and $0 during the years ended December 31, 2010 and 2009, respectively.

Table of Contents

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

Information about our credit facilities at December 31, 2010 is the following:

Creditor	Maturity	Currency	Type	Security	Interest Rate	Total Available (USD)(1)	Amount Outstanding	Funds Available
U.S. Bank	November 1, 2011	USD	Secured 1-year Term Loan	Sixty-five percent of Enson Assets Limited (3)	We may elect to pay interest based on the bank s prime rate or LIBOR plus a fixed margin of 1.5%. The applicable LIBOR (1, 3, 6, or 12-month LIBOR) corresponds with the loan period we select for each principle payment.	$ 35,000	$ 35,000	$
U.S. Bank	November 1, 2012	USD	Secured Revolving Credit Line	Sixty-five percent of Enson Assets Limited(3)	We may elect to pay interest based on the bank s prime rate or LIBOR plus a fixed margin of 1.8%. The applicable LIBOR (1, 3, 6, or 12-month LIBOR) corresponds with the loan period we select.	$ 20,000	$	$ 20,000
Standard Chartered Bank	NA(2)	HKD or USD	Secured Revolving Credit Line	Negative pledge on the fixed assets of our Yang Zhou factory	For Hong Kong dollars we pay interest based on HIBOR plus a fixed margin of 2.25%, and for U.S. dollars we pay interest based in LIBOR plus a fixed margin of 2.25%. The	$ 6,433	$	$ 6,433

					applicable HIBOR or LIBOR (1, 3, 6, or 12-month) corresponds with the loan period we select.			
Standard Chartered Bank	NA[2]	HKD	Secured Overdraft Credit Line	Negative pledge on the fixed assets of our Yang Zhou factory	Greater of the bank s prime rate or HIBOR plus 1.0%. If HIBOR plus 1.0% is greater than the bank s prime rate, interest is calculated based on the HIBOR plus a fixed margin of 2.75%. The applicable HIBOR (1, 3, 6, or 12-month) corresponds with the loan period we select.	$ 901	$	$ 901
BNP Paribas Bank	NA[2]	HKD or USD	Unsecured Revolving Credit Line	NA	Under this revolving credit line we pay interest based on the bank s cost of funds plus a fixed margin of 1.5%.	$ 3,602	$	$ 3,602
BNP Paribas Bank	NA[2]	HKD	Unsecured Overdraft Credit Line	NA	The rate at which we accrue interest is based on the greater of the bank s prime rate or cost of funds.	$ 257	$	$ 257
BNP Paribas Bank	NA[2]	HKD	Unsecured Revolving Credit Line	NA	We pay interest based on the bank s COF plus a fixed margin of 1.65%	$ 2,573	$	$ 2,573

(1) Amounts available for borrowing are reduced by the balance of any outstanding import letters of credit and are subject to certain quarterly financial covenants related to our cash flow, fixed charges, quick ratio, and net income.

(2) These credit facilities do not have a maturity date, but are reviewed by each respective bank on at least an annual basis. During these annual reviews, each bank may make changes to the amount available for borrowing as they deem appropriate.

(3) The U.S. Bank 1-year term loan and revolving credit line are secured by $82.9 million of Enson Asset Limited s net assets.

U.S. Bank Credit Facility

On November 1, 2010, we amended and restated our existing credit agreement with U.S. Bank. The amendments added a new $35.0 million secured term loan facility (Term Loan) for the purpose of financing a portion of our acquisition of Enson Assets Limited. In addition, our existing $15.0 million unsecured revolving credit line with U.S. Bank (Credit Facility) became a secured facility, the amount available for borrowing was increased to $20.0 million, and the expiration date was extended from October 31, 2011 to November 1, 2012.

66

Table of Contents

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

Secured 1-year Term Loan

The Company s new term loan may only be utilized to finance the acquisition of Enson and to pay related transaction costs, fees, and expenses. The minimum principal payments for the term loan are $2.2 million each quarter. The first principal and interest payment was made on January 5, 2011. The remaining principal and interest payments are due on April 5, July 5, and October 5 of 2011. In addition, a final payment equal to the unpaid principal balance plus accrued interest is due on the term loan maturity date. The term loan maturity date is November 1, 2011. Amounts paid or prepaid on the term loan may not be re-borrowed.

Secured Revolving Credit Line

Under the U.S. Bank secured revolving credit line, we may elect to pay interest based on the bank s prime rate or LIBOR plus a fixed margin of 1.8%. The applicable LIBOR (1, 3, 6, or 12-month LIBOR) corresponds with the loan period we select. At December 31, 2010, the 12-month LIBOR plus the fixed margin was 2.6% and the bank s prime rate was 3.25%. If a LIBOR rate loan is prepaid prior to the completion of the loan period, we must pay the bank the difference between the interest the bank would have earned had prepayment not occurred and the interest the bank actually earned. We may prepay prime rate loans in whole or in part at any time without a premium or penalty.

Our debt covenants require that the percentage of our funded debt to EBITDA remain below 100%. On December 31, 2010, we were in breach of this covenant. This breach resulted from the timing of the Enson Assets Limited acquisition. On December 31, 2010, we carried a note payable of $35.0 million utilized to partially fund the acquisition; however our results of operations for the twelve months ended December 31, 2010, included less than two months of Enson Assets Limited EBITDA resulting in the breach. The acceleration of our $35.0 million obligation has been waived by U.S. Bank for the calculation performed on December 31, 2010. We do not anticipate that we will remain in breach of this covenant since going forward we will be able to include the full period of Enson Asset Limited s EBITDA within the calculation. We were not in breach of any other debt covenants on December 31, 2010.

Other Credit Facilities

The credit facilities other than the U.S. Bank facilities were obtained as a result of the Enson Assets Limited acquisition.

Note 9 Income Taxes

During 2010, 2009 and 2008, pre-tax income was attributed to the following jurisdictions:

	Year Ended December 31,		
(in thousands)	**2010**	**2009**	**2008**
Domestic operations	$ 10,878	$ 17,060	$ 16,650
Foreign operations	10,980	5,117	7,439
Total	$ 21,858	$ 22,177	$ 24,089

The provision for income taxes charged to operations for the twelve months ended December 31, 2008, 2009, and 2010 were the following:

	Year Ended December 31,		
(in thousands)	**2010**	**2009**	**2008**
Current tax expense:			
U.S. federal	$ 3,814	$ 7,003	$ 5,407
State and local	391	631	1,230
Foreign	3,483	904	2,205
Total current	7,688	8,538	8,842

Deferred tax (benefit) expense:			
U.S. federal	(40)	(918)	206
State and local	(294)	(376)	(627)
Foreign	(577)	258	(138)
Total deferred	(911)	(1,036)	(559)
Total provision for income taxes	$ 6,777	$ 7,502	$ 8,283

67

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

Net deferred tax assets were comprised of the following on December 31, 2010 and 2009:

(in thousands)	**2010**	**2009**
Deferred tax assets:		
Inventory reserves	$ 605	$ 272
Allowance for doubtful accounts	302	154
Capitalized research costs	155	105
Capitalized inventory costs	661	768
Net operating losses	1,764	2,046
Amortization of intangibles		572
Accrued liabilities	3,817	1,155
Income tax credits	2,058	1,763
Depreciation		991
Stock-based compensation	3,210	2,769
Other	381	450
Total deferred tax assets	12,953	11,045
Deferred tax liability:		
Depreciation	(5,273)	
Amortization of intangible assets	(3,565)	
Acquired intangible assets	(121)	(154)
Other	(1,219)	(495)
Total deferred tax liabilities	(10,178)	(649)
Net deferred tax assets before valuation allowance	2,775	10,396
Less: Valuation allowance	(139)	(179)
Net deferred tax assets	$ 2,636	$ 10,217

At December 31, 2010 and 2009, $0.1 million and $0.5 million, respectively, of current deferred tax liabilities were recorded within other accrued expenses (see Note 11). The deferred tax valuation allowance was $0.1 million and $0.2 million on December 31, 2010 and 2009, respectively.

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

	Year Ended December 31,		
(in thousands)	**2010**	**2009**	**2008**
Tax provision at statutory U.S. rate	$ 7,650	$ 7,764	$ 8,431
Increase (decrease) in tax provision resulting from:			
State and local taxes, net	63	166	392
Foreign tax rate differential	(484)	(36)	(154)
Nondeductible items	231	682	251
Federal research and development credits	(723)	(272)	(424)
Settlements	(110)	(449)	

Other	150	(353)	(213)
Tax provision	$ 6,777	$ 7,502	$ 8,283

At December 31, 2010, we had state Research and Experimentation (R&E) income tax credit carry forwards of approximately $1.9 million. The state R&E income tax credits do not have an expiration date.

At December 31, 2010, we had federal, state and foreign net operating losses of approximately $4.1 million, $5.0 million and $0.2 million, respectively. All of the federal and state net operating loss carry forwards were acquired as part of the acquisition of SimpleDevices. The federal and state net operating loss carry forwards begin to expire during 2020 and 2016, respectively. Approximately $0.2 million of the foreign net operating losses will begin to expire in 2020.

**UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010**

Internal Revenue Code Section 382 places certain limitations on the annual amount of net operating loss carry forwards that may be utilized if certain changes to a company s ownership occur. Our acquisition of SimpleDevices was a change in ownership pursuant to Section 382 of the Internal Revenue Code, and the federal and state net operating loss carry forwards of SimpleDevices are limited but considered realizable in future periods. The annual federal limitation is approximately $0.6 million for 2010 and thereafter. California has suspended utilization of net operating losses for 2010 and 2011.

At December 31, 2010, we believed it was more likely than not that certain deferred tax assets related to the impairment of our investment in a private company (a capital asset) would not be realized due to uncertainties as to the timing and amounts of future capital gains. Accordingly, a valuation allowance of approximately $0.1 million was recorded as of December 31, 2010 and 2009. Additionally, we recorded $20 thousand and $0.1 million of various state and foreign valuation allowances at December 31, 2010 and 2009.

During the years ended December 31, 2010, 2009 and 2008 we recognized a credit to paid-in capital and a reduction to income taxes payable of $0.2 million, $0.4 million and $0.4 million, respectively, related to the tax benefit from the exercises of non-qualified stock options and vesting of restricted stock under our stock-based incentive plans.

During 2010, we settled an audit in France by the French Tax Authorities for fiscal years 2005 and 2006 which resulted in the reversal of $0.1 million of previously recorded uncertain tax positions being credited into income.

During 2009, we settled an audit in the Netherlands by the Dutch Tax Authorities for the fiscal years 2002 through 2006, which resulted in the reversal of $0.4 million of previously recorded uncertain tax positions being credited into income.

The undistributed earnings of our foreign subsidiaries are considered to be indefinitely reinvested. Accordingly, no provision for U.S. federal and state income taxes or foreign withholding taxes has been provided on such undistributed earnings. Determination of the potential amount of unrecognized deferred U.S. income tax liability and foreign withholding taxes is not practicable because of the complexities associated with its hypothetical calculation; however, unrecognized foreign tax credits would be available to reduce some portion of the U.S. liability.

Uncertain Tax Positions

At December 31, 2010 and 2009, we had unrecognized tax benefits of approximately $5.6 million and $2.8 million, including interest and penalties, respectively. In accordance with accounting guidance, we have elected to classify interest and penalties as components of tax expense. Interest and penalties were $0.2 million, $0.2 million and $1.2 million at December 31, 2010, 2009 and 2008, respectively. Interest and penalties are included in the unrecognized tax benefits.

Our gross unrecognized tax benefits at December 31, 2010, 2009 and 2008, and the changes during those years then ended, are the following:

(in thousands)	**2010**	**2009**	**2008**
Beginning balance	$ 2,580	$ 7,504	$ 7,817
Additions as a result of tax provisions taken during the current year	159	324	404
Subtractions as a result of tax provisions taken during the prior year	(123)	(82)	
Foreign currency translation	174	146	(410)
Lapse in statute of limitations	(317)	(80)	(307)
Settlements	(99)	(5,232)	
Acquisition	3,037		
Ending balance	$ 5,411	$ 2,580	$ 7,504

Approximately $5.1 million and $2.3 million of the total amount of gross unrecognized tax benefits at December 31, 2010 and 2009, respectively, would affect the annual effective tax rate, if recognized. The increase of $2.8 million in

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

unrecognized tax benefits at December 31, 2010 is due to liabilities recorded by Enson Assets Limited. Furthermore, we are unaware of any positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase within the next twelve months. We anticipate a decrease in gross unrecognized tax benefits of approximately $0.3 million within the next twelve months based on federal, state, and foreign statute expirations in various jurisdictions.

We file income tax returns in the U.S. federal jurisdictions and in various state and foreign jurisdictions. At December 31, 2010 the open statutes of limitations for our significant tax jurisdictions are the following: federal and state are 2006 through 2010 and non-U.S. are 2002 through 2010. At December 31, 2010, our gross unrecognized tax benefits of $5.6 million are classified as long term because we do not anticipate payment of cash related to those unrecognized tax benefits within one year.

Please see Note 2 under the caption *Income Taxes* for further information regarding our accounting principles.

Note 10 Accrued Compensation

The components of accrued compensation on December 31, 2010 and 2009 are listed below:

(in thousands)	**2010**	**2009**
Accrued social insurance[1]	$ 20,360	$
Other accrued compensation	10,274	4,619
Total accrued compensation	$ 30,634	$ 4,619

(1) Effective January 1, 2008, the Chinese Labor Contract Law was enacted in the People s Republic of China (PRC). This law mandated that PRC employers remit the applicable social insurance payments to their local government. Social insurance is comprised of various components such as pension, medical insurance, job injury insurance, unemployment insurance, and a housing assistance fund, and is administered in a manner similar to social security in the United States. This amount represents our estimate of the amounts due to the PRC government for social insurance on December 31, 2010.

Note 11 Other Accrued Expenses

The components of other accrued expenses on December 31, 2010 and 2009 are listed below:

(in thousands)	**2010**	**2009**
Accrued freight	$ 1,350	$ 1,525
Accrued professional fees	1,158	1,512
Accrued advertising and marketing	467	589
Deferred income taxes	57	483
Interest	99	
Accrued third-party commissions	252	301
Accrued sales taxes and VAT	678	845
Tooling	1,567	51
Utilities	340	
Amount due to Enson Asset Limited shareholders	5,000	
Sales tax refundable to customers		454
Legal settlement		575
Other	2,189	2,204
Total other accrued expenses	$ 13,157	$ 8,539

70

Table of Contents

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 12 Leases

We lease land, office and warehouse space, and certain office equipment under operating leases that expire at various dates through November 30, 2060.

Rent expense for our operating leases was $2.5 million, $2.5 million and $2.6 million for the years ended December 31, 2010, 2009 and 2008, respectively.

The following table summarizes future minimum non-cancelable operating lease payments with initial terms greater than one year at December 31, 2010:

(in thousands)	**Amount**
Year ending December 31:	
2011	$ 1,883
2012	1,038
2013	528
2014	60
Thereafter	
Total operating lease commitments	$ 3,509

Non-level Rents and Lease Incentives

Some of our leases are subject to rent escalations. For these leases, we recognize rent expense for the total contractual obligation utilizing the straight-line method over the lease term, ranging from 12 to 73 months. The related short term liability is recorded in other accrued expenses (see Note 11) and the related long term liability is recorded in other long term liabilities. The total liability related to rent escalations was $0.03 million at both December 31, 2010 and 2009.

The lease agreement for our corporate headquarters contains an allowance for tenant improvements of $0.4 million, which was paid to us upon completion of the renovation in 2008. This tenant improvement allowance is being amortized as a credit against rent expense over the 73 month term of the lease, which began on January 1, 2006.

The lease agreement for our customer call center contains an allowance for tenant improvements of $0.2 million, which was paid to us upon completion of the renovation in 2007. This tenant improvement allowance is being amortized as a credit against rent expense over the 48 month term of the lease, which began on June 1, 2007.

Rental Costs During Construction

Rental costs associated with building and ground operating leases incurred during a construction period are expensed.

Prepaid Leases

Private ownership of land in the People s Republic of China (PRC) is not allowed. All land in the PRC is owned by the government and cannot be sold to any individual or entity. Land use rights are allocated for free, granted or transferred for consideration by the PRC State Land Administration Bureau or its authorized branches. Our subsidiary Enson Assets Limited, which we acquired on November 4, 2010, operates two factories within the PRC on which the land is leased from the government. These land leases were prepaid to the PRC government at the time Enson occupied the land. We have obtained land-use right certificates for the land pertaining to the two factories. In addition, Enson has obtained government approval to develop a parcel of land, for which we are in the process of obtaining a land-use right certificate. We have also prepaid the lease for this parcel of land.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

The first factory is located in the Guang Dong Province, PRC within the city of Guang Zhou. The unamortized value of this prepaid lease is $1.7 million on December 31, 2010, and will be amortized on a straight-line basis over the remaining term of approximately 34 years. The buildings located on this land have a net book value of $16.6 million on December 31, 2010 and are being amortized over an estimated remaining life of approximately 21 years.

The second factory is located in Jiang Su Province, PRC within the city of Yang Zhou. The remaining net book value of this prepaid lease is $3.0 million on December 31, 2010, and will be amortized on a straight-line basis over the remaining term of approximately 47 years. The buildings located on this land have a net book value of $18.5 million on December 31, 2010 and are being amortized over an estimated remaining life of 21 years. In addition, the facility under construction located on this land has a net book value of $2.2 million on December 31, 2010 and will be amortized over an estimated remaining life of 25 years upon completion. We estimate this construction-in-process will be placed into service during the first quarter of 2011.

Note 13 Commitments and Contingencies

Indemnifications

We indemnify our directors and officers to the maximum extent permitted under the laws of the State of Delaware and we have entered into Indemnification Agreements with each of our directors and executive officers. In addition, we insure our individual directors and officers against certain claims and attorney s fees and related expenses incurred in connection with the defense of such claims. The amounts and types of coverage may vary from period to period as dictated by market conditions. Management is not aware of any matters that require indemnification of its officers or directors.

Fair Price Provisions and Other Anti-Takeover Measures

Our Restated Certificate of Incorporation, as amended, contains certain provisions restricting business combinations with interested stockholders under certain circumstances and imposing higher voting requirements for the approval of certain transactions (fair price provisions). Any of these provisions may delay or prevent a change in control. The fair price provisions require that holders of at least two-thirds of the outstanding shares of voting stock approve certain business combinations and significant transactions with interested stockholders.

Product Warranties

Changes in the liability for product warranty claim costs are presented below:

(in thousands) **Description**	**Balance at Beginning of Period**	**Accruals for Warranties Issued During the Period**[1]	**Settlements (in Cash or in Kind) During the Period**	**Balance at End of Period**
Year Ended December 31, 2010	$ 82	$ 4	$ (15)	$ 71
Year Ended December 31, 2009	$ 90	$ (4)	$ (4)	$ 82
Year Ended December 31, 2008	$ 178	$ (31)	$ (57)	$ 90

Litigation

On December 22, 2010, Patent Group LLC as Relator filed in the U.S. District Court for the Eastern District of Texas a *Qui Tam* complaint against us and others under Section 292, Title 35 of the United Stated Code, seeking recovery for penalties payable to the United States claiming that we intentionally falsely marked certain of our remote control products with expired or non-applicable patents. We have not yet answered this complaint, however we intend to do so denying all of Patent Group s material allegations. In addition, the parties are engaged in preliminary settlement discussions.

Table of Contents

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

There are no other material pending legal proceedings, other than immaterial matters that are incidental to the ordinary course of our business, to which we or any of our subsidiaries is a party or of which our respective property is the subject. We do not believe that any of the claims made against us in any of the pending matters have merit and we intend to vigorously defend ourselves against them.

Long-Term Incentive Plan

During the second quarter of 2007, we adopted an Executive Long-Term Incentive Plan (ELTIP). The ELTIP provided a bonus pool for our executive management team contingent on achieving certain performance goals during a two-year performance period commencing on January 1, 2007 and ending on December 31, 2008. The performance goals were based on the compound annual growth rate of net sales and earnings per diluted share during the performance period. The ELTIP had a maximum pay out of $12 million if the highest performance goals were met. Management did not earn a bonus under the ELTIP based on our results through December 31, 2008. As a result, we lowered our ELTIP accrual from $1.0 million at December 31, 2007 to $0 at December 31, 2008. This adjustment resulted in a $1.0 million benefit to pre-tax income for the twelve months ended December 31, 2008.

In light of the ELTIP results, during the first quarter of 2009 our Compensation Committee awarded a discretionary cash bonus of $1.0 million, to be paid out quarterly during 2009 and 2010. The Compensation Committee made this decision after reviewing the economic environment and our relative financial and operating performance. The Compensation Committee believes this bonus is in alignment with our stockholders interests as well as our performance, alignment and retention objectives. Each participant s earned award vested in eight equal quarterly installments beginning March 31, 2009 and ending December 31, 2010. Approximately $0.5 million and $0.3 million was paid and expensed, respectively, during each of the years ended December 31, 2010 and 2009. At December 31, 2010 and 2009, $0 and $0.3 million, respectively, have been included in accrued compensation for this discretionary bonus.

Non-Qualified Deferred Compensation Plan

We have adopted a non-qualified deferred compensation plan for the benefit of a select group of highly compensated employees. For each plan year a participant may elect to defer compensation in fixed dollar amounts or percentages subject to the minimums and maximums established under the plan. Generally, an election to defer compensation is irrevocable for the entire plan year. A participant is always fully vested in their elective deferrals and may direct these funds into various investment options available under the plan. These investment options are utilized for measurement purposes only, and may not represent the actual investment made by us. In this respect, the participant is an unsecured creditor of ours. At December 31, 2010, the amounts deferred under the plan were immaterial to our financial statements.

Defined Benefit Plan

Our subsidiary in India maintains a defined benefit pension plan (India Plan) for local employees, which is consistent with local statutes and practices. The pension plan was adequately funded on December 31, 2010 based on its latest actuarial report. The India Plan has an independent external manager that advises us of the appropriate funding contribution requirements to which we comply. At December 31, 2010, approximately 20 percent of our India subsidiary employees had qualified for eligibility. Generally, an employee must be employed by our India subsidiary for a minimum of five years before becoming eligible. At the time of eligibility we are liable, on termination, resignation or retirement, to pay the employee an amount equal to fifteen days salary for each full year of service completed. The total amount of liability outstanding at December 31, 2010 and 2009 for the India Plan is not material. During the years ended December 31, 2010 and 2009, the net periodic benefit costs were also not material.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 14 Treasury Stock

During the years ended December 31, 2010, 2009 and 2008, we repurchased 505,692, 404,643 and 1,118,318 shares of our common stock at a cost of $10.1 million, $7.7 million and $26.7 million, respectively. Repurchased shares are recorded as shares held in treasury at cost. We generally hold these shares for future use as management and the Board of Directors deem appropriate, which has included compensating our outside directors. During the years ended December 31, 2010, 2009 and 2008, we issued 29,583, 25,000 and 23,438 shares from treasury, respectively, to outside directors for services performed (see Note 16).

On February 11, 2010, our Board of Directors authorized management to continue repurchasing up to an additional 1,000,000 shares of our issued and outstanding common stock. Repurchases may be made whenever we deem a repurchase is a good use of our cash and the price to be paid is at or below a threshold approved by our Board. As of December 31, 2010, we have repurchased 473,126 shares of our common stock under this authorization, leaving 526,874 shares available for repurchase.

Stock Awards to Outside Directors

We issue restricted stock awards to our outside directors as compensation for services performed. We grant each of our outside directors 5,000 shares of our common stock annually each July 1st. When an additional outside director is appointed to our Board of Directors, they receive a prorated number of shares based on the number of months they will serve during the initial year. Compensation expense related to restricted stock awards is based on the grant date fair value the shares awarded. The fair value of these shares is amortized on a straight-line basis over the requisite service period of one year (see Note 2 under the caption *Stock-Based* Compensation and Note 16). The shares are issued from treasury stock using a first-in-first-out cost basis, which amounted to $0.4 million and $0.4 million in 2010 and 2009, respectively.

Note 15 Business Segment and Foreign Operations

Reportable Segment

An operating segment, in part, is a component of an enterprise whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Operating segments may be aggregated only to a limited extent. We operate in a single operating and reportable segment.

Our chief operating decision maker, the Chief Executive Officer, reviews financial information presented on a consolidated basis, accompanied by disaggregated information about revenues for purposes of making operating decisions and assessing financial performance. Accordingly, we consider ourselves to be a single reporting segment.

Table of Contents

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

Foreign Operations

Our net sales to external customers by geographic area for the years ended December 31, 2010, 2009 and 2008 were the following:

(in thousands)	**2010**	**2009**	**2008**
Net sales:			
United States	$ 119,284	$ 142,876	$ 114,429
International:			
Peoples Republic of China	34,222	27,791	34,482
United Kingdom	41,575	21,756	21,239
Argentina	4,791	1,544	3,299
Australia	1,451	1,558	4,190
Brazil	1,791	1,904	1,497
Canada	13,419	11,586	11,064
France	3,768	3,603	5,359
Germany	7,996	6,752	7,771
Israel	3,161	1,941	2,633
Italy	2,474	3,471	2,608
Japan	10,724	3,162	3,252
Korea	6,325	6,771	3,824
Malaysia	1,806	1,439	2,713
Netherlands	2,094	755	975
Portugal	4,641	4,167	1,780
Singapore	16,419	8,505	9,433
Spain	4,480	3,929	7,523
South Africa	5,900	6,495	5,827
Taiwan	12,426	18,315	19,346
Thailand	10,582	7,939	4,235
All other	22,451	31,291	19,621
Total international	212,496	174,674	172,671
Total net sales	$ 331,780	$ 317,550	$ 287,100

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

Long-lived asset information on December 31, 2010, 2009 and 2008 were the following:

	2010	**2009**	**2008**
Long-lived tangible assets:			
United States	$ 4,654	$ 4,899	$ 4,251
Peoples Republic of China	75,053	3,677	3,150
All other countries	3,854	2,558	1,894
Total	$ 83,561	$ 11,134	$ 9,295

75

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 16 Stock-Based Compensation

Stock-based compensation expense for each employee and director is presented in the same income statement caption as their cash compensation. Stock-based compensation expense by income statement caption for the years ended December 31, 2010, 2009 and 2008 is the following:

(in thousands)	2010	2009	2008
Cost of sales	$ 55	$ 33	$ 17
Research and development	452	434	356
Selling, general and administrative	4,459	3,845	3,870
Total stock-based compensation expense	$ 4,966	$ 4,312	$ 4,243

Selling, general and administrative expense includes pre-tax stock-based compensation related to stock option awards granted to outside directors of $0.3 million, $0.3 million, and $0.2 million for the years ended December 31, 2010, 2009, and 2008, respectively. Selling, general and administrative expense includes stock-based compensation related to restricted stock awards granted to outside directors of $0.6 million, $0.5 million, $0.6 million for the years ended December 31, 2010, 2009, and 2008, respectively.

The income tax benefit from the recognition of stock-based compensation was $1.7 million, $1.5 million, and $1.5 million for the years ended December 31, 2010, 2009, and 2008, respectively.

Stock Options

During the year ended December 31, 2010 the Compensation Committee and Board of Directors granted 119,900 stock options to our employees with an aggregate grant date fair value of $1.3 million under various stock incentive plans. The stock options granted to employees during 2010 consisted of the following:

(in thousands, except share amounts)

Stock Option Grant Date	Number of Shares Underlying Options	Grant Date Fair Value	Vesting Period
January 25, 2010	99,900	$1,134	4 -Year Vesting Period (0% each quarter during year 1 and 8.33% each quarter during years 2-4)
July 14, 2010	20,000	164	4 -Year Vesting Period (25% each quarter)
	119,900	$1,298	

During the year ended December 31, 2010 we recognized $0.3 million of pre-tax stock-based compensation expense related to our 2010 stock option grants.

The assumptions we utilized in the Black-Scholes option pricing model and the resulting weighted average fair value of stock option grants were the following:

	December 31,[1]		
	2010	2009	2008
Weighted average fair value of grants	$ 10.83	$ 7.20	$ 9.08
Risk-free interest rate	2.27%	1.95%	2.75%
Expected volatility	50.07%	49.54%	40.85%
Expected life in years	4.95	4.85	4.74

(1) The weighted average fair value of grants was calculated utilizing the stock options granted during each respective period.

Table of Contents

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

We recognize the compensation expense related to stock option awards net of estimated forfeitures over the service period of the award, which is generally the option vesting term of three to four years. On December 31, 2010, 2009, and 2008, we estimated the annual forfeiture rate for our executives and board of directors will be 2.53%, 2.65%, and 2.66%, respectively, based upon our historical forfeitures. On December 31, 2010, 2009, and 2008, we estimated the annual forfeiture rate for our non-executive employees to be 6.59%, 6.51%, and 6.31%, respectively, based on our historical forfeitures.

Stock option activity during the years ended December 31, 2010, 2009 and 2008 were the following:

	2010				2009				2008			
	Number of Options (in 000 s)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in 000 s)	Number of Options (in 000 s)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in 000 s)	Number of Options (in 000 s)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in 000 s)
Outstanding at beginning of the year	1,693	$ 18.37			1,729	$ 17.64			1,739	$ 16.83		
Granted	120	23.80			253	16.26			140	23.46		
Exercised	(121)	16.20		$ 1,238	(278)	11.75		$ 2,320	(114)	10.19		$ 1,562
Forfeited/cancelled/ expired	(167)	20.16			(11)	22.43			(36)	24.70		
Outstanding at end of year	1,525	$ 18.78	5.37	$ 14,669	1,693	$ 18.37	5.40	$ 9,677	1,729	$ 17.64	5.06	$ 3,045
Vested and expected to vest at end of year	1,503	$ 18.72	5.32	$ 14,547	1,655	$ 18.30	5.33	$ 9,532	1,688	$ 17.42	4.98	$ 3,045
Exercisable at end of year	1,140	$ 17.89	4.46	$ 11,983	1,239	$ 17.33	4.30	$ 8,034	1,267	$ 15.34	3.97	$ 3,044

The aggregate intrinsic value in the table above represents the total pre-tax value (the difference between our closing stock price on the last trading day of 2010, 2009 and 2008 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had they all exercised their options on December 31, 2010, 2009 and 2008. This amount will change based on the fair market value of our stock. The actual intrinsic value of stock options exercised in 2010, 2009 and 2008 was $1.2 million, $2.3 million and $1.6 million, respectively.

During 2010, 2009 and 2008, there were no modifications made to outstanding stock options.

Cash received from option exercises for the years ended December 31, 2010, 2009 and 2008 was $2.0 million, $3.3 million and $1.2 million, respectively. The actual tax benefit realized from option exercises of the share-based payment awards was $0.2 million, $0.4 million and $0.4 million for the years ended December 31, 2010, 2009 and 2008, respectively.

As of December 31, 2010, we expect to recognize $2.2 million of total unrecognized pre-tax stock-based compensation expense related to non-vested stock options over a remaining weighted-average life of 2.3 years.

77

Table of Contents

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

Restricted Stock

During the year ended December 31, 2010, the Compensation Committee and Board of Directors granted 45,500 restricted stock awards to our employees with an aggregate grant date fair value of $1.1 million under the 2006 Stock Incentive Plan. The restricted stock awards granted to employees during 2010 consisted of the following:
(in thousands, except share amounts)

Restricted Stock Grant Date	Number of Shares Granted	Grant Date Fair Value	Vesting Period
January 25, 2010	45,500	$1,133	4 -Year Vesting Period (0% each quarter during year 1 and 8.33% each quarter during years 2-4)

In addition to the grants to employees, 30,000 shares of restricted stock with a grant date fair value of $0.5 million were granted to our outside directors on July 1, 2010 as a part of their annual compensation package. These shares are subject to a one-year vesting period (25% each quarter).

During the year ended December 31, 2010, we recognized $0.5 million of pre-tax stock-based compensation expense related to our 2010 restricted stock grants.

Non-vested restricted stock award activity during the years ended December 31, 2010, 2009 and 2008 (including restricted stock issued to directors as described in Note 14) were the following:

	Shares Granted (in 000 s)	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2007	10	$ 36.25
Granted	142	23.15
Vested	(62)	25.15
Forfeited		
Non-vested at December 31, 2008	90	23.23
Granted	326	15.58
Vested	(136)	18.66
Forfeited		
Non-vested at December 31, 2009	280	16.54
Granted	76	21.58
Vested	(160)	18.00
Forfeited	(1)	16.61
Non-vested at December 31, 2010	195	$ 17.30

As of December 31, 2010, we expect to recognize $2.9 million of total unrecognized pre-tax stock-based compensation expense related to non-vested restricted stock awards over a weighted-average life of 1.7 years. See

Note 2 under the caption *Stock-Based Compensation* for further information regarding our accounting principles.

Table of Contents

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

Stock Incentive Plans

Our active stock-based incentive plans include those adopted in 1993, 1996, 1998, 1999, 2002, 2003, 2006 and 2010 (stock incentive plans). Under the stock incentive plans, we may grant stock options, stock appreciation rights, restricted stock units, performance stock units, or any combination thereof for a period of ten years from the approval date of each respective plan, unless the plan is terminated by resolution of our Board of Directors. No stock appreciation rights or performance stock units have been awarded under our stock incentive plans. Only directors and employees meeting certain employment qualifications are eligible to receive stock-based awards.

The grant price of stock options and restricted stock awards granted under our stock incentive plans is the average of the high and low trades of our stock on the grant date. We prohibit the re-pricing or backdating of stock options. Our stock options become exercisable ratably, on an annual or quarterly basis, over four years. Stock options have a maximum ten-year term. Restricted stock awards vest in various proportions over a three or four year time period. Detailed information regarding our active stock incentive plans is as follows:

Name	Approval Date	Initial Shares Available for Grant Under the Plan	Remaining Shares Available for Grant Under the Plan	Outstanding Shares Granted Under the Plan
1993 Stock Incentive Plan	1/19/1993	400,000		17,400
1996 Stock Incentive Plan	12/1/1996	800,000		20,834
1998 Stock Incentive Plan	5/27/1998	630,000		55,281
1999 Stock Incentive Plan	1/27/1999	630,000		6,510
1999A Stock Incentive Plan	10/7/1999	1,000,000		80,997
2002 Stock Incentive Plan	2/5/2002	1,000,000	481	316,720
2003 Stock Incentive Plan	6/18/2003	1,000,000	5,563	569,470
2006 Stock Incentive Plan	6/13/2006	1,000,000	84,031	650,491
2010 Stock Incentive Plan	6/15/2010	1,000,000	1,000,000	
			1,090,075	1,717,703

Significant option groups outstanding at December 31, 2010 and the related weighted average exercise price and life information are listed below:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding At 12/31/2010 (in 000 s)	Weighted-Average Remaining Years of Contractual Life	Weighted-Average Exercise Price	Number Exercisable At 12/31/2010 (in 000 s)	Weighted-Average Exercise Price
$8.45 to $9.83	116	1.89	$ 8.62	116	$ 8.62
12.58 to 13.27	208	3.75	12.62	191	12.60
14.85 to 16.78	381	5.48	16.17	258	16.15
17.11 to 17.62	237	4.05	17.58	237	17.58
18.03 to 21.95	163	7.12	20.38	103	20.36

23.66 to 28.08	413	7.10		26.92	229		27.70
32.40 to 35.35	7	6.94		34.51	6		34.32
$8.45 to $35.35	1,525	5.37	$	18.78	1,140	$	17.89

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 17 Other Income (Expense), Net

Other income (expense), net consisted of the following:

(in thousands)	2010	2009	2008
Net gain (loss) on foreign currency exchange transactions	$ 239	$ (246)	$ 315
Other income (expense)	284	5	(4)
Other income (expense), net	$ 523	$ (241)	$ 311

Note 18 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 during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares and dilutive potential common shares, including the dilutive effect of stock options and restricted stock grants, outstanding during the period. 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 years ended December 31, 2010, 2009 and 2008, we have excluded 517,827, 785,186 and 534,418 stock options, respectively, with exercise prices greater than the average market price of the underlying common stock, because their inclusion would have been anti-dilutive. Furthermore, for the years ended December 31, 2010, 2009 and 2008, we have excluded 159,889, 235,887 and 105,944 of shares of restricted stock, respectively, whose combined unamortized fair value and excess tax benefits were greater in each of those periods than the average market price of the underlying common stock, as their effect would be anti-dilutive.

Earnings per share for the years ended December 31, 2010, 2009 and 2008 were calculated as follows:

(in thousands, except per-share amounts)	2010	2009	2008
BASIC			
Net income	$ 15,081	$ 14,675	$ 15,806
Weighted-average common shares outstanding	13,764	13,667	14,015
Basic earnings per share	$ 1.10	$ 1.07	$ 1.13
DILUTED			
Net income	$ 15,081	$ 14,675	$ 15,806
Weighted-average common shares outstanding for basic	13,764	13,667	14,015
Dilutive effect of stock options and restricted stock	342	304	441
Weighted-average common shares outstanding on a diluted basis	14,106	13,971	14,456
Diluted earnings per share	$ 1.07	$ 1.05	$ 1.09

Note 19 Derivatives

Derivatives Measured at Fair Value on a Recurring Basis

We are exposed to market risks from foreign currency exchange rates, which may adversely affect our operating results and financial position. Our foreign currency exposures are primarily concentrated in the Brazilian Real, British Pound, Chinese Yuan Renminbi, Euro, Hong Kong dollar, Indian Rupee, and Singapore dollar. We periodically enter into foreign currency exchange contracts with terms normally lasting less than nine months to protect against the adverse effects that exchange-rate fluctuations may have on our foreign currency-denominated receivables, payables, cash flows and reported income. Derivative financial instruments are used to manage risk and are not used for trading or other speculative purposes. We do not use leveraged derivative financial instruments and these derivatives have not qualified for hedge accounting.

The gains and losses on both the derivatives and the foreign currency-denominated balances are recorded as foreign exchange transaction gains or losses and are classified in other income (expense), net. Derivatives are recorded on

Table of Contents

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

the balance sheet at fair value. The estimated fair values of our derivative financial instruments represent the amount required to enter into offsetting contracts with similar remaining maturities based on quoted market prices.

We have determined that the fair value of our derivatives is derived from level 2 inputs in the fair value hierarchy (see Note 2 under the captions *Derivatives* and *Fair-Value* Measurements for further information concerning the accounting principles and valuation methodology utilized). The following table sets forth our financial assets that were accounted for at fair value on a recurring basis on December 31, 2010:

(In thousands)		Fair Value Measurement Using		
Description	**December 31, 2010**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Foreign currency exchange futures contracts	$ 20	$	$ 20	$
	$ 20	$	$ 20	$

We held foreign currency exchange contracts which resulted in a net pre-tax loss of approximately $0.3 million for the year ended December 31, 2010, a net pre-tax loss of approximately $0.7 million for the year ended December 31, 2009 and a net pre-tax loss of $0.5 million for the year ended December 31, 2008.

Futures Contracts

We held one USD/Euro futures contract with a notional value of $4.0 million and a forward rate of $1.3073 USD/Euro at December 31, 2010. We held the Euro position on this contract, which settled on January 28, 2011. The gain on this contract as of December 31, 2010 was $87 thousand and is included in prepaid expenses and other current assets. This contract was settled at a gain of $198 thousand resulting in a gain of $111 thousand in January 2011.

We held one USD/Indian Rupee futures contract with a notional value of INR133.5 million and a forward rate of INR45.47 INR/USD at December 31, 2010. We held the USD position on this contract, which settled on January 28, 2011. The loss on this contract as of December 31, 2010 was $43 thousand and is included in other accrued expenses. This contract was settled at a gain of $10 thousand resulting in a gain of $53 thousand in January 2011.

We held one USD/Chinese Yuan Renminbi futures contract with a notional value of $1.0 million and a forward rate of CNY6.6819 CNY/USD at December 31, 2010. We held the USD position on this contract, which settled on January 24, 2011. The loss on this contract as of December 31, 2010 was $11 thousand and is included in other accrued expenses. This contract was settled at a loss of $14 thousand resulting in a loss of $3 thousand in January 2011.

We held one USD/Chinese Yuan Renminbi futures contract with a notional value of $1.0 million and a forward rate of CNY6.6681 CNY/USD at December 31, 2010. We held the USD position on this contract, which was scheduled to settle on February 24, 2011. The contract was terminated on January 21, 2011. The loss on this contract as of December 31, 2010 was $13 thousand and is included in other accrued expenses. This contract was settled on the termination date at a loss of $16 thousand resulting in a loss of $3 thousand in January 2011.

We held one USD/Euro futures contract with a notional value of $1.5 million and a forward rate of $1.4386 USD/Euro at December 31, 2009. We held the Euro position on this contract, which settled on January 15, 2010. The loss on this contract as of December 31, 2009 was $5 thousand and is included in other accrued expenses. This contract was settled at a gain of $11 thousand resulting in a gain of $16 thousand in January 2010.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

Put Option

We entered into a USD/GBP put option with a notional value of $4.3 million in July 2009. The strike price of the put is $1.64 USD/GBP. The contract expired on December 31, 2009 and settled on January 5, 2010. The loss recorded related to this contract was $138 thousand during the year ended December 31, 2009. The fair value of this put option was approximately $2 thousand at December 31, 2009 and is included in accounts receivable, net (see Note 4).

Note 20 Employee Benefit Plans

We maintain a retirement and profit sharing plan under Section 401(k) of the Internal Revenue Code for all of our domestic employees that meet certain qualifications. Participants in the plan may elect to contribute up to the maximum allowed by law. We match 50% of the participants contributions up to 15% of their gross salary in the form of newly issued shares of our common stock. We may also make other discretionary contributions to the plan. We recorded $0.6 million, $0.8 million, and $0.7 million of expense for company contributions for the years ended December 31, 2010, 2009 and 2008, respectively.

Note 21 Business Combinations

Enson Assets Limited

On November 3, 2010, our subsidiary, UEI Hong Kong Private Limited, entered into a stock purchase agreement with CG International Holdings Limited (CG) to acquire all of the issued shares in the capital of Enson Assets Limited (Enson) for total consideration of approximately $125.8 million. This transaction closed on November 4, 2010. The consideration consisted of $95.0 million in cash and 1,460,000 of newly issued shares of UEI common stock. A total of $5.0 million of the purchase price was held back at the closing to provide for any additional payments required by CG as a result of Enson s failure to meet both a net asset target and an earnings target (see *Contingent Consideration* below). We have included the $5.0 million that was held back in the purchase price allocation, since it is probable that we will owe the full amount to CG. The $5.0 million is included in our other accrued liabilities balance at December 31, 2010.

Our consolidated income statement for the twelve months ended December 31, 2010 includes net sales of $25.0 million and net income of $1.3 million attributable to Enson for the period commencing on November 4, 2010.

Enson Description

Enson is a leading manufacturer of remote controls. Prior to the acquisition Enson was also one of our significant suppliers (see Note 5). During the years ended December 31, 2010, 2009 and 2008 Enson supplied 20.5%, 24.1% and 20.6% of our inventory purchases. The Enson corporate office, located in Hong Kong, is approximately 6,000 square feet and employs 50 people. Enson controls two factories located in the Peoples Republic of China (PRC).

The southern factory is located in Guang Dong Province, PRC within the city of Guang Zhou. The Guang Zhou factory is approximately 710,203 square feet and employs 787 people, with an additional 4,393 factory workers contracted through an agency agreement.

The northern factory is located in Jiang Su Province, PRC within the city of Yang Zhou. The Yang Zhou factory is approximately 1,204,697 square feet and employs 418 people, with an additional 4,502 factory workers contracted through an agency agreement.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

Consideration

The sources of the consideration were the following:

(In thousands) **Source Description**	**Amount**	**Percentage of Consideration**
Existing cash and cash equivalents	$ 54,000	42.9%
Funds from new U.S. Bank Secured Term Loan (see Note 8)	35,000	27.8
Funds from new U.S. Bank Secured Revolving Credit Line (see Note 8)	6,000	4.8
Newly issued shares of Universal Electronics Inc. common stock	30,762	24.5
	$ 125,762	100%

Contingent Consideration

Net Asset Target on November 3, 2010

To the extent that the Enson net assets were less than $68.5 million at November 3, 2010, CG would have paid us the difference, plus interest. To the extent that the Enson net assets were greater than $68.5 million we would have had to pay CG the difference, plus interest. We are currently in the process of determing if certain adjustments recorded in accordance with generally accepted accounting principles will be included in determining Enson s net asset position on November 3, 2010 as defined by the stock purchase agreement. We expect this calculation to be completed in the first quarter of 2011.

Earnings Target for the Twelve Months Ending March 31, 2011

To the extent that Enson s earnings for the year ended March 31, 2011 are less than $16.2 million, CG will pay us an amount equal to the product of (a) the difference between Enson s earnings and $16.2 million, multiplied by (b) one and one half, plus interest. Interest will be calculated on the date the auditors report is issued on Enson s accounts using the prime rate as reported in The Wall Street Journal on the date of this determination. CG is required to make this payment within five business days of the issuance of the auditor s report on Enson s accounts.

For the purposes of this calculation, Enson s earnings are defined as Enson s consolidated profit before tax for the twelve months ending March 31, 2011 excluding certain agreed upon adjustments, including without limitation, the following items: profit related to UEIC sales, investment income, other income, other expenses, other gains and losses and interest expenses.

On the date of this filing, we do not anticipate that any amounts will be owed by CG on March 31, 2011.

Acquisition Costs

We recognized $0.7 million of total acquisition costs related to the Enson transaction in selling, general and administrative expenses during the year ended December 31, 2010. The acquisition costs consisted primarily of legal and investment banking services.

In addition to the costs incurred to acquire Enson, during January 2011 our Compensation Committee approved a discretionary bonus of $0.4 million to be awarded to certain employees directly involved in the acquisition process. This discretionary bonus was ratified by our Board of Directors during February 2011, and was paid during March 2011. The entire amount was included in accrued compensation at December 31, 2010.

Table of Contents

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

Preliminary Purchase Price Allocation

Under the acquisition method of accounting, the acquisition date fair value of the consideration transferred is allocated to the net tangible and intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition date. Management s preliminary purchase price allocation on November 4, 2010 (the Enson acquisition date) is the following:

(in thousands)	Weighted Average Estimated Lives	Preliminary Fair Value
Cash & cash equivalents		$ 20,866
Inventories		23,469
Accounts receivable		37,624
Prepaid expenses and other current assets		738
Property, plant and equipment	20 years	66,644
Deferred income taxes		2,979
Other assets		3,409
Interest bearing liabilities		(4,227)
Non-interest bearing liabilities		(67,879)
Net tangible assets acquired		83,623
Customer relationships	10 years	23,300
Trademark and trade name	10 years	2,000
Goodwill		16,839
Total estimated purchase price		$ 125,762

Management s preliminary determination of the fair value of the tangible and intangible assets acquired and liabilities assumed are based on estimates and assumptions that are subject to change. During the measurement period, if information becomes available which would indicate adjustments are required to the purchase price allocation, such adjustments will be included in the purchase price allocation retrospectively. The measurement period can extend as long as one year from the acquisition date. We are currently evaluating certain tax matters that once completed may result in an adjustment to goodwill. In addition, as noted above, we are also evaluating the results of the net asset target as defined in the stock purchase agreement.

Intangible Assets Subject to Amortization

Of the total estimated purchase price, $83.6 million has been allocated to net tangible assets acquired, $16.8 million has been allocated to goodwill, and $25.3 million has been allocated to identifiable intangible assets acquired. The identified intangible assets consist of $23.3 million assigned to customer relationships and $2.0 million assigned to trademark and trade name.

The fair value of Enson s customer relationships intangible asset was estimated utilizing the income approach. We estimated the future after tax cash flows attributable to Enson s customer base, after taking into consideration projected attrition based on our analysis of UEI and Enson customer data. These cash flows were discounted back to the acquisition date to arrive at the estimated fair value of the customer relationships intangible. UEI expects to amortize the fair value of Enson s customer relationships on a straight-line basis over an estimated life of ten years. The customer relationships amortization will not be deductible for tax purposes.

The fair value assigned to Enson s trademark and trade name intangible asset was determined utilizing the income approach. The estimated future after tax cash flows from Enson s trademark and trade name were discounted back to the acquisition date to arrive at the estimated fair value of the trademark and trade name. UEI expects to amortize the value of Enson s trademark and trade name on a straight-line basis over an estimated life of ten years. The trademark and trade name amortization will not be deductible for tax purposes.

84

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

Goodwill

Goodwill represents the excess of the purchase consideration over the estimated fair value of identifiable tangible and intangible assets acquired. Goodwill from this transaction of $16.8 million will not be amortized, but will be analyzed for impairment on at least an annual basis in accordance with U.S. GAAP. We review our goodwill for impairment annually on December 31 and whenever events or changes in circumstances indicate that an impairment loss may have occurred. Of the total goodwill recorded, none is expected to be deductible for tax purposes.

The goodwill recognized is attributable to the following value we received from the Enson acquisition:

- Enson should increase our market position in the strategically important consumer electronics market given Enson s historic strength with leading Japanese consumer electronics companies. We have not been well positioned in this market historically.
- Enson currently produces approximately one-third of our finished good inventory purchases, therefore, we may decrease purchases from third parties. In addition, Enson has available manufacturing capacity. We may provide Enson the ability to increase the utilization of their existing factories.
- We may utilize Enson s in-place management and personnel to assist us in implementing our plan to place more operations, logistics, quality, program management, engineering, sales, and marketing personnel in the Asia region.
- Enson s full line of remotes, from dedicated to higher-end universal, should assist us with further penetrating the growing Asian and Latin American subscription broadcasting markets. The lower subscriber revenue in these markets can cause them to begin with lower-cost dedicated remotes and to later transition to universal remote controls.

Management has determined that the goodwill recognized as a result of the Enson acquisition will be assigned to our sole reporting unit.

Zilog, Inc.

On February 18, 2009, we acquired certain patents, intellectual property and other assets related to the universal remote control business from Zilog, Inc. (NASDAQ: ZILG) for approximately $9.5 million in cash. The purchase included Zilog s full library and database of infrared codes, software tools and certain fixed assets. We also hired 116 of Zilog s sales and engineering personnel, including all 107 of Zilog s personnel located in India. In a related transaction, Maxim Integrated Products (NASDAQ: MXIM) acquired two of Zilog s product lines, namely, the hardware portion of Zilog s remote control business and Zilog s secured transaction product line.

We have cross-licensed the remote control technology and intellectual property with Maxim Integrated Products for the purpose of conducting our respective businesses. The arrangement involves an agreement to source silicon chips from Maxim. In addition, during 2009 we agreed to be Maxim s exclusive sales agent, selling the Zilog designs to Zilog s former customers, in return for a sales agency fee. The sales agency fee during the years ended December 31, 2010 and 2009 was $4.1 million and $4.4 million, respectively. During 2011, as we continue to slowly transition from the Zilog chip platform to the Maxim chip platform, we will progressively take over full sales and distribution rights, procuring and selling the chips directly to Zilog s former customers. We anticipate this transition will lead to growth in revenue and earnings going forward. Our consolidated financial statements include the operating results of the acquired assets, employees hired, and the related agreement with Maxim from February 18, 2009.

Table of Contents

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

The total purchase price of approximately $9.5 million has been allocated to the net assets acquired based on their estimated fair values as follow:

(In thousands)	
Intangible assets:	
Database	$ 3,500
Customer relationships	3,100
Goodwill	2,902
Property, plant, and equipment	44
Purchase price	$ 9,546

Intangible Assets Subject to Amortization

Of the total purchase price, approximately $6.6 million was allocated to identifiable intangible assets subject to amortization including the database and customer relationships.

The database intangible is composed of the estimated fair value of patents, intellectual property and other assets related to Zilog s database of infrared codes, and software tools. When determining the fair value of the database, we utilized the cost approach. In our valuation, we estimated the total costs to recreate the database, including the associated opportunity costs (or revenue lost while recreating). We discounted the after-tax cash flows to present value to arrive at our estimate of the fair value of the database. We are amortizing the database on a straight-line basis over an estimated useful life of approximately fifteen years.

The customer relationship intangible is composed of the fair value of customer relationships acquired as a result of the Zilog purchase. We utilized the income approach to estimate the fair value of the customer relationships intangible. We developed after-tax cash flows based on forecasted revenue from these customers assuming a customer attrition rate based on our analysis of customer data for UEI and Zilog. We discounted the after-tax cash flows to present value to arrive at our estimate of the fair value of the customer relationships intangible. We are amortizing the customer relationships intangible on a straight-line basis over an estimated useful life of approximately fifteen years.

Goodwill

Goodwill represents the excess of the cost (purchase price) over the estimated fair value of identifiable tangible and intangible assets acquired. Goodwill from this transaction of $2.9 million will not be amortized, but will be analyzed for impairment at least on an annual basis in accordance with U.S. GAAP. We review our goodwill for impairment annually on December 31 and whenever events or changes in circumstances indicate that an impairment loss may have occurred. We have not recorded any impairment related to the goodwill recognized as a result of the Zilog acquisition. Of the total goodwill recorded, none is expected to be deductible for tax purposes.

The goodwill recognized is attributable to the following value we received from this acquisition:

This acquisition will expand the breadth and depth of our customer base in both subscription broadcasting and original equipment manufacturing, particularly in Asia.

We believe integrating Zilog s technologies with and into our own technology will reduce design cycle times, lower costs, and lead to improvements in our integrated circuit design, product quality and overall functional performance.

The acquisition of former Zilog employees will allow us to leverage their experience to our advantage in the wireless control industry.

Table of Contents

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

Acquisition Costs

We recognized $1.1 million of total acquisition costs related to the Zilog transaction in selling, general and administrative expenses during the year ended December 31, 2009. The acquisition costs consisted primarily of legal and investment banking services. Of the $1.1 million of acquisition costs recognized during the year ended December 31, 2009, $0.1 million was deferred at December 31, 2008.

Pro forma Results (Unaudited)

The following unaudited pro forma financial information presents the combined results of our operations and the operations of the Enson acquisition and the acquisition from Zilog as if these transactions occurred at the beginning of the periods presented.

Pro forma results were as follows for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
Revenue:	$ 458,492	$ 409,475	$ 391,553
Net income:	$ 31,351	$ 21,832	$ 16,079
Basic and diluted net income per share:			
Basic	$ 2.28	$ 1.44	$ 1.04
Diluted	$ 2.22	$ 1.42	$ 1.01

The unaudited pro forma financial information is not intended to represent or be indicative of the consolidated results of operations that would have been achieved had the acquisition actually been completed as of the dates presented, and should not be taken as a projection of the future consolidated results of our operations.

Enson Adjustments

Enson adjustments to reduce net income of $2.9 million, $5.5 million and $5.9 million for the years ended December 31, 2010, 2009 and 2008, respectively, have been made to the combined results of operations. These adjustments reflect primarily interest on the term loan and line of credit, amortization of acquired intangible assets, amortization and depreciation of the fair value adjustments to prepaid land and property, plant, and equipment. All adjustments have been made net of their related tax effects.

Zilog Adjustments

Zilog related adjustments netting $0.04 million for the year ended December 31, 2009 have been made to the combined results of operations, primarily reflecting net sales, salary costs and the amortization of purchased intangible assets that would have occurred had the acquisition date been January 1, 2009. Net adjustments of $0.4 million have been subtracted from the combined results of operations for the year ended December 31, 2008, reflecting primarily net sales, salary costs, amortization of purchased intangible assets and the acquisition costs that would have occurred had the acquisition date been January 1, 2008. All adjustments have been made net of their related tax effects.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 22 Quarterly Financial Data (Unaudited)

Summarized quarterly financial data for the years ended December 31, 2010 and 2009 are presented below:

	2010			
(In thousands, except per share amounts)	March 31,	June 30,	September 30,	December 31,
Net sales	$ 71,376	$ 78,892	$ 79,007	$ 102,505
Gross profit	22,064	27,425	25,718	28,642
Operating income	2,687	7,316	6,566	4,732
Net income	1,836	4,777	4,702	3,766
Earnings per share [1]:				
Basic	$ 0.13	$ 0.35	$ 0.35	$ 0.26
Diluted	$ 0.13	$ 0.34	$ 0.34	$ 0.26
Shares used in computing earnings per share:				
Basic	13,700	13,601	13,417	14,344
Diluted	14,093	13,929	13,671	14,737

	2009			
	March 31,	June 30,	September 30,	December 31,
Net sales	$ 71,126	$ 78,303	$ 83,182	$ 84,939
Gross profit	21,437	25,495	26,070	28,610
Operating income	1,536	5,687	6,644	8,080
Net income	796	3,816	4,223	5,840
Earnings per share [1]:				
Basic	$ 0.06	$ 0.28	$ 0.31	$ 0.43
Diluted	$ 0.06	$ 0.27	$ 0.30	$ 0.42
Shares used in computing earnings per share:				
Basic	13,658	13,621	13,687	13,700
Diluted	13,831	13,981	14,008	14,063

(1) The earnings per common share calculations for each of the quarters were based upon the weighted average number of shares and share equivalents outstanding during each period, and the sum of the quarters may not be equal to the full year earnings per share amounts.

Table of Contents

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Exchange Act Rule 13a-15(d) defines disclosure controls and procedures to mean controls and procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission s rules and forms. The definition further states that disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

An evaluation was performed under the supervision and with the participation of our management, including our principal executive and principal financial officers, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our principal executive and principal financial officers have concluded that our disclosure controls and procedures were effective, as of the end of the period covered by this report, to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management to allow timely decisions regarding required disclosures.

Management s Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive and principal financial officers, we evaluated the effectiveness of our internal control over financial reporting based on the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework. Based on our evaluation under this framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2010.

Our management has excluded Enson Assets Limited from its assessment of internal control over financial reporting as of December 31, 2010 because they were acquired during the fourth quarter of 2010. Enson Assets Limited is a subsidiary whose total assets and total net sales represent 51% and 8%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2010.

The effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in its attestation report which is included herein.

Table of Contents

Changes in Internal Control Over Financial Reporting

There have been no changes in internal controls or in other factors that may significantly affect our internal controls during 2010.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Universal Electronics Inc.

We have audited Universal Electronics Inc. s (a Delaware Corporation) internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Universal Electronics Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assertion of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on Universal Electronics Inc. s internal control over financial reporting based on our audit. Our audit of, and opinion on, Universal Electronics Inc. s internal control over financial reporting does not include internal control over financial reporting of Enson Assets Limited, a wholly owned subsidiary, whose financial statements reflect total assets and revenues constituting 51 percent and 8 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2010. As indicated in Management s Report, Enson Assets Limited was acquired during 2010 and therefore, management s assertion on the effectiveness of Universal Electronics Inc. s internal control over financial reporting excluded internal control over financial reporting of Enson Assets Limited.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Universal Electronics Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Universal Electronics Inc. as of December 31, 2010 and 2009, and the related consolidated statements of income, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2010, and our report dated March 16, 2011 expressed an unqualified opinion.

/s/ Grant Thornton LLP
Irvine, California
March 16, 2011

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Information required by Item 401 of Regulation S-K with respect to our directors will be contained in and is hereby incorporated by reference to our definitive Proxy Statement for our 2011 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A promulgated by the Securities and Exchange Commission under the Exchange Act.

Information regarding executive officers of the Company is set forth in Part I of this Form 10-K.

Information required by Item 405 of Regulation S-K will be contained in and is hereby incorporated by reference to our definitive Proxy Statement for our 2011 Annual Meeting of Stockholders to be filed subsequent to the date of filing this Form 10-K, under the caption Section 16(a) Beneficial Ownership Reporting Compliance. Copies of Section 16 reports, Forms 3, 4 and 5, are available on our website, www.uei.com under the caption SEC Filings on the Investor page.

Code of Conduct. We have adopted a code of conduct that applies to all of our employees, including without limitation our principal executive officer, principal financial officer and principal accounting officer. A copy of the Code of Conduct is included as Exhibit 14.1 to our Annual Report on Form 10-K for the year ended December 31, 2003 filed on March 14, 2004 (File No. 0-21044). The Code of Conduct is also available on our website, www.uei.com under the caption Corporate Governance on the Investor page. We will post on our website information regarding any amendment to, or waiver from, any provision of the Code of Conduct that applies to our principal executive officer, principal financial officer or principal accounting officer.

Information required by Items 407(c)(3), (d)(4) and (d)(5) of Regulation S-K will be contained in and is hereby incorporated by reference to our definitive Proxy Statement for our 2011 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A promulgated by the Securities and Exchange Commission under the Exchange Act.

ITEM 11. EXECUTIVE COMPENSATION

Information required by Items 402 and 407(e)(4) and (e)(5) of Regulation S-K will be contained in and is hereby incorporated by reference to our definitive Proxy Statement for our 2011 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A promulgated by the Securities and Exchange Commission under the Exchange Act.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by Item 403 of Regulation S-K will be contained in and is hereby incorporated by reference to our definitive Proxy Statement for our 2011 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A promulgated by the Securities and Exchange Commission under the Exchange Act.

Table of Contents

The following summarizes our equity compensation plans at December 31, 2010:

Equity Compensation Plan Information

Plan Category	**(a)** Number of Securities to be issued upon exercise of outstanding options, warrants and rights	**(b)** Weighted-average exercise price of outstanding options, warrants and rights	**(c)** Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,319,986	$ 19.01	1,089,594
Equity compensation plans not approved by security holders	397,717	17.27	481
Total	**1,717,703**	**$ 18.61**	**1,090,075**

See ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA- Notes to Consolidated Financial Statements **-** Note 16 for a description of each of our stock incentive plans.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by Items 404 and 407(a) of Regulation S-K will be contained in and is hereby incorporated by reference to our definitive Proxy Statement for our 2011 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A promulgated by the Securities and Exchange Commission under the Exchange Act.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item will be contained in and is hereby incorporated by reference to our definitive Proxy Statement for our 2011 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A promulgated by the Securities and Exchange Commission under the Exchange Act.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) **List of Financial Statements**

See ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA-Index to Consolidated Financial Statements for a list of the consolidated financial statements included herein.

(a)(2) **List of Financial Statement Schedules**

See ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA-Index to Consolidated Financial Statements for a list of the consolidated financial statement schedules included herein.

(a)(3) **List of Exhibits required to be filed by Item 601(a) of the Regulation S-K are included as Exhibits to this Report:**

See EXHIBIT INDEX at page 95 of Form 10-K.

Table of Contents

SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) 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, in the City of Cypress, State of California on the 16th day of March, 2011.

UNIVERSAL ELECTRONICS INC.

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

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Paul D. Arling and Bryan M. Hackworth as true and lawful attorneys-in-fact and agents, each acting alone, with full powers of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully for all intents and purposes as he might or may do in person, thereby ratifying and confirming all that said attorneys-in-fact and agents, each acting alone, or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 16th day of March, 2011, by the following persons on behalf of the registrant and in the capacities indicated.

NAME & TITLE	SIGNATURE
Paul D. Arling *Chairman and Chief Executive Officer* (principal executive officer)	/s/ Paul D. Arling
Bryan M. Hackworth *Chief Financial Officer* (principal financial officer and principal accounting officer)	/s/ Bryan M. Hackworth
Satjiv S. Chahil *Director*	/s/ Satjiv S. Chahil
William C. Mulligan *Director*	/s/ William C. Mulligan
J. C. Sparkman *Director*	/s/ J.C. Sparkman
Gregory P. Stapleton *Director*	/s/ Gregory P. Stapleton

Carl E. Vogel *Director*	/s/ Carl E. Vogel
Edward K. Zinser *Director*	/s/ Edward K. Zinser

Table of Contents

EXHIBIT INDEX

Exhibit Number	Document Description
2.1	Asset Purchase Agreement dated as of February 17, 2009 by and among Zilog, Inc., Zilog India Electronics Pvt Ltd, Maxim Integrated Products, Inc., UEI Cayman Inc., Universal Electronics Inc., and UEI Electronics Private Limited (incorporated by reference to Exhibit 2.1 to the Company s Annual Report on Form 10-K for the year ended December 31, 2008 filed on March 13, 2009 (File No. 0-12044))
2.2	Stock Purchase Agreement dated as of November 3, 2010, among Universal Electronics Inc., UEI Hong Kong Private Limited and CG International Holdings Limited** (incorporated by reference to Exhibit 2.1 to the Company s Current Report on Form 8-K filed on November 4, 2010 (File No. 0-12044))
3.1	Restated Certificate of Incorporation of Universal Electronics Inc., as amended (Incorporated by reference to Exhibit 3.1 to the Company s Form S-1 Registration filed on or about December 24, 1992 (File No. 33-56358))
3.2	Amended and Restated By-laws of Universal Electronics Inc. (Incorporated by reference to Exhibit 3.2 to the Company s Form S-1 Registration filed on or about December 24, 1992 (File No. 33-56358))
3.3	Certificate of Amendment to Restated Certificate of Incorporation of Universal Electronics Inc. (Incorporated by reference to Exhibit 3.3 to the Company s Annual Report on Form 10-K for the year ended December 31, 1995 filed on April 1, 1996 (File No. 0-21044))
4.1	Article Eighth of our Restated Certificate of Incorporation, as amended, contains certain provisions restricting business combinations with interested stockholders under certain circumstances and imposing higher voting requirements for the approval of certain transactions unless the transaction has been approved by two-thirds of the disinterested directors or fair price provisions have been met. (Incorporated by reference to Exhibit 3.3 to the Company s Annual Report on Form 10-K for the year ended December 31, 1995 filed on April 1, 1996 (File No. 0-21044))
*10.1	Form of Universal Electronics Inc. 1993 Stock Incentive Plan (Incorporated by reference to Exhibit 10.13 to Amendment No. 1 to the Company s Form S-1 Registration filed on or about January 21, 1993 (File No. 33-56358))
*10.2	Form of Universal Electronics Inc. 1995 Stock Incentive Plan (Incorporated by reference to Exhibit B to the Company s Definitive Proxy Materials for the 1995 Annual Meeting of Stockholders of Universal Electronics Inc. filed on May 1, 1995 (File No. 0-21044))
*10.3	Form of Stock Option Agreement by and between Universal Electronics Inc. and certain employees used in connection with options granted to the employees pursuant to the Universal Electronics Inc. 1995 Stock Incentive Plan (Incorporated by reference to Exhibit 10.20 to the Company s Annual Report on Form 10-K for the year ended December 31, 1996 filed on March 28, 1997 (File No. 0-21044))
*10.4	Form of Stock Option Agreement by and between Universal Electronics Inc. and certain non-affiliated directors used in connection with options granted to the non-affiliated directors pursuant to the Universal Electronics Inc. 1995 Stock Incentive Plan (Incorporated by reference to Exhibit 10.21 to the Company s Annual Report on Form 10-K for the year ended December 31, 1996 filed on March 28, 1997 (File No. 0-21044))

*10.5	Form of Universal Electronics Inc. 1996 Stock Incentive Plan (Incorporated by reference to Exhibit 4.5 to the Company s Form S-8 Registration Statement filed on March 26, 1997 (File No. 333-23985))
*10.6	Form of Stock Option Agreement by and between Universal Electronics Inc. and certain employers used in connection with options granted to the employees pursuant to the Universal Electronics Inc. 1996 Stock Incentive Plan (Incorporated by reference to Exhibit 4.6 to the Company s Form S-8 Registration Statement filed on March 26, 1997 (File No. 333-23985))

95

Table of Contents

Exhibit Number	Document Description
*10.7	Form of Salary Continuation Agreement by and between Universal Electronics Inc. and certain employees (Incorporated by reference to Exhibit 10.25 to the Company s Annual Report on Form 10-K for the year ended December 31, 1997, filed on March 30, 1998 (File No. 0-21044))
*10.8	Form of Amendment to Salary Continuation Agreement by and between Universal Electronics Inc. and certain employees (Incorporated by reference to Exhibit 10.26 to the Company s Annual Report on Form 10-K for the year ended December 31, 1997, filed on March 30, 1998 (File No. 0-21044))
*10.9	Form of Universal Electronics Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit A to the Company s Definitive Proxy Materials for the 1998 Annual Meeting of Stockholders of Universal Electronics Inc. filed on April 20, 1998 (File No. 0-21044))
*10.10	Form of Stock Option Agreement by and between Universal Electronics Inc. and certain employees used in connection with options granted to the employees pursuant to the Universal Electronics Inc. 1998 Stock Incentive Plan(Incorporated by reference to Exhibit 10.24 to the Company s Annual Report on Form 10-K for the year ended December 31, 1998 filed on March 31, 1999 (File No. 0-21044))
*10.11	Form of Universal Electronics Inc. 1999 Stock Incentive Plan (Incorporated by reference to Exhibit A to the Company s Definitive Proxy Materials for the 1999 Annual Meeting of Stockholders of Universal Electronics Inc. filed on April 29, 1999 (File No. 0-21044))
*10.12	Form of Stock Option Agreement by and between Universal Electronics Inc. and certain employees used in connection with options granted to the employees pursuant to the Universal Electronics Inc. 1999 Stock Incentive Plan (Incorporated by reference to Exhibit A to the Company s Definitive Proxy Materials for the 1999 Annual Meeting of Stockholders of Universal Electronics Inc. filed on April 29, 1999 (File No. 0-21044))
*10.13	Form of Salary Continuation Agreement by and between Universal Electronics Inc. and certain employees (Incorporated by reference to Exhibit 10.39 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999 filed on March 30, 2000 (File No. 0-21044))
*10.14	Form of Universal Electronics Inc. 1999A Nonqualified Stock Plan effective October 7, 1999 and subsequently amended February 1, 2000 (Incorporated by reference to Exhibit 10.42 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999 filed on March 30, 2000 (File No. 0-21044))
*10.15	Form of Stock Option Agreement by and between Universal Electronics Inc. and certain employees used in connection with options granted to the employees pursuant to the Universal Electronics Inc. 1999A Nonqualified Stock Plan (Incorporated by reference to Exhibit 10.43 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999 filed on March 30, 2000 (File No. 0-21044))
*10.16	Form of Universal Electronics Inc. 2002 Stock Incentive Plan (Incorporated by reference to Exhibit 10.49 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 filed on August 14, 2002 (File No. 0-21044))
*10.17	

	Form of Stock Option Agreement by and between Universal Electronics Inc. and certain directors, officers and other employees used in connection with options granted to the employees pursuant to the Universal Electronics Inc. 2002 Stock Incentive Plan (Incorporated by reference to Exhibit 10.50 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 filed on August 14, 2002 (File No. 0-21044))
*10.18	Form of Universal Electronics Inc. 2003 Stock Incentive Plan (Incorporated by reference to Appendix B to the Company s Definitive Proxy Materials for the 2003 Annual Meeting of Stockholders of Universal Electronics Inc. filed on April 28, 2003 (File No. 0-21044))

96

Exhibit Number	Document Description
*10.19	Form of Executive Officer Employment Agreement dated April 23, 2003 by and between Universal Electronics Inc. and Paul D. Arling (incorporated by reference to Exhibit 10.42 to the Company s Annual Report on Form 10-K for the year ended December 31, 2003 filed on March 14, 2004 (File No. 0-21044))
*10.20	Form of First Amendment to Executive Officer Employment Agreement dated October 21, 2005 by and between Universal Electronics Inc. and Paul D. Arling (incorporated by reference to Exhibit 10.24 to the Company s Annual Report on Form 10-K for the year ended December 31, 2005 filed on March 16, 2006 (File No. 0-21044))
*10.21	Form of Universal Electronics Inc. 2006 Stock Incentive Plan (incorporated by reference to Appendix C to the Company s Definitive Proxy Materials for the 2006 Annual Meeting of Stockholders of Universal Electronics Inc. filed on April 26, 2006 (File No. 0-21044)
10.22	Form of Lease dated January 31, 2007 between FirstCal Industrial 2 Acquisition, LLC and Universal Electronics Inc. (incorporated by reference to Exhibit 10.26 to the Company s Annual Report on Form 10-K for the year ended December 31, 2006 filed on March 16, 2007 (File No. 02-21044))
*10.23	Form of Indemnification Agreements, dated as of January 2, 2007 between the Company and each director and certain officers of the Company (incorporated by reference to Exhibit 10.28 to the Company s Annual Report on Form 10-K for the year ended December 31, 2006 filed on March 16, 2007 (File No. 02-21044))
*10.24	Form of Restricted Stock Unit Agreement (incorporated herein by reference to Exhibit 4.5 to the Company s Form S-8 Registration Statement filed on March 27, 2008 (File No. 333-149926))
10.25	Credit Agreement dated December 23, 2009 between U.S. Bank National Association and Universal Electronics Inc. (incorporated by reference to Exhibit 10.31 to the Company s Annual Report on Form 10-K for the year ended December 31, 2009 filed on March 15, 2010 (File No. 02-21044))
10.26	Revolving Note dated December 23, 2009 from Universal Electronics Inc. to U.S. Bank National Association ((incorporated by reference to Exhibit 10.32 to the Company s Annual Report on Form 10-K for the year ended December 31, 2009 filed on March 15, 2010 (File No. 02-21044))
10.27	Amended and Restated Credit Agreement dated as of November 1, 2010 between Universal Electronics Inc. and U.S. Bank National Association (filed herewith).
10.28	Revolving Note dated November 1, 2010 between Universal Electronics Inc. and U.S. Bank National Association (filed herewith)
10.29	Term Note dated November 1, 2010 from Universal Electronics Inc. to U.S. Bank National Association (filed herewith)
10.30	Pledge Agreement dated November 1, 2010 between UEI Hong Kong Private Limited and Enson Assets Limited to U.S. Bank National Association (filed herewith)
10.31	

	Security Agreement dated November 1, 2010 from Universal Electronics Inc. to U.S. Bank National Association (filed herewith)
14.1	Code of Conduct (incorporated by reference to Exhibit 14.1 to the Company s Annual Report on Form 10-K for the year ended December 31, 2003 filed on March 14, 2004 (File No. 0-21044))
21.1	List of Subsidiaries of the Registrant (filed herewith)
23.1	Consent of Independent Registered Public Accounting Firm Grant Thornton LLP (filed herewith)

97

Exhibit Number	Document Description
24.1	Power of Attorney (filed as part of the signature page hereto)
31.1	Rule 13a-14(a) Certifications of the Chief Executive Officer (filed herewith)
31.2	Rule 13a-14(a) Certifications of the Chief Financial Officer (principal financial officer and principal accounting officer) (filed herewith)
32.1	Section 1350 Certifications of the Chief Executive Officer (filed herewith)
32.2	Section 1350 Certifications of the Chief Financial Officer (principal financial officer and principal accounting officer) (filed herewith)

* Management contract or compensation plan or arrangement identified pursuant to Items 15(a)(3) and 15(c) of Form 10-K.

** Attachments to the Purchase Agreement, identified on Exhibit 2.2, have been omitted as permitted by Item 601(b)(2) of Regulation S-K. UEI hereby undertakes to furnish supplementally to the Securities and Exchange Commission a copy of any omitted attachment upon request.