

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

OR

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

For the transition period from **to**

Commission File Number: 0-21044

UNIVERSAL ELECTRONICS INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

**201 E. Sandpointe Avenue, 8th Floor
Santa Ana, California**

(Address of Principal Executive Offices)

33-0204817

(I.R.S. Employer
Identification No.)

92707

(Zip Code)

Registrant's telephone number, including area code: (714) 918-9500

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 No

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 No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 13,830,823 shares of Common Stock, par value \$0.01 per share, of the registrant were outstanding on August 6, 2018.

UNIVERSAL ELECTRONICS INC.

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PART I. FINANCIAL INFORMATION**ITEM 1. Consolidated Financial Statements (Unaudited)**

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

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 59,433	\$ 62,438
Restricted cash	—	4,901
Accounts receivable, net	143,662	151,578
Contract assets	28,253	—
Inventories, net	147,186	162,589
Prepaid expenses and other current assets	14,312	11,687
Assets held for sale	—	12,517
Income tax receivable	2,509	1,587
Total current assets	395,355	407,297
Property, plant, and equipment, net	107,039	110,962
Goodwill	48,522	48,651
Intangible assets, net	26,708	29,041
Deferred income taxes	7,152	7,913
Other assets	4,326	4,566
Total assets	\$ 589,102	\$ 608,430
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 116,590	\$ 119,165
Line of credit	111,000	138,000
Accrued compensation	32,964	34,499
Accrued sales discounts, rebates and royalties	7,987	8,882
Accrued income taxes	6,665	3,670
Other accrued liabilities	21,050	28,719
Total current liabilities	296,256	332,935
Long-term liabilities:		
Long-term contingent consideration	9,730	13,400
Deferred income taxes	1,530	4,423
Income tax payable	2,520	2,520
Other long-term liabilities	1,581	1,603
Total liabilities	311,617	354,881
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock, \$0.01 par value, 50,000,000 shares authorized; 23,861,547 and 23,760,434 shares issued on June 30, 2018 and December 31, 2017, respectively	239	238
Paid-in capital	271,500	265,195
Treasury stock, at cost, 9,927,853 and 9,702,874 shares on June 30, 2018 and December 31, 2017, respectively	(269,179)	(262,065)
Accumulated other comprehensive income (loss)	(18,011)	(16,599)
Retained earnings	292,936	266,780
Total stockholders' equity	277,485	253,549
Total liabilities and stockholders' equity	\$ 589,102	\$ 608,430

See Note 4 for further information concerning our purchases from related party vendors.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net sales	\$ 162,523	\$ 177,580	\$ 327,221	\$ 338,986
Cost of sales	135,764	133,829	263,260	254,201
Gross profit	26,759	43,751	63,961	84,785
Research and development expenses	6,059	4,946	12,110	10,444
Factory transition restructuring charges	—	449	—	5,699
Selling, general and administrative expenses	30,570	31,053	60,817	61,704
Operating income (loss)	(9,870)	7,303	(8,966)	6,938
Interest income (expense), net	(1,279)	(562)	(2,349)	(955)
Gain on sale of Guangzhou factory	36,978	—	36,978	—
Other income (expense), net	(1,082)	(642)	(1,669)	(59)
Income before provision for income taxes	24,747	6,099	23,994	5,924
Provision for income taxes	2,088	1,415	1,922	1,121
Net income	\$ 22,659	\$ 4,684	\$ 22,072	\$ 4,803
Earnings per share:				
Basic	\$ 1.61	\$ 0.33	\$ 1.57	\$ 0.33
Diluted	\$ 1.60	\$ 0.32	\$ 1.55	\$ 0.33
Shares used in computing earnings per share:				
Basic	14,070	14,404	14,078	14,427
Diluted	14,158	14,683	14,195	14,700

See Note 4 for further information concerning our purchases from related party vendors.

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

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS

(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$ 22,659	\$ 4,684	\$ 22,072	\$ 4,803
Other comprehensive income:				
Change in foreign currency translation adjustment	(5,058)	608	(1,412)	1,991
Comprehensive income	\$ 17,601	\$ 5,292	\$ 20,660	\$ 6,794

See Note 4 for further information concerning our purchases from related party vendors.

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

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

(Unaudited)

	Six Months Ended June 30,	
	2018	2017
Cash provided by (used for) operating activities:		
Net income	\$ 22,072	\$ 4,803
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	16,913	15,954
Provision for doubtful accounts	2	81
Provision for inventory write-downs	5,078	1,419
Gain on sale of Guangzhou factory	(36,978)	—
Deferred income taxes	(557)	(1,035)
Shares issued for employee benefit plan	590	591
Employee and director stock-based compensation	4,669	5,555
Performance-based common stock warrants	343	1,263
Impairment of China factory equipment	2,763	—
Changes in operating assets and liabilities:		
Accounts receivable and contract assets	6,164	(20,427)
Inventories	(16,061)	(11,249)
Prepaid expenses and other assets	(2,765)	(121)
Accounts payable and accrued liabilities	(7,329)	(15)
Accrued income taxes	1,219	(1,691)
Net cash provided by (used for) operating activities	(3,877)	(4,872)
Cash provided by (used for) investing activities:		
Proceeds from sale of Guangzhou factory	51,291	—
Acquisitions of property, plant, and equipment	(13,416)	(17,519)
Refund of deposit received toward sale of Guangzhou factory	(5,053)	—
Acquisitions of intangible assets	(1,248)	(765)
Acquisition of net assets of Residential Control Systems, Inc.	—	(8,854)
Net cash provided by (used for) investing activities	31,574	(27,138)
Cash provided by (used for) financing activities:		
Borrowings under line of credit	23,000	85,000
Repayments on line of credit	(50,000)	(42,987)
Proceeds from stock options exercised	704	842
Treasury stock purchased	(7,114)	(14,885)
Contingent consideration payments in connection with business combinations	(3,858)	—
Net cash provided by (used for) financing activities	(37,268)	27,970
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1,665	(1,383)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(7,906)	(5,423)
Cash, cash equivalents, and restricted cash at beginning of year	67,339	59,834
Cash, cash equivalents, and restricted cash at end of period	\$ 59,433	\$ 54,411
Supplemental cash flow information:		
Income taxes paid	\$ 4,191	\$ 4,142
Interest paid	\$ 2,525	\$ 981

See Note 4 for further information concerning our purchases from related party vendors.

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

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018
(Unaudited)

Note 1 — Basis of Presentation and Significant Accounting Policies

In the opinion of management, the accompanying consolidated financial statements of Universal Electronics Inc. and its subsidiaries contain all the adjustments necessary for a fair presentation of financial position, results of operations and cash flows for the periods presented. All such adjustments are of a normal recurring nature and certain reclassifications have been made to prior year amounts in order to conform to the current year presentation. Information and footnote disclosures normally included in financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. As used herein, the terms "Company," "we," "us," and "our" refer to Universal Electronics Inc. and its subsidiaries, unless the context indicates to the contrary.

Our results of operations for the three and six months ended June 30, 2018 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures About Market Risk," and the "Financial Statements and Supplementary Data" included in Items 1A, 7, 7A, and 8, respectively, of our Annual Report on Form 10-K for the year ended December 31, 2017.

Estimates, Judgments and Assumptions

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, we evaluate our estimates and assumptions, including those related to revenue recognition, allowances for sales returns and doubtful accounts, inventory valuation, our review for impairment of long-lived assets, intangible assets and goodwill, business combinations, income taxes, stock-based compensation expense and performance-based common stock warrants. Actual results may differ from these estimates and assumptions, and they may be adjusted as more information becomes available. Any adjustment may be material.

Summary of Significant Accounting Policies

We adopted Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," and all related amendments as of January 1, 2018. The impact of this new guidance on our accounting policies and consolidated financial statements is also described below. There have been no other significant changes in our accounting policies during the three and six months ended June 30, 2018 compared to the significant accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2017.

Revenue Recognition

Our performance obligations primarily arise from manufacturing and delivering universal control, sensing and automation products and AV accessories, which are sold through multiple channels, and intellectual property that is embedded in these products or licensed to others. These performance obligations are satisfied at a point in time or over time, as described below. Payment terms are typically on open credit terms consistent with industry practice and do not have significant financing components. Some contracts contain early payment discounts, which are recognized as a reduction to revenue if the customer typically meets the early payment conditions. Consideration may be variable based on indeterminate volumes.

Effective January 1, 2018, revenue is recognized over time when the customer simultaneously receives and consumes the benefits provided by our performance, our performance creates or enhances an asset that the customer controls, or when our performance creates an asset with no alternative use to us (custom products) and we have an enforceable right to payment for performance completed to date, such as a firm order or other contractual commitment from the customer. An asset does not have an alternative use if we are unable to redirect the asset to another customer in the foreseeable future without significant rework. The method for measuring progress towards satisfying a performance obligation for a custom product is based on the costs incurred to date (cost-to-cost method). We believe that the costs associated with production are most closely aligned with the revenue associated with those products.

We recognize revenue at a point in time if the criteria for recognizing revenue over time are not met, the title of the goods has transferred, and we have a present right to payment.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018
(Unaudited)

We typically recognize revenue for the sale of tooling at a point in time, which is generally upon completion of the tooling and, if applicable, acceptance by the customer.

A provision is recorded for estimated sales returns and allowances and is deducted from gross sales to arrive at net sales in the period the related revenue is recorded. These estimates are based on historical sales returns and allowances, analysis of credit memo data and other known factors. Actual returns and claims in any future period are inherently uncertain and thus may differ from our estimates. If actual or expected future returns and claims are significantly greater or lower than the reserves that we have established, we will record a reduction or increase to net revenue in the period in which we make such a determination.

We accrue for discounts and rebates based on historical experience and our expectations regarding future sales to our customers. Accruals for discounts and rebates are recorded as a reduction to sales in the same period as the related revenue. Changes in such accruals may be required if future rebates and incentives differ from our estimates.

We license our intellectual property including our patented technologies, trademarks, and database of control codes. When license fees are paid on a per-unit basis we record license revenue when our customers manufacture or ship a product incorporating our intellectual property and we have a present right to payment. When a fixed up-front license fee is received in exchange for the delivery of a particular database of infrared codes or the contract contains a minimum guarantee provision, we record revenue when delivery of the intellectual property has occurred. Tiered royalties are recorded on a straight-line basis according to the forecasted per-unit fees taking into account the pricing tiers.

Contract assets represent revenue which has been recognized based on our accounting policies but for which the customer has not yet been invoiced and thus an account receivable has not yet been recorded.

Under prior accounting standards, we recognized revenue on the sale of products when title of the goods had transferred, there was persuasive evidence of an arrangement (such as a purchase order from the customer), the sales price was fixed or determinable and collectability was reasonably assured. Revenue for term license fees were recognized on a straight-line basis over the effective term of the license when we could not reliably predict in which periods, within the term of the license, the licensee would benefit from the use of our patented inventions.

Recently Adopted Accounting Pronouncements

On January 1, 2018, we adopted ASU 2014-09 using the modified retrospective transition method. Under this method, we evaluated all contracts that were in effect at the beginning of 2018 as if those contracts had been accounted for under the new revenue standard based on the terms in effect as of the adoption date. Under the modified retrospective transition approach, periods prior to the adoption date were not adjusted and continue to be reported in accordance with historical U.S. GAAP. A cumulative catch-up adjustment was recorded to beginning retained earnings to reflect the impact of all existing arrangements under the new revenue standard.

The cumulative effects of the changes made to our consolidated January 1, 2018 balance sheet for the adoption of ASU 2014-09, were as follows:

Consolidated Balance Sheet (In thousands)	As reported 12/31/2017	Adjustments due to ASU 2014-09	Balance at 1/1/2018
Contract assets	\$ —	\$ 29,759	\$ 29,759
Inventories, net	162,589	(23,830)	138,759
Prepaid expenses and other current assets	11,687	(174)	11,513
Deferred income tax assets	7,913	(102)	7,811
Accounts payable and other current liabilities	332,935	1,528	334,463
Deferred income tax liabilities	4,423	20	4,443
Retained earnings	266,780	4,084	270,864

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018
(Unaudited)

The following tables compare the reported consolidated balance sheet and statements of operations as of and for the three and six months ended June 30, 2018, to pro forma amounts had the previous guidance been in effect. The guidance did not have a significant impact on the Company's unaudited condensed consolidated statement of cash flows.

Consolidated Balance Sheet (In thousands)	As of June 30, 2018		
	As reported	Without Adoption of ASU 2014-09	Effect of Change
Assets			
Contract assets	\$ 28,253	\$ —	\$ 28,253
Inventories, net	147,186	169,855	(22,669)
Prepaid expenses and other current assets	14,312	14,307	5
Deferred income taxes	7,152	7,250	(98)
Liabilities and Equity			
Accounts payable and other current liabilities	\$ 296,256	\$ 294,484	\$ 1,772
Retained earnings	292,936	289,217	3,719
Consolidated Statements of Operations (In thousands)			
	Three Months Ended June 30, 2018		
	As reported	Without Adoption of ASU 2014-09	Effect of Change
Net sales	\$ 162,523	\$ 156,133	\$ 6,390
Cost of sales	135,764	129,745	6,019
Selling, general and administrative expenses	30,570	30,427	143
Provision for income taxes	2,088	2,040	48
Net income	22,659	22,478	181
Earnings per share:			
Basic	\$ 1.61	\$ 1.60	\$ 0.01
Diluted	\$ 1.60	\$ 1.59	\$ 0.01
Consolidated Statements of Operations (In thousands)			
	Six months ended June 30, 2018		
	As reported	Without Adoption of ASU 2014-09	Effect of Change
Net sales	\$ 327,221	\$ 328,321	\$ (1,100)
Cost of sales	263,260	264,001	(741)
Selling, general and administrative expenses	60,817	60,837	(20)
Provision for income taxes	1,922	1,895	27
Net income	22,072	22,437	(365)
Earnings per share:			
Basic	\$ 1.57	\$ 1.59	\$ (0.03)
Diluted	\$ 1.55	\$ 1.58	\$ (0.03)

Other Accounting Pronouncements

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018
(Unaudited)

In August 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments," which amends Accounting Standards Codification ("ASC") 230, "Statement of Cash Flows". This new guidance addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 is effective for fiscal periods beginning after December 15, 2017 and must be adopted retrospectively. The adoption of ASU 2016-15 did not have a material impact to the presentation of our consolidated statement of cash flows.

In October 2016, the FASB issued ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory," which changes the accounting for income tax consequences of intra-entity transfers of assets other than inventory. Current guidance prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. Under this new guidance, the income tax consequences of an intra-entity transfer of an asset other than inventory will be recognized when the transfer occurs. ASU 2016-16 is effective for fiscal periods beginning after December 15, 2017. The adoption of ASU 2016-16 did not have a material impact on our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, "Restricted Cash," which amends ASC 230, "Statement of Cash Flows." This new guidance addresses the classifications and presentation of changes in restricted cash in the statement of cash flows. ASU 2016-18 is effective for fiscal periods beginning after December 15, 2017 and must be adopted retrospectively. The adoption of ASU 2016-18 modified our current disclosures by reclassifying certain amounts within the consolidated statement of cash flows, but did not have a material effect on our consolidated financial statements.

Recent Accounting Updates Not Yet Effective

In February 2016, the FASB issued ASU 2016-02, "Leases," which changes the accounting for leases and requires expanded disclosures about leasing activities. This new guidance will require lessees to recognize a right of use asset and a lease liability at the commencement date for all leases with terms greater than twelve months. Accounting by lessors is largely unchanged. ASU 2016-02 is effective for fiscal periods beginning after December 15, 2018 and must be adopted using a modified retrospective approach. Early adoption is permitted. We are currently evaluating the impact that ASU 2016-02 will have on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment." This guidance simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Instead, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to the reporting unit. ASU 2017-04 is effective for fiscal periods beginning after December 15, 2019. Early adoption is permitted. We do not expect the adoption of ASU 2017-04 will have a material impact on our consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, "Improvements to Nonemployee Share-Based Payment Accounting." This guidance expands the scope of Topic 718, "Compensation - Stock Compensation" to include share-based payment transactions for acquiring goods and services from non-employees, but excludes awards granted in conjunction with selling goods or services to a customer as part of a contract accounted for under ASC 606, "Revenue from Contracts with Customers." We are currently evaluating the impact that ASU 2018-07 will have on our consolidated financial statements.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018
(Unaudited)

Note 2 — Cash and Cash Equivalents and Restricted Cash*Cash and Cash Equivalents*

Cash and cash equivalents were held in the following geographic regions:

(In thousands)	June 30, 2018	December 31, 2017
United States	\$ 6,465	\$ 10,489
People's Republic of China ("PRC")	34,710	23,283
Asia (excluding the PRC)	1,348	1,405
Europe	8,139	18,071
South America	8,771	9,190
Total cash and cash equivalents	<u>\$ 59,433</u>	<u>\$ 62,438</u>

Restricted Cash

In connection with the pending sale of our Guangzhou factory in the PRC (Note 10), a prospective buyer made a cash deposit of RMB 32 million (\$5.1 million based on April 2018 exchange rates) into an escrow account on September 29, 2016. Under the terms of the escrow account, these funds were not to be paid to us until the close of the sale. Accordingly, this deposit was presented as restricted cash within our consolidated balance sheet. In April 2018, the sale transaction with this buyer was terminated and this deposit was returned to the buyer.

Note 3 — Accounts Receivable, Net and Revenue Concentrations

Accounts receivable, net were as follows:

(In thousands)	June 30, 2018	December 31, 2017
Trade receivables, gross	\$ 140,483	\$ 142,299
Allowance for doubtful accounts	(1,008)	(1,064)
Allowance for sales returns	(596)	(562)
Net trade receivables	138,879	140,673
Other	4,783	10,905
Accounts receivable, net	<u>\$ 143,662</u>	<u>\$ 151,578</u>

Allowance for Doubtful Accounts

Changes in the allowance for doubtful accounts were as follows:

(In thousands)	Six Months Ended June 30,	
	2018	2017
Balance at beginning of period	\$ 1,064	\$ 904
Additions to costs and expenses	2	81
(Write-offs)/Foreign exchange effects	(58)	(35)
Balance at end of period	<u>\$ 1,008</u>	<u>\$ 950</u>

Sales Returns

The allowance for sales returns at June 30, 2018 and December 31, 2017 included reserves for items returned prior to period-end that were not completely processed, and therefore had not yet been removed from the allowance for sales returns balance. If these returns had been fully processed, the allowance for sales returns balance would have been approximately \$0.3 million and \$0.4 million on June 30, 2018 and December 31, 2017, respectively. The value of these returned goods was included in our inventory balance at June 30, 2018 and December 31, 2017.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018
(Unaudited)

Significant Customers

Net sales to the following customers totaled more than 10% of our net sales:

	Three Months Ended June 30,			
	2018		2017	
	\$ (thousands)	% of Net Sales	\$ (thousands)	% of Net Sales
Comcast Corporation	\$ 29,542	18.2%	\$ 42,951	24.2%
AT&T ⁽¹⁾	\$ —	—%	\$ 21,740	12.2%

	Six Months Ended June 30,			
	2018		2017	
	\$ (thousands)	% of Net Sales	\$ (thousands)	% of Net Sales
Comcast Corporation	\$ 67,517	20.6%	\$ 85,198	25.1%
AT&T ⁽¹⁾	\$ —	—%	\$ 40,940	12.1%

⁽¹⁾ Sales associated with this customer did not total more than 10% of our net sales for the indicated period.

Trade receivables associated with these significant customers that totaled more than 10% of our accounts receivable, net were as follows:

	June 30, 2018		December 31, 2017	
	\$ (thousands)	% of Accounts Receivable, Net	\$ (thousands)	% of Accounts Receivable, Net
Comcast Corporation	\$ 19,570	13.6%	\$ 25,142	16.6%

Note 4 — Inventories, Net and Significant Suppliers

Inventories, net were as follows:

(In thousands)	June 30, 2018	December 31, 2017
Raw materials	\$ 58,263	\$ 43,638
Components	11,545	16,214
Work in process	5,908	1,847
Finished goods	79,007	105,178
Reserve for excess and obsolete inventory	(7,537)	(4,288)
Inventories, net	\$ 147,186	\$ 162,589

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018
(Unaudited)

Reserve for Excess and Obsolete Inventory

Changes in the reserve for excess and obsolete inventory were as follows:

(In thousands)	Six Months Ended June 30,			
	2018		2017	
Balance at beginning of period	\$	4,288	\$	4,205
Additions charged to costs and expenses ⁽¹⁾		4,564		1,218
Sell through ⁽²⁾		(680)		(576)
(Write-offs)/Foreign exchange effects		(635)		(640)
Balance at end of period	\$	7,537	\$	4,207

⁽¹⁾ The additions charged to costs and expenses do not include inventory directly written-off that was scrapped during production totaling \$0.5 million and \$0.2 million for the six months ended June 30, 2018 and 2017, respectively. These amounts are production waste and are not included in management's reserve for excess and obsolete inventory.

⁽²⁾ These amounts represent the reduction in reserves associated with inventory items that were sold during the period.

Significant Suppliers

We purchase integrated circuits, components and finished goods from multiple sources. Purchases from the following supplier totaled more than 10% of our total inventory purchases:

	Three Months Ended June 30,			
	2018		2017	
	\$ (thousands)	% of Total Inventory Purchases	\$ (thousands)	% of Total Inventory Purchases
Texas Instruments ⁽¹⁾	\$ —	—%	\$ 11,450	11.0%

	Six Months Ended June 30,			
	2018		2017	
	\$ (thousands)	% of Total Inventory Purchases	\$ (thousands)	% of Total Inventory Purchases
Texas Instruments ⁽¹⁾	\$ —	—%	\$ 20,578	10.7%

⁽¹⁾ Purchases associated with this supplier did not total more than 10% of our total inventory purchases for the indicated period.

Related Party Supplier

During the three and six months ended June 30, 2018 and 2017, we purchased certain printed circuit board assemblies from a related party supplier. The supplier was considered a related party for financial reporting purposes because our Senior Vice President of Strategic Operations owned 40% of this supplier. In the second quarter of 2018, our Senior Vice President sold his interest in this supplier, and thus this supplier is no longer considered a related party.

Total inventory purchases made from this supplier while it was a related party were \$1.1 million during the six months ended June 30, 2018 and \$1.6 million and \$2.6 million during the three and six months ended June 30, 2017, respectively.

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Note 5 — Goodwill and Intangible Assets, Net
Goodwill

Changes in the carrying amount of goodwill were as follows:

(In thousands)

Balance at December 31, 2017	\$	48,651
Foreign exchange effects		(129)
Balance at June 30, 2018	\$	48,522

Intangible Assets, Net

The components of intangible assets, net were as follows:

(In thousands)	June 30, 2018			December 31, 2017		
	Gross ⁽¹⁾	Accumulated Amortization ⁽¹⁾	Net	Gross ⁽¹⁾	Accumulated Amortization ⁽¹⁾	Net
Distribution rights	\$ 335	\$ (176)	\$ 159	\$ 344	\$ (165)	\$ 179
Patents	13,662	(5,218)	8,444	13,250	(5,310)	7,940
Trademarks and trade names	2,786	(1,746)	1,040	2,786	(1,594)	1,192
Developed and core technology	12,560	(7,079)	5,481	12,560	(6,071)	6,489
Capitalized software development costs	198	(113)	85	142	(77)	65
Customer relationships	32,534	(21,035)	11,499	32,534	(19,395)	13,139
Order backlog	—	—	—	150	(113)	37
Total intangible assets, net	<u>\$ 62,075</u>	<u>\$ (35,367)</u>	<u>\$ 26,708</u>	<u>\$ 61,766</u>	<u>\$ (32,725)</u>	<u>\$ 29,041</u>

⁽¹⁾ This table excludes the gross value of fully amortized intangible assets totaling \$6.8 million and \$6.0 million at June 30, 2018 and December 31, 2017, respectively.

Amortization expense is recorded in selling, general and administrative expenses, except amortization expense related to capitalized software development costs and order backlog, which are recorded in cost of sales. Amortization expense by income statement caption was as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Cost of sales	\$ 18	\$ 55	\$ 73	\$ 74
Selling, general and administrative expenses	1,758	1,736	3,505	3,317
Total amortization expense	<u>\$ 1,776</u>	<u>\$ 1,791</u>	<u>\$ 3,578</u>	<u>\$ 3,391</u>

Estimated future annual amortization expense related to our intangible assets at June 30, 2018, was as follows:

(In thousands)	
2018 (remaining 6 months)	\$ 3,506
2019	6,922
2020	5,791
2021	2,253
2022	2,143
Thereafter	6,093
Total	<u>\$ 26,708</u>

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Note 6 — Line of Credit

Our Second Amended and Restated Credit Agreement ("Second Amended Credit Agreement") with U.S. Bank National Association ("U.S. Bank") and Wells Fargo Bank, National Association provides for a \$170.0 million revolving line of credit ("Credit Line") that expires on November 1, 2019. The Credit Line may be used for working capital and other general corporate purposes including acquisitions, share repurchases and capital expenditures. Amounts available for borrowing under the Credit Line are reduced by the balance of any outstanding letters of credit. There were no outstanding letters of credit at June 30, 2018.

All obligations under the Credit Line are secured by substantially all of our U.S. personal property and tangible and intangible assets as well as 65% of our ownership interest in Enson Assets Limited, our wholly-owned subsidiary which controls our manufacturing factories in the PRC.

Under the Second Amended Credit Agreement, we may elect to pay interest on the Credit Line based on LIBOR plus an applicable margin (varying from 1.25% to 1.75%) or base rate (based on the prime rate of U.S. Bank or as otherwise specified in the Second Amended Credit Agreement) plus an applicable margin (varying from 0.00% to 0.50%). The applicable margins are calculated quarterly and vary based on our cash flow leverage ratio as set forth in the Second Amended Credit Agreement. The interest rate in effect at June 30, 2018 was 3.84%. There are no commitment fees or unused line fees under the Second Amended Credit Agreement.

The Second Amended Credit Agreement includes financial covenants requiring a minimum fixed charge coverage ratio and a maximum cash flow leverage ratio. In addition, the Second Amended Credit Agreement contains other customary affirmative and negative covenants and events of default. As of June 30, 2018, we were in compliance with the covenants and conditions of the Second Amended Credit Agreement.

At June 30, 2018, we had \$111.0 million outstanding under the Credit Line. Our total interest expense on borrowings was \$1.4 million and \$0.6 million during the three months ended June 30, 2018 and 2017, respectively. Our total interest expense on borrowings was \$2.5 million and \$1.1 million during the six months ended June 30, 2018 and 2017, respectively.

Note 7 — Income Taxes

We utilize our estimated annual effective tax rate to determine our provision for income taxes for interim periods. The income tax provision is computed by taking the estimated annual effective rate and multiplying it by the year-to-date pre-tax book income.

We recorded income tax expense of \$2.1 million and \$1.4 million for the three months ended June 30, 2018 and 2017, respectively, and our effective tax rate was 8.4% and 23.2% for the three months ended June 30, 2018 and 2017, respectively. During the six months ended June 30, 2018 and 2017, we recorded income tax expense of \$1.9 million and \$1.1 million, respectively, and our effective tax rate was 8.0% and 18.9% during the six months ended June 30, 2018 and 2017, respectively. The decrease in our effective tax rate in the current year was primarily a result of the tax rate applicable to the gain recognized on the sale of our Guangzhou factory being lower than our blended consolidated tax rate.

The Tax Cuts and Jobs Act (the "Tax Act") was enacted on December 22, 2017. The Tax Act reduces the U.S. federal corporate income tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. We are applying the guidance in SAB 118 when accounting for the enactment-date effects of the Tax Act. At June 30, 2018, we have not completed our accounting for all of the tax effects of the Tax Act. Additionally, we have made a reasonable estimate of other effects. During the three and six month period ended June 30, 2018, we recognized no adjustments to the provisional amounts recorded at December 31, 2017. We are awaiting further guidance from the U.S. federal and state regulatory bodies with regards to the final accounting and reporting of these items in the jurisdictions where we file tax returns. In all cases, we will continue to make and refine our calculations as additional analysis is completed. Our estimates may also be affected as we gain a more thorough understanding of tax law. These changes could be material to income tax expense.

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Additionally, we have provided provisional amounts for the legislative provisions that are effective as of January 1, 2018, including, but not limited to, the creation of the base erosion anti-abuse tax ("BEAT"), a new minimum tax, a new provision designed to tax global intangible low-taxed income ("Global Minimum Tax", or "GMT"), a new limitation on deductible interest expense, and limitations on the use of net operating losses. Our accounting for these elements of the Tax Act is incomplete; however, we were able to make reasonable estimates and therefore recorded provisional adjustments. Similar to the above elements, we are in the process of collecting and preparing necessary data, and interpreting guidance as issued by the U.S. Treasury Department, Internal Revenue Service, FASB, and other federal and state standard-setting regulatory bodies. However, we continue to gather additional information to complete our accounting for these items and expect to complete the accounting within the prescribed measurement period. Given the complexity of the GMT provisions, we are still evaluating the effects of the GMT provisions and have not yet determined our accounting policy. At June 30, 2018, we are still evaluating the GMT provisions and our analysis of future taxable income that is subject to GMT, we have included GMT related to current year operations only in our estimated annual effective tax rate and have not provided additional GMT on deferred items.

At June 30, 2018, we had gross unrecognized tax benefits of \$5.7 million, including interest and penalties, of which approximately \$5.4 million, if not for the state Research and Experimentation income tax credit valuation allowance, would affect the annual effective tax rate if these tax benefits are realized. Further, we are unaware of any positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly change within the next twelve months. Based on federal, state and foreign statute expirations in various jurisdictions, we do not anticipate any decrease in unrecognized tax benefits within the next twelve months. We have classified uncertain tax positions as non-current income tax liabilities unless expected to be paid within one year.

We have elected to classify interest and penalties as a component of tax expense. Accrued interest and penalties of \$0.6 million and \$0.5 million at June 30, 2018 and December 31, 2017, respectively, are included in our unrecognized tax benefits.

Note 8 — Accrued Compensation

The components of accrued compensation were as follows:

(In thousands)	June 30, 2018	December 31, 2017
Accrued social insurance ⁽¹⁾	\$ 17,412	\$ 17,727
Accrued salary/wages	9,789	7,910
Accrued vacation/holiday	2,908	2,769
Accrued bonus ⁽²⁾	1,155	2,329
Accrued commission	669	1,089
Accrued medical insurance claims	321	286
Other accrued compensation	710	2,389
Total accrued compensation	<u>\$ 32,964</u>	<u>\$ 34,499</u>

⁽¹⁾ PRC employers are required by law to remit the applicable social insurance payments to their local government. Social insurance is comprised of various components such as pension, medical insurance, job industry 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 June 30, 2018 and December 31, 2017.

⁽²⁾ Accrued bonus includes an accrual for an extra month of salary ("13th month salary") to be paid to employees in certain geographies where it is the customary business practice. This 13th month salary is paid to these employees if they remain employed with us through December 31st. The total accrued for the 13th month salary was \$0.1 million and \$0.7 million at June 30, 2018 and December 31, 2017, respectively.

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Note 9 — Other Accrued Liabilities

The components of other accrued liabilities were as follows:

(In thousands)	June 30, 2018	December 31, 2017
Advertising and marketing	\$ 304	\$ 232
Deferred revenue	336	215
Deposit for sale of Guangzhou factory	—	4,901
Duties	792	1,184
Freight and handling fees	3,043	1,983
Product development	700	974
Product warranty claim costs	1,008	339
Professional fees	1,760	1,578
Property, plant, and equipment	509	2,151
Sales taxes and VAT	799	2,955
Short-term contingent consideration	3,870	3,800
Third-party commissions	535	599
Tooling ⁽¹⁾	1,728	1,843
Unrealized loss on foreign currency exchange contracts	163	630
Utilities	165	103
Other	5,338	5,232
Total other accrued liabilities	\$ 21,050	\$ 28,719

⁽¹⁾ The tooling accrual balance relates to unearned revenue for tooling that will be sold to customers.

Note 10 — Commitments and Contingencies*Product Warranties*

Changes in the liability for product warranty claim costs were as follows:

(In thousands)	Six Months Ended June 30,	
	2018	2017
Balance at beginning of period	\$ 339	\$ 134
Accruals for warranties issued during the period	769	167
Settlements (in cash or in kind) during the period	(100)	(3)
Balance at end of period	\$ 1,008	\$ 298

Restructuring Activities and Sale of Guangzhou Factory

In the first quarter of 2016, we implemented a plan to transition manufacturing activities from our southern-most China factory, located in the city of Guangzhou in the Guangdong province, to our other China factories. As a result, we incurred severance costs of \$0.4 million and \$5.7 million during the three and six months ended June 30, 2017, respectively, which are included within operating expenses. All operations ceased in our Guangzhou factory in the third quarter of 2017 and the transition to the other China factories was completed by the end of 2017. Since all operations at our Guangzhou manufacturing facility ceased as of the end of July 2017, the related building and land lease assets were classified as assets held for sale in our consolidated balance sheet at December 31, 2017.

On September 26, 2016, we entered into an agreement to sell our Guangzhou manufacturing facility for RMB 320 million. In accordance with the terms of the agreement, the buyer deposited 10% of the purchase price into an escrow account upon the execution of the agreement, which we presented as restricted cash in our consolidated balance sheet at December 31, 2017 (also refer to Note 2). In April 2018, we and the buyer mutually agreed to terminate the sale. The mutually agreed termination took

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effect immediately with no incremental penalty or costs to either party. In connection with this termination, the deposit was returned to the buyer.

On April 23, 2018, we entered into a new agreement to sell our Guangzhou manufacturing facility to a second buyer for RMB 339 million (approximately \$51.4 million based on exchange rates in effect at the time of closing). On April 26, 2018, the second buyer paid to us a deposit of RMB 34 million (approximately \$5.1 million based on exchange rates in effect at the time of closing), which under the terms of the agreement was nonrefundable. Upon receipt by the Governmental Agency of the second buyer's application of approval of transfer, the second buyer was to pay to us RMB 237 million (approximately \$35.8 million based on exchange rates in effect at the time of closing). Additionally, within two days after the second payment was made to us, the second buyer was to deposit the remaining consideration of RMB 68 million (approximately \$10.3 million based on exchange rates in effect at the time of closing) into escrow, which was to be released to us upon the closing of the sale. Per the terms of the agreement, the sale was to be completed no later than June 30, 2018. On June 26, 2018, all conditions to closing were satisfied and the sale was completed, resulting in a pretax gain of \$37.0 million (\$32.1 million, net of income taxes).

Litigation

On or about June 10, 2015, FM Marketing GmbH ("FMH") and Ruwido Austria GmbH ("Ruwido"), filed a Summons in Summary Proceedings in Belgium court against one of our subsidiaries, Universal Electronics BV ("UEBV") and one of its customers, Telenet N.V. ("Telenet"), claiming that one of the products UEBV supplied to Telenet violates two design patents and one utility patent owned by FMH and/or Ruwido. By this summons, FMH and Ruwido sought to enjoin Telenet and UEBV from continued distribution and use of the product at issue. After the September 29, 2015 hearing, the court issued its ruling in our and Telenet's favor, rejecting FMH and Ruwido's request entirely. On October 22, 2015, Ruwido filed its notice of appeal in this ruling. The parties have fully briefed and argued before the appellate court and we are awaiting the appellate court's ruling. In addition, on or about February 9, 2016, Ruwido filed a writ of summons for proceeding on the merits with respect to the asserted patents. UEBV and Telenet have replied, denying all of Ruwido's allegations and in June 2017, a hearing was held before the trial court. During this hearing, Ruwido sought to have a second product which we are currently selling to Telenet included in this case. In September 2017, the Court ruled in our favor that our current product cannot be made part of this case. The Court also refused to rule on whether the original product (which we are no longer selling) infringes the Ruwido patent, instead deciding to wait until the European Patent Office has ruled on our Opposition (see below). Finally, the Court ruled that our original product (which we are no longer selling) infringes certain of Ruwido's design rights, but stayed any decision of compensation and/or damages until all aspects of the case have been decided. We have filed an appeal as to the Court's ruling of infringement, and submission by the parties were due to the Court during the second quarter of 2018 with a hearing expected to take place in late 2018. Subsequent to the Court's ruling that a second product could not be added to the first case on the merits, Ruwido filed a separate case on the merits with respect to this second product, claiming that it too infringes the same patent at issue in the first suit. We have denied these claims. According to the Court's trial schedule, briefs from both parties will be due during the second half of 2018 and early 2019 with a trial date set for January 2019. In September 2015, UEBV filed an Opposition with the European Patent Office seeking to invalidate the one utility patent asserted against UEBV and Telenet by Ruwido. The hearing on this opposition was held in July 2017. During this hearing the panel requested additional information. We have assembled this additional information and the final hearing has been scheduled for January 29, 2019. On September 5, 2017, Ruwido and FMH filed a patent infringement case on the merits against UEBV and Telenet in the Netherlands alleging the same claims of infringement as in the Belgium Courts (see above). We have denied these claims and filed a counterclaim seeking to invalidate the Ruwido patent. A November 30, 2018 hearing date has been set by the Court.

There are no other material pending legal proceedings to which we or any of our subsidiaries is a party or of which our respective property is the subject. However, as is typical in our industry and to the nature and kind of business in which we are engaged, from time to time, various claims, charges and litigation are asserted or commenced by third parties against us or by us against third parties arising from or related to product liability, infringement of patent or other intellectual property rights, breach of warranty, contractual relations, or employee relations. The amounts claimed may be substantial but may not bear any reasonable relationship to the merits of the claims or the extent of any real risk of court awards assessed against us or in our favor. However, no assurances can be made as to the outcome of any of these matters, nor can we estimate the range of potential losses to us. In our opinion, final judgments, if any, which might be rendered against us in potential or pending litigation would not have a material adverse effect on our consolidated financial condition, results of operations, or cash flows. Moreover, we believe that our products do not infringe any third parties' patents or other intellectual property rights.

We maintain directors' and officers' liability insurance which insures our individual directors and officers against certain claims, as well as attorney's fees and related expenses incurred in connection with the defense of such claims.

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Note 11 — Treasury Stock

From time to time, our Board of Directors authorizes management to repurchase shares of our issued and outstanding common stock on the open market. On May 11, 2018, our Board approved a repurchase plan authorizing the repurchase of up to \$10.0 million of our common stock. As of June 30, 2018, we had \$3.6 million of authorized repurchases remaining under the Board's authorizations. On July 26, 2018, our Board approved a new repurchase plan authorizing the repurchase of up to \$5.0 million of our common stock bringing the total amount of authorized repurchases as of approval date to \$5.4 million. We may utilize various methods to effect the repurchases, which could include open market repurchases, negotiated block transactions, accelerated share repurchases or open market solicitations for shares, some of which may be effected through Rule 10b5-1 plans. The timing and amount of future repurchases, if any, will depend upon several factors, including market and business conditions, and such repurchases may be discontinued at any time.

Repurchased shares of our common stock were as follows:

(In thousands)	Six Months Ended June 30,	
	2018	2017
Shares repurchased	225	239
Cost of shares repurchased	\$ 7,114	\$ 14,885

Repurchased shares are recorded as shares held in treasury at cost. We hold these shares for future use as management and the Board of Directors deem appropriate.

Note 12 — 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. 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 only have a single operating and reportable segment.

Foreign Operations

Our net sales to external customers by geographic area were as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
United States	\$ 79,294	\$ 85,569	\$ 159,045	\$ 167,497
Asia (excluding PRC)	27,467	26,916	54,867	51,566
People's Republic of China	20,627	21,835	40,744	37,578
Europe	20,330	19,740	39,460	37,164
Latin America	6,636	15,381	16,666	31,026
Other	8,169	8,139	16,439	14,155
Total net sales	\$ 162,523	\$ 177,580	\$ 327,221	\$ 338,986

Specific identification of the customer billing location was the basis used for attributing revenues from external customers to geographic areas.

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Long-lived tangible assets by geographic area were as follows:

(In thousands)	June 30, 2018	December 31, 2017
United States	\$ 15,351	\$ 14,674
People's Republic of China	92,261	96,984
All other countries	3,753	3,870
Total long-lived tangible assets	<u>\$ 111,365</u>	<u>\$ 115,528</u>

Note 13 — Stock-Based Compensation

Stock-based compensation expense for each employee and director is presented in the same statement of operations caption as their cash compensation. Stock-based compensation expense by statement of operations caption and the related income tax benefit were as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Cost of sales	\$ 23	\$ 19	\$ 40	\$ 34
Research and development expenses	201	144	356	263
Selling, general and administrative expenses:				
Employees	1,737	1,975	3,265	3,719
Outside directors	504	794	1,008	1,539
Total employee and director stock-based compensation expense	<u>\$ 2,465</u>	<u>\$ 2,932</u>	<u>\$ 4,669</u>	<u>\$ 5,555</u>
Income tax benefit	\$ 519	\$ 889	982	1,704

Stock Options

Stock option activity was as follows:

	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 December 31, 2017	520	\$ 42.56		
Granted	119	44.95		
Exercised	(30)	23.46		\$ 700
Forfeited/canceled/expired	(7)	27.74		
Outstanding at June 30, 2018 ⁽¹⁾	<u>602</u>	\$ 44.17	4.57	\$ 1,814
Vested and expected to vest at June 30, 2018 ⁽¹⁾	602	\$ 44.17	4.57	\$ 1,814
Exercisable at June 30, 2018 ⁽¹⁾	404	\$ 41.03	3.83	\$ 1,814

⁽¹⁾ The aggregate intrinsic value represents the total pre-tax value (the difference between our closing stock price on the last trading day of the second quarter of 2018 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 June 30, 2018. This amount will change based on the fair market value of our stock.

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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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Weighted average fair value of grants	\$ —	\$ —	\$ 14.26	\$ 19.61
Risk-free interest rate	—%	—%	2.51%	1.75%
Expected volatility	—%	—%	33.09%	34.25%
Expected life in years	0.00	0.00	4.53	4.52

As of June 30, 2018, we expect to recognize \$2.8 million of total unrecognized pre-tax stock-based compensation expense related to non-vested stock options over a remaining weighted-average life of 2.0 years.

Restricted Stock

Non-vested restricted stock award activity was as follows:

	Shares (in 000's)	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2017	162	\$ 61.19
Granted	137	44.79
Vested	(58)	63.20
Forfeited	(5)	59.72
Non-vested at June 30, 2018	236	\$ 51.22

As of June 30, 2018, we expect to recognize \$9.8 million of total unrecognized pre-tax stock-based compensation expense related to non-vested restricted stock awards over a weighted-average life of 2.1 years.

Note 14 — Performance-Based Common Stock Warrants

On March 9, 2016, we issued common stock purchase warrants to Comcast to purchase up to 725,000 shares of our common stock at a price of \$54.55 per share. The right to exercise the warrants is subject to vesting over three successive two-year periods (the first two-year period commenced on January 1, 2016 and ended December 31, 2017) based on the level of purchases of goods and services from us by Comcast and its affiliates, as defined in the warrants. The table below presents the purchase levels and number of warrants that will vest in each period based upon achieving these purchase levels.

Aggregate Level of Purchases by Comcast and Affiliates	Incremental Warrants That Will Vest		
	January 1, 2016 - December 31, 2017	January 1, 2018 - December 31, 2019	January 1, 2020 - December 31, 2021
\$260 million	100,000	100,000	75,000
\$300 million	75,000	75,000	75,000
\$340 million	75,000	75,000	75,000
Maximum Potential Warrants Earned by Comcast	250,000	250,000	225,000

If total aggregate purchases by Comcast and its affiliates are below \$260 million in any of the two-year periods above, no warrants will vest related to that two-year period. If total aggregate purchases of goods and services by Comcast and its affiliates exceed \$340 million during either the first or second two-year period, the amount of any such excess will count toward aggregate purchases in the following two-year period. At June 30, 2018, 175,000 vested warrants were outstanding. To fully vest in the rights to purchase all of the remaining unearned 475,000 underlying shares, Comcast and its affiliates must purchase an aggregate of \$680 million in goods and services from us during the remaining four-year vesting period.

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Any and all warrants that vest will expire on January 1, 2023. The warrants provide for certain adjustments that may be made to the exercise price and the number of shares issuable upon exercise due to customary anti-dilution provisions. Additionally, in connection with the warrants, we have also entered into a registration rights agreement with Comcast under which Comcast may from time to time request that we register the shares of common stock underlying vested warrants with the SEC.

Because the warrants contain performance criteria under which Comcast must achieve specified aggregate purchase levels for the warrants to vest, as detailed above, the measurement date for the warrants is the date on which the warrants vest. Through June 30, 2018, no warrants had vested for the two-year period beginning January 1, 2018.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Fair value	\$6.92	\$28.89	\$6.92	\$28.89
Price of Universal Electronics Inc. common stock	\$32.88	\$67.21	\$32.88	\$67.21
Risk-free interest rate	2.71%	1.95%	2.71%	1.95%
Expected volatility	40.20%	35.05%	40.20%	35.05%
Expected life in years	4.50	5.50	4.50	5.50

The impact to net sales recorded in connection with the warrants and the related income tax benefit were as follows:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Reduction/(increase) to net sales	(128)	331	343	1,263
Income tax benefit/(expense)	(32)	123	86	471

At June 30, 2018, we estimated the number of warrants that will vest based on projected future purchases that will be made by Comcast and its affiliates. These estimates may increase or decrease based on actual future purchases. The aggregate unrecognized estimated fair value of unvested warrants at June 30, 2018 was \$2.9 million.

Note 15 — Other Income (Expense), Net

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net gain (loss) on foreign currency exchange contracts ⁽¹⁾	\$ 1,865	\$ (1,598)	\$ 534	\$ (1,364)
Net gain (loss) on foreign currency exchange transactions	(2,965)	1,006	(2,240)	1,336
Other income	18	(50)	37	(31)
Other income (expense), net	\$ (1,082)	\$ (642)	\$ (1,669)	\$ (59)

⁽¹⁾ This represents the gains (losses) incurred on foreign currency hedging derivatives (see Note 17 for further details).

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Note 16 — Earnings Per Share

Earnings per share was calculated as follows:

(In thousands, except per-share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
BASIC				
Net income	\$ 22,659	\$ 4,684	\$ 22,072	\$ 4,803
Weighted-average common shares outstanding	14,070	14,404	14,078	14,427
Basic earnings per share	\$ 1.61	\$ 0.33	\$ 1.57	\$ 0.33
DILUTED				
Net income	\$ 22,659	\$ 4,684	\$ 22,072	\$ 4,803
Weighted-average common shares outstanding for basic	14,070	14,404	14,078	14,427
Dilutive effect of stock options, restricted stock and common stock warrants	88	279	117	273
Weighted-average common shares outstanding on a diluted basis	14,158	14,683	14,195	14,700
Diluted earnings per share	\$ 1.60	\$ 0.32	\$ 1.55	\$ 0.33

The following number of stock options, shares of restricted stock and common stock warrants were excluded from the computation of diluted earnings per common share as their inclusion would have been anti-dilutive:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Stock options	382	165	357	147
Restricted stock awards	204	—	172	29
Performance-based warrants	—	—	—	—

Note 17 — Derivatives

The following table sets forth the total net fair value of derivatives:

(In thousands)	June 30, 2018				December 31, 2017				
	Fair Value Measurement Using				Fair Value Measurement Using				Total Balance
	Level 1	Level 2	Level 3	Total Balance	Level 1	Level 2	Level 3	Total Balance	
Foreign currency exchange contracts	\$ —	\$ (157)	\$ —	\$ (157)	\$ —	\$ (565)	\$ —	\$ (565)	

We held foreign currency exchange contracts, which resulted in a net pre-tax gain of \$1.9 million and a net pre-tax loss of \$1.6 million for the three months ended June 30, 2018 and 2017, respectively. For the six months ended June 30, 2018 and 2017, we had a net pre-tax gain of \$0.5 million and a net pre-tax loss of \$1.4 million, respectively (see Note 15).

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Details of foreign currency exchange contracts held were as follows:

Date Held	Type	Position Held	Notional Value (in millions)	Forward Rate	Unrealized Gain/(Loss) Recorded at Balance Sheet Date (in thousands)⁽¹⁾	Settlement Date
June 30, 2018	USD/Euro	USD	\$ 15.0	1.1575	\$ (148)	July 27, 2018
June 30, 2018	USD/Chinese Yuan Renminbi	Chinese Yuan Renminbi	\$ 5.0	6.6195	\$ (15)	July 27, 2018
June 30, 2018	USD/Brazilian Real	USD	\$ 1.0	3.8626	\$ 6	July 27, 2018
December 31, 2017	USD/Euro	USD	\$ 17.0	1.1858	\$ (220)	January 5, 2018
December 31, 2017	USD/Chinese Yuan Renminbi	Chinese Yuan Renminbi	\$ 20.0	6.6481	\$ (410)	January 5, 2018
December 31, 2017	USD/Brazilian Real	USD	\$ 2.5	3.2350	\$ 65	January 24, 2018

⁽¹⁾ Unrealized gains on foreign currency exchange contracts are recorded in prepaid expenses and other current assets. Unrealized losses on foreign currency exchange contracts are recorded in other accrued liabilities.

Note 18 — Business Combination

On April 6, 2017, we acquired substantially all of the net assets of Residential Control Systems, Inc. ("RCS"), a U.S.-based designer and manufacturer of energy management and control products for the residential, small commercial and hospitality markets. The purchase price of \$12.6 million was comprised of \$8.9 million in cash and \$3.7 million of contingent consideration. The acquisition of these assets will allow us to expand our product offering of home sensing, monitoring and control solutions to include smart thermostat, sensing and monitoring products previously sold and marketed by RCS.

Our consolidated statement of operations for the three and six months ended June 30, 2018 includes net sales of \$0.8 million and \$1.9 million, respectively, and net losses of \$0.6 million and \$0.9 million, respectively, attributable to RCS. Our consolidated statement of operations for the three and six months ended June 30, 2017 includes net sales of \$1.4 million and a net loss of \$0.4 million attributable to RCS for the period commencing on April 6, 2017.

Contingent Consideration

We are required to make additional earnout payments of up to \$10.0 million upon the achievement of certain operating income levels attributable to RCS over the period commencing on the acquisition date through June 30, 2022. The amount of contingent consideration is calculated at the end of each calendar year and is based on the agreed upon percentage of operating income as defined in the Asset Purchase Agreement ("APA"). Operating income will be calculated using certain revenues, costs and expenses directly attributable to RCS as specified in the APA. At the acquisition date, the value of earnout contingent consideration was estimated using a valuation methodology based on projections of future operating income calculated in accordance with the APA. Such projections were then discounted using an average discount rate of 24.8% to reflect the risk in achieving the projected operating income levels as well as the time value of money. The fair value measurement of the earnout contingent consideration was based primarily on significant inputs not observable in an active market and thus represents a Level 3 measurement as defined under U.S. GAAP. At June 30, 2018, the fair value of earnout consideration attributed to RCS was \$2.4 million which is presented within long-term contingent consideration in our consolidated balance sheet.

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Purchase Price Allocation

Using the acquisition method of accounting, the acquisition date fair value of the consideration transferred was allocated to the net tangible and intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition date. The excess of the purchase price over the estimated fair value of net assets acquired is recorded as goodwill. The goodwill is expected to be deductible for income tax purposes. Management's purchase price allocation was the following:

(in thousands)	Estimated Lives	Fair Value
Accounts receivable		\$ 429
Inventories		1,508
Prepaid expenses and other current assets		7
Property, plant and equipment	1-4 years	14
Current liabilities		(408)
Net tangible assets acquired		1,550
Trade name	8 years	400
Customer relationships	10 years	5,000
Order backlog	1 year	150
Goodwill		5,494
Total purchase price		12,594
Less: Contingent consideration		(3,700)
Cash paid		\$ 8,894

Management's determination of the fair value of intangible assets acquired was based primarily on significant inputs not observable in an active market and thus represent Level 3 fair value measurements as defined under U.S. GAAP.

The fair value assigned to the RCS trade name intangible asset was determined utilizing a relief from royalty method. The fair value assigned to RCS customer relationships and order backlog intangible assets were determined utilizing a multi-period excess earnings approach.

The trade name, customer relationships and order backlog intangible assets are expected to be deductible for income tax purposes.

Pro Forma Results (Unaudited)

The following unaudited pro forma financial information presents the combined results of our operations and the operations of RCS as if this transaction had occurred on January 1, 2016. This 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 January 1, 2016, and should not be taken as a projection of the future consolidated results of our operations.

(In thousands, except per-share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net sales	\$ 162,523	\$ 177,580	\$ 327,221	\$ 339,548
Net income	22,659	4,767	22,072	4,541
Basic earnings per share	\$ 1.61	\$ 0.33	\$ 1.57	\$ 0.31
Diluted earnings per share	\$ 1.60	\$ 0.32	\$ 1.55	\$ 0.31

For purposes of determining pro forma net income, adjustments were made to the three and six months ended June 30, 2017. The pro forma net income assumes that amortization of acquired intangible assets began at January 1, 2016 rather than on April 6, 2017. The result is a net increase in amortization expense of \$0.1 million for the six months ended June 30, 2017. Additionally, acquisition costs totaling \$0.1 million are excluded from pro forma net income. All adjustments have been made net of their related tax effects.

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

The following discussion should be read in conjunction with the Consolidated Financial Statements and the related notes that appear elsewhere in this document.

Overview

We develop and manufacture a broad line of pre-programmed universal remote control products, AV accessories, software and intelligent wireless security, sensing and automation components dedicated to redefining the home entertainment and automation experience. Our customers operate primarily in the consumer electronics market and include subscription broadcasters, OEMs, international retailers, private label brands, pro-security installers and companies in the computing industry. We also sell integrated circuits, on which our software and device control database is embedded, and license our device control database to OEMs that manufacture televisions, digital audio and video players, streamer boxes, cable converters, satellite receivers, set-top boxes, room air conditioning equipment, game consoles, and wireless mobile phones and tablets.

Since our beginning in 1986, we have compiled an extensive device control code database that covers over one million individual device functions and approximately 8,500 unique consumer electronic brands. QuickSet®, our proprietary software, can automatically detect, identify and enable the appropriate control commands for home entertainment, automation and appliances like air conditioners. Our library is regularly updated with new control functions captured directly from devices, remote controls and manufacturer specifications to ensure the accuracy and integrity of our database and control engine. Our universal remote control library contains device codes that are capable of controlling virtually all set-top boxes, televisions, audio components, DVD players, Blu-Ray players, and CD players, as well as most other remote controlled home entertainment devices and home automation control modules worldwide.

With the wider adoption of more advanced control technologies, emerging radio frequency ("RF") technologies, such as RF4CE, Bluetooth, and Bluetooth Smart, have increasingly become a focus in our development efforts. Several new recently released platforms utilize RF to effectively implement popular features like voice search.

We have developed a comprehensive patent portfolio of almost 500 issued and pending United States patents related to remote control, home security, safety and automation as well as hundreds of foreign counterpart patents and applications in various territories around the world.

We operate as one business segment. We have 24 international subsidiaries located in Argentina, Brazil, British Virgin Islands, Cayman Islands, France, Germany, Hong Kong (3), India, Italy, Japan, Korea, Mexico, the Netherlands, People's Republic of China (6), Singapore, Spain, and the United Kingdom.

To recap our results for the three months ended June 30, 2018:

- Net sales decreased 8.5% to \$162.5 million for the three months ended June 30, 2018 from \$177.6 million for the three months ended June 30, 2017.
- Our gross margin percentage decreased from 24.6% for the three months ended June 30, 2017 to 16.5% for the three months ended June 30, 2018.
- Operating expenses, as a percent of net sales, increased from 20.5% for the three months ended June 30, 2017 to 22.6% for the three months ended June 30, 2018.
- Our operating income decreased from operating income of \$7.3 million for the three months ended June 30, 2017 to an operating loss of \$9.9 million for the three months ended June 30, 2018, and our operating margin percentage decreased from 4.1% for the three months ended June 30, 2017 to an operating deficit of 6.1% for the three months ended June 30, 2018.
- Our effective tax rate decreased to 8.4% for the three months ended June 30, 2018, compared to 23.2% for the three months ended June 30, 2017.

Our strategic business objectives for 2018 include the following:

- continue to develop and market the advanced remote control products and technologies that our customer base is adopting;
- continue to broaden our home control and automation product offerings;
- further penetrate international subscription broadcasting markets;
- acquire new customers in historically strong regions;
- increase our share with existing customers; and
- continue to seek acquisitions or strategic partners that complement and strengthen our existing business.

We intend for the following discussion of our financial condition and results of operations to provide information that will assist in understanding our consolidated financial statements, the changes in certain key items in those financial statements from period to period, and the primary factors that accounted for those changes, as well as how certain accounting principles, policies and estimates affect our consolidated financial statements.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles accepted in the United States of America requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition, allowances for sales returns and doubtful accounts, inventory valuation, our review for impairment of long-lived assets, intangible assets and goodwill, business combinations, income taxes, stock-based compensation expense and performance-based common stock warrants. Actual results may differ from these judgments and estimates, and they may be adjusted as more information becomes available. Any adjustment may be significant and may have a material impact on our consolidated financial position or results of operations.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably may have been used, or if changes in the estimate that are reasonably likely to occur may materially impact the financial statements. As further discussed in "Notes to Consolidated Financial Statements - Note 1," effective January 1, 2018, we adopted Accounting Standards Update ("ASU") 2014-09, "Revenues from Contracts with Customers." The critical accounting policy below updates the items that we disclosed as our critical accounting policies and estimates in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K for our fiscal year ended December 31, 2017.

Revenue Recognition

Our performance obligations primarily arise from manufacturing and delivering universal control, sensing and automation products and AV accessories, which are sold through multiple channels, and intellectual property that is embedded in these products or licensed to others. These performance obligations are satisfied at a point in time or over time, as described below. Payment terms are typically on open credit terms consistent with industry practice and do not have significant financing components. Some contracts contain early payment discounts, which are recognized as a reduction to revenue if the customer typically meets the early payment conditions. Consideration may be variable based on indeterminate volumes.

Effective January 1, 2018, revenue is recognized over time when the customer simultaneously receives and consumes the benefits provided by our performance, our performance creates or enhances an asset that the customer controls, or when our performance creates an asset with no alternative use to us (custom products) and we have an enforceable right to payment for performance completed to date, such as a firm order or other contractual commitment from the customer. An asset does not have an alternative use if we are unable to redirect the asset to another customer in the foreseeable future without significant rework. The method for measuring progress towards satisfying a performance obligation for a custom product is based on the costs incurred to date (cost-to-cost method). We believe that the costs associated with production are most closely aligned with the revenue associated with those products.

We recognize revenue at a point in time if the criteria for recognizing revenue over time are not met, the title of the goods has transferred, and we have a present right to payment.

We typically recognize revenue for the sale of tooling at a point in time, which is generally upon completion of the tooling and, if applicable, acceptance by the customer.

A provision is recorded for estimated sales returns and allowances and is deducted from gross sales to arrive at net sales in the period the related revenue is recorded. These estimates are based on historical sales returns and allowances, analysis of credit memo data and other known factors. Actual returns and claims in any future period are inherently uncertain and thus may differ from our estimates. If actual or expected future returns and claims are significantly greater or lower than the reserves that we have established, we will record a reduction or increase to net revenue in the period in which we make such a determination.

We accrue for discounts and rebates based on historical experience and our expectations regarding future sales to our customers. Accruals for discounts and rebates are recorded as a reduction to sales in the same period as the related revenue. Changes in such accruals may be required if future rebates and incentives differ from our estimates.

We license our intellectual property including our patented technologies, trademarks, and database of control codes. When license

fees are paid on a per-unit basis we record license revenue when our customers manufacture or ship a product incorporating our intellectual property and we have a present right to payment. When a fixed up-front license fee is received in exchange for the delivery of a particular database of infrared codes or the contract contains a minimum guarantee provision, we record revenue when delivery of the intellectual property has occurred. Tiered royalties are recorded on a straight-line basis according to the forecasted per-unit fees taking into account the pricing tiers.

Contract assets represent revenue which has been recognized based on our accounting policies but for which the customer has not yet been invoiced and thus an account receivable has not yet been recorded.

Under prior accounting standards, we recognized revenue on the sale of products when title of the goods had transferred, there was persuasive evidence of an arrangement (such as a purchase order from the customer), the sales price was fixed or determinable and collectability was reasonably assured. Revenue for term license fees were recognized on a straight-line basis over the effective term of the license when we could not reliably predict in which periods, within the term of the license, the licensee would benefit from the use of our patented inventions.

Recent Accounting Pronouncements

See Note 1 contained in the "Notes to Consolidated Financial Statements" for a discussion of recent accounting pronouncements.

Results of Operations

The following table sets forth our reported results of operations expressed as a percentage of net sales for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	83.5	75.4	80.5	75.0
Gross profit	16.5	24.6	19.5	25.0
Research and development expenses	3.7	2.8	3.7	3.1
Factory transition restructuring charges	—	0.2	—	1.7
Selling, general and administrative expenses	18.9	17.5	18.5	18.2
Operating income (loss)	(6.1)	4.1	(2.7)	2.0
Interest income (expense), net	(0.8)	(0.3)	(0.7)	(0.3)
Gain on sale of Guangzhou factory	22.8	—	11.3	—
Other income (expense), net	(0.7)	(0.4)	(0.5)	(0.0)
Income before provision for income taxes	15.2	3.4	7.4	1.7
Provision for income taxes	1.3	0.8	0.6	0.3
Net income	13.9 %	2.6 %	6.8 %	1.4 %

Adoption of ASU 2014-09. Effective January 1, 2018, we adopted ASU 2014-09 on a modified retrospective basis. Thus the comparability between periods of reported net sales, gross profit and selling, general and administrative expenses is impacted. The discussion below provides insights into underlying business trends that affected our reported results of operations. For further details as to the impact of adopting ASU 2014-09, refer to Note 1 in "Notes to Consolidated Financial Statements."

Three Months Ended June 30, 2018 versus Three Months Ended June 30, 2017

Net sales. Net sales for the three months ended June 30, 2018 were \$162.5 million, a decrease of 8.5% compared to \$177.6 million for the three months ended June 30, 2017. Net sales by our Business and Consumer lines were as follows:

	Three Months Ended June 30,			
	2018		2017	
	\$ (millions)	% of total	\$ (millions)	% of total
Business	\$ 147.3	90.6%	\$ 164.5	92.6%
Consumer	15.2	9.4	13.1	7.4
Total net sales	\$ 162.5	100.0%	\$ 177.6	100.0%

Net sales in our Business lines (subscription broadcasting, OEM, and computing companies) were 90.6% of net sales for the three months ended June 30, 2018 compared to 92.6% for the three months ended June 30, 2017. Net sales in our Business lines for the three months ended June 30, 2018 decreased by 10.5% to \$147.3 million from \$164.5 million. The decrease in Business line net sales was primarily due to decreased sales to subscription broadcasting customers in North America, which was largely driven by lower order levels from customers undergoing platform transitions. Additionally, we experienced a decrease in sales in Latin America, particularly in Brazil. These decreases were partially offset by increased sales of home security products and the strengthening of the Euro exchange rate versus the U.S. Dollar.

Net sales in our Consumer lines (*One For All*[®] retail and private label) were 9.4% of net sales for the three months ended June 30, 2018 compared to 7.4% for the three months ended June 30, 2017. Net sales in our Consumer lines for the three months ended June 30, 2018 increased by 16.0% to \$15.2 million from \$13.1 million during the three months ended June 30, 2017 driven primarily by growth in North America and Europe as well as the strengthening of the Euro exchange rate versus the U.S. Dollar.

Gross profit. Gross profit for the three months ended June 30, 2018 was \$26.8 million compared to \$43.8 million for the three months ended June 30, 2017. Gross profit as a percent of sales decreased to 16.5% for the three months ended June 30, 2018 compared to 24.6% for the three months ended June 30, 2017. The gross margin percentage was unfavorably impacted by factory underutilization associated with ceasing manufacturing activities while transitioning our Asia operations onto our new global ERP system, which went live in Asia in April 2018; inflation in the cost of certain components; the strengthening of the Chinese Yuan

Renminbi relative to the U.S. Dollar; and asset write-downs associated with the sale and closure of our Guangzhou factory. These unfavorable impacts were partially offset by production efficiencies achieved in our factories in China.

Research and development ("R&D") expenses. R&D expenses increased 22.5% to \$6.1 million for the three months ended June 30, 2018 from \$4.9 million for the three months ended June 30, 2017 primarily due to our continued investment in the development of new products that enhance the user experience in home entertainment and home automation.

Factory transition restructuring charges. In the first quarter of 2016, we implemented a plan to transition manufacturing activities from our southern-most China factory, located in the city of Guangzhou in the Guangdong province, to our other China factories. As a result, we incurred severance costs of \$0.4 million for the three months ended June 30, 2017.

Selling, general and administrative ("SG&A") expenses. SG&A expenses decreased slightly to \$30.6 million for the three months ended June 30, 2018 from \$31.1 million for the three months ended June 30, 2017.

Interest income (expense), net. Net interest expense was \$1.3 million for the three months ended June 30, 2018 compared to net interest expense of \$0.6 million for the three months ended June 30, 2017 as a result of an increased level of borrowings on our line of credit.

Gain on sale of Guangzhou factory. In June 2018, we completed the sale of our Guangzhou manufacturing facility in exchange for cash proceeds of \$51.3 million, resulting in a pre-tax gain of \$37.0 million.

Other income (expense), net. Net other expense was \$1.1 million for the three months ended June 30, 2018 compared to net other expense of \$0.6 million for the three months ended June 30, 2017. This change was driven primarily by foreign currency losses associated with fluctuations in the Argentinian Peso and Chinese Yuan Renminbi exchange rates versus the U.S. Dollar.

Provision for income taxes. Income tax expense was \$2.1 million for the three months ended June 30, 2018 compared to \$1.4 million for the three months ended June 30, 2017. Our effective tax rate was 8.4% for the three months ended June 30, 2018 compared to 23.2% for the three months ended June 30, 2017. The decrease in our effective tax rate was primarily a result of the tax rate applicable to the gain recognized on the sale of our Guangzhou factory being lower than our blended consolidated tax rate.

Six Months Ended June 30, 2018 versus Six Months Ended June 30, 2017

Net sales. Net sales for the six months ended June 30, 2018 were \$327.2 million, a decrease of 3.5% compared to \$339.0 million for the six months ended June 30, 2017. Net sales by our Business and Consumer lines were as follows:

	Six Months Ended June 30,			
	2018		2017	
	\$ (millions)	% of total	\$ (millions)	% of total
Business	\$ 299.5	91.5%	\$ 314.9	92.9%
Consumer	27.7	8.5	24.1	7.1
Total net sales	\$ 327.2	100.0%	\$ 339.0	100.0%

Net sales in our Business lines (subscription broadcasting, OEM, and computing companies) were 91.5% of net sales for the six months ended June 30, 2018 compared to 92.9% for the six months ended June 30, 2017. Net sales in our Business lines for the six months ended June 30, 2018 decreased by 4.9% to \$299.5 million from \$314.9 million. The decrease in Business line net sales was driven primarily by decreased sales to subscription broadcasting customers in North America, which was largely driven by lower order levels from customers undergoing platform transitions. Additionally, we experienced a decrease in sales in Latin America, particularly in Brazil. These decreases were partially offset by increased sales of home security products, increased sales to consumer electronics companies in Asia, the continued rollout of higher end platforms in Europe, and the strengthening of the Euro exchange rate versus the U.S. Dollar.

Net sales in our Consumer lines (*One For All*[®] retail and private label) were 8.5% of net sales for the six months ended June 30, 2018 compared to 7.1% for the six months ended June 30, 2017. Net sales in our Consumer lines for the six months ended June 30, 2018 increased by 14.9% to \$27.7 million from \$24.1 million during the six months ended June 30, 2017 driven primarily by growth in Europe and North America as well as the strengthening of the Euro exchange rate versus the U.S. Dollar.

Gross profit. Gross profit for the six months ended June 30, 2018 was \$64.0 million compared to \$84.8 million for the six months ended June 30, 2017. Gross profit as a percent of sales decreased to 19.5% for the six months ended June 30, 2018 compared to 25.0% for the six months ended June 30, 2017. The gross margin percentage was unfavorably impacted by factory underutilization

associated with ceasing manufacturing activities while transitioning our Asia operations onto our new global ERP system, which went live in Asia in April 2018; the strengthening of the Chinese Yuan Renminbi relative to the U.S. Dollar; inflation in the cost of certain components; and asset write-downs associated with the sale and closure of our Guangzhou factory. These unfavorable impacts were partially offset by production efficiencies achieved in our factories in China.

Research and development expenses. R&D expenses increased 16.0% to \$12.1 million for the six months ended June 30, 2018 from \$10.4 million for the six months ended June 30, 2017 primarily due to our continued investment in the development of new products that enhance the user experience in home entertainment and home automation.

Factory transition restructuring charges. In the first quarter of 2016, we implemented a plan to transition manufacturing activities from our southern-most China factory, located in the city of Guangzhou in the Guangdong province, to our other China factories. As a result, we incurred severance costs of \$5.7 million for the six months ended June 30, 2017.

Selling, general and administrative expenses. SG&A expenses decreased slightly to \$60.8 million for the six months ended June 30, 2018 from \$61.7 million for the six months ended June 30, 2017.

Interest income (expense), net. Net interest expense was \$2.3 million for the six months ended June 30, 2018 compared to net interest expense of \$1.0 million for the six months ended June 30, 2017 as a result of an increased level of borrowings on our line of credit.

Gain on sale of Guangzhou factory. In June 2018, we completed the sale of our Guangzhou manufacturing facility in exchange for cash proceeds of \$51.3 million, resulting in a pre-tax gain of \$37.0 million.

Other income (expense), net. Net other expense was \$1.7 million for the six months ended June 30, 2018 compared to net other expense of \$0.1 million for the six months ended June 30, 2017. This change was driven primarily by foreign currency losses associated with fluctuations in the Argentinian Peso, Chinese Yuan Renminbi and Euro exchange rates versus the U.S. Dollar.

Provision for income taxes. Income tax expense was \$1.9 million for the six months ended June 30, 2018 compared to \$1.1 million for the six months ended June 30, 2017. Our effective tax rate was 8.0% for the six months ended June 30, 2018 compared to 18.9% for the six months ended June 30, 2017. The decrease in our effective tax rate was primarily a result of the tax rate applicable to the gain recognized on the sale of our Guangzhou factory being lower than our blended consolidated tax rate.

Liquidity and Capital Resources

Sources and Uses of Cash

(In thousands)	Six Months Ended June 30, 2018	Increase (Decrease)	Six Months Ended June 30, 2017
Cash provided by (used for) operating activities	\$ (3,877)	\$ 995	\$ (4,872)
Cash provided by (used for) investing activities	31,574	58,712	(27,138)
Cash provided by (used for) financing activities	(37,268)	(65,238)	27,970
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1,665	3,048	(1,383)
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ (7,906)	\$ (2,483)	\$ (5,423)

	June 30, 2018	Increase (Decrease)	December 31, 2017
Cash and cash equivalents	\$ 59,433	\$ (3,005)	\$ 62,438
Working capital	99,099	24,737	74,362

Net cash used for operating activities was \$3.9 million during the six months ended June 30, 2018 compared to \$4.9 million of net cash used for operating activities during the six months ended June 30, 2017. Although net cash flows from operations were consistent between periods, accounts receivable produced cash inflows of \$6.1 million during the six months ended June 30, 2018 versus cash outflows of \$20.4 million during the six months ended June 30, 2017, largely as a result of decreased net sales in the second quarter of 2018. Inventory turns decreased from 3.9 turns at June 30, 2017 to 3.2 turns at June 30, 2018, primarily due to orders that were originally expected to be shipped in the first half of 2018 being pushed out to later periods as a result of delays in customer platform transitions. We expect inventory turns to improve in the second half of 2018 as these delayed launches commence.

Net cash provided by investing activities during the six months ended June 30, 2018 was \$31.6 million compared to cash used in investing activities of \$27.1 million during the six months ended June 30, 2017. The increase in cash provided by investing activities was driven primarily by the sale of our Guangzhou factory, which closed in June 2018 and generated cash proceeds of \$51.3 million. Additionally, we invested \$8.9 million to acquire the net assets of Residential Control Systems, Inc. in April 2017.

Net cash used in financing activities was \$37.3 million during the six months ended June 30, 2018 compared to \$28.0 million of net cash provided by financing activities during the six months ended June 30, 2017. The change in financing activity cash flows was driven primarily by borrowing and repayment activity on our line of credit. During the six months ended June 30, 2018 we had net repayments on our line of credit of \$27.0 million, compared to net borrowings of \$42.0 million during the six months ended June 30, 2017.

During the six months ended June 30, 2018, we repurchased 224,979 shares of our common stock at a cost of \$7.1 million compared to our repurchase of 239,470 shares at a cost of \$14.9 million during the six months ended June 30, 2017. We hold these shares as treasury stock and they are available for reissue. Presently, we have no plans to distribute these shares, although we may change these plans if necessary to fulfill our on-going business objectives. See Note 11 contained in "Notes to Consolidated Financial Statements" for further information regarding our share repurchase programs.

Contractual Obligations

The following table summarizes our contractual obligations and the effect these obligations are expected to have on our liquidity and cash flow in future periods.

(In thousands)	Payments Due by Period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Operating lease obligations	\$ 15,296	\$ 4,416	\$ 6,280	\$ 4,117	\$ 483
Purchase obligations ⁽¹⁾	2,030	2,030	—	—	—
Contingent consideration ⁽²⁾	13,600	3,870	8,780	950	—
Total contractual obligations	\$ 30,926	\$ 10,316	\$ 15,060	\$ 5,067	\$ 483

⁽¹⁾ Purchase obligations primarily consist of contractual payments to purchase property, plant and equipment.

⁽²⁾ Contingent consideration consists of contingent payments related to our purchases of the net assets of Ecolink Intelligent Technology, Inc. ("Ecolink") and RCS.

Liquidity

Historically, we have utilized cash provided from operations as our primary source of liquidity, as internally generated cash flows have been sufficient to support our business operations, capital expenditures and discretionary share repurchases. More recently, we have utilized our revolving line of credit to fund an increased level of share repurchases and our acquisitions of the net assets of Ecolink and RCS. We anticipate that we will continue to utilize both cash flows from operations and our revolving line of credit to support ongoing business operations, capital expenditures and future discretionary share repurchases. We believe our current cash balances, anticipated cash flow to be generated from operations and available borrowing resources will be sufficient to cover expected cash outlays during the next twelve months; however, because our cash is located in various jurisdictions throughout the world, we may at times need to increase borrowing from our revolving line of credit or take on additional debt until we are able to transfer cash among our various entities.

Our liquidity is subject to various risks including the risks discussed under "Item 3. Quantitative and Qualitative Disclosures about Market Risk."

(In thousands)	June 30, 2018		December 31, 2017	
Cash and cash equivalents	\$	59,433	\$	62,438
Available borrowing resources		59,000		32,000

Our cash balances are held in numerous locations throughout the world. The majority of our cash is held outside of the United States and may be repatriated to the United States but, under current law, may be subject to state income taxes and foreign withholding taxes. Additionally, repatriation of some foreign balances is restricted by local laws. We have not provided for the state income tax liability or foreign withholding tax on these amounts for financial statement purposes as this cash is considered indefinitely reinvested outside of the United States. Our intent is to meet our domestic liquidity needs through ongoing cash flows, external borrowings, or both.

On June 30, 2018, we had \$6.5 million, \$34.7 million, \$1.3 million, \$8.1 million and \$8.8 million of cash and cash equivalents in the United States, the PRC, Asia (excluding the PRC), Europe, and South America, respectively. On December 31, 2017, we had \$10.5 million, \$23.3 million, \$1.4 million, \$18.1 million, and \$9.2 million of cash and cash equivalents in the United States, the PRC, Asia (excluding the PRC), Europe and South America, respectively. We attempt to mitigate our exposure to liquidity, credit and other relevant risks by placing our cash and cash equivalents with financial institutions we believe are high quality.

Our Second Amended and Restated Credit Agreement ("Second Amended Credit Agreement") with U.S. Bank National Association ("U.S. Bank") and Wells Fargo Bank, National Association provides for a \$170.0 million revolving line of credit ("Credit Line") that expires on November 1, 2019. The Credit Line may be used for working capital and other general corporate purposes including acquisitions, share repurchases and capital expenditures. Amounts available for borrowing under the Credit Line are reduced by the balance of any outstanding letters of credit. There were no outstanding letters of credit at June 30, 2018.

All obligations under the Credit Line are secured by substantially all of our U.S. personal property and tangible and intangible assets as well as 65% of our ownership interest in Enson Assets Limited, our wholly-owned subsidiary that controls our manufacturing factories in the PRC.

Under the First Amendment to the Second Amended Credit Agreement, we may elect to pay interest on the Credit Line based on LIBOR plus an applicable margin (varying from 1.25% to 1.75%) or base rate (based on the prime rate of U.S. Bank or as otherwise specified in the Second Amended Credit Agreement) plus an applicable margin (varying from 0.00% to 0.50%). The applicable margins are calculated quarterly and vary based on our cash flow leverage ratio as set forth in the Second Amended Credit Agreement. The interest rate in effect at June 30, 2018 was 3.84%. There are no commitment fees or unused line fees under the Second Amended Credit Agreement.

The Second Amended Credit Agreement includes financial covenants requiring a minimum fixed charge coverage ratio and a maximum cash flow leverage ratio. In addition, the Second Amended Credit Agreement contains other customary affirmative and negative covenants and events of default. As of June 30, 2018, we were in compliance with the covenants and conditions of the Second Amended Credit Agreement.

At June 30, 2018, we had an outstanding balance of \$111.0 million on our Credit Line and \$59.0 million of availability.

Off-Balance Sheet Arrangements

We do not participate in any material off-balance sheet arrangements.

Factors That May Affect Financial Condition and Future Results

Forward-Looking Statements

We caution that the following important factors, among others (including but not limited to factors discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as those discussed in our 2017 Annual Report on Form 10-K, or in our other reports filed from time to time with the Securities and Exchange Commission), may affect our actual results and may contribute to or cause our actual consolidated results to differ materially from those expressed in any of our forward-looking statements. The factors included here are not exhaustive. Further, any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor can we assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Therefore, forward-looking statements should not be relied upon as a prediction of actual future results.

While we believe that the forward-looking statements made in this report are based on reasonable assumptions, the actual outcome of such statements is subject to a number of risks and uncertainties, including the significant percentage of our revenue attributable to a limited number of customers; the failure of our markets to continue growing and expanding in the manner we anticipated; the loss of market share due to competition; the delay by or failure of our customers to order products from us due to delays by them of their new product rollouts, their failure to grow as we anticipated, their internal inventory control measures, or their loss of market share; the effects of natural or other events beyond our control, including the effects political unrest, war or terrorist activities may have on us or the economy; the economic environment's effect on us or our customers; the effects of doing business internationally, including the effects that changes in laws and regulations may have on our business; the growth of, acceptance of and the demand for our products and technologies in various markets and geographical regions, including cable, satellite, consumer electronics, retail, and digital media and interactive technology; our successful integration of the Ecolink and RCS assets and business lines; our inability to add profitable complementary products which are accepted by the marketplace; our inability to attract and retain a quality workforce at adequate levels in all regions of the world, and particularly Asia; our inability to continue to maintain our operating costs at acceptable levels through our cost containment efforts; an unfavorable ruling in any or all of the litigation matters to which we are party; our inability to continue selling our products or licensing our technologies at higher or profitable margins; our inability to obtain orders or maintain our order volume with new and existing customers; our inability to develop new and innovative technologies and products that are accepted by our customers; our inability to successfully and profitably restructure our manufacturing facilities and activities; possible dilutive effect our stock incentive programs may have on our earnings per share and stock price; the continued ability to identify and execute on opportunities that maximize stockholder value, including the effects repurchasing the company's shares have on the company's stock value; our inability to continue to obtain adequate quantities of component parts or secure adequate factory production capacity on a timely basis; and other factors listed from time to time in our press releases and filings with the Securities and Exchange Commission.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, including interest rate and foreign currency exchange rate fluctuations. We have established policies, procedures and internal processes governing our management of these risks and the use of financial instruments to mitigate our risk exposure.

Interest Rate Risk

We are exposed to interest rate risk related to our debt. From time to time we borrow amounts on our Credit Line for working capital and other liquidity needs. Under our Second Amended Credit Agreement, we may elect to pay interest on outstanding borrowings on our Credit Line based on LIBOR or a base rate (based on the prime rate of U.S. Bank) plus an applicable margin as defined in the Second Amended Credit Agreement. Accordingly, changes in interest rates would impact our results of operations in future periods. A 100 basis point increase in interest rates would have an approximately \$0.8 million annual impact on net income based on our outstanding line of credit balance at June 30, 2018.

We cannot make any assurances that we will not need to borrow additional amounts in the future or that funds will be extended to us under comparable terms or at all. If funding is not available to us at a time when we need to borrow, we would have to use our cash reserves, including potentially repatriating cash from foreign jurisdictions, which may have a material adverse effect on our operating results, financial position and cash flows.

Foreign Currency Exchange Rate Risk

At June 30, 2018, we had wholly-owned subsidiaries in Argentina, Brazil, British Virgin Islands, Cayman Islands, France, Germany, Hong Kong, India, Italy, Japan, Korea, Mexico, the Netherlands, the PRC, Singapore, Spain and the United Kingdom. We are exposed to foreign currency exchange rate risk inherent in our sales commitments, anticipated sales, anticipated purchases, operating expenses, assets and liabilities denominated in currencies other than the U.S. Dollar. The most significant foreign currencies to our operations are the Chinese Yuan Renminbi, Euro, British Pound, Argentinian Peso, Mexican Peso, Brazilian Real, Indian Rupee and Japanese Yen. Our most significant foreign currency exposure is to the Chinese Yuan Renminbi as this is the functional currency of our China-based factories where the majority of our products are manufactured. If the Chinese Yuan Renminbi were to strengthen against the U.S. Dollar, our manufacturing costs would increase. We are generally a net payor of the Euro, Mexican Peso, Indian Rupee and Japanese Yen and therefore benefit from a stronger U.S. Dollar and are adversely affected by a weaker U.S. Dollar relative to the foreign currency. For the British Pound, Argentinian Peso and Brazilian Real, we are generally a net receiver of the foreign currency and therefore benefit from a weaker U.S. Dollar and are adversely affected by a stronger U.S. Dollar relative to the foreign currency. Even where we are a net receiver, a weaker U.S. Dollar may adversely affect certain expense figures taken alone.

From time to time, we enter into foreign currency exchange agreements to manage the foreign currency exchange rate risks inherent in our forecasted income and cash flows denominated in foreign currencies. The terms of these foreign currency exchange agreements normally last less than nine months. We recognize the gains and losses on these foreign currency contracts in the same period as the remeasurement losses and gains of the related foreign currency-denominated exposures.

It is difficult to estimate the impact of fluctuations on reported income, as it depends on the opening and closing rates, the average net balance sheet positions held in a foreign currency and the amount of income generated in local currency. We routinely forecast what these balance sheet positions and income generated in local currency may be and we take steps to minimize exposure as we deem appropriate. Alternatively, we may choose not to hedge the foreign currency risk associated with our foreign currency exposures, primarily if such exposure acts as a natural foreign currency hedge for other offsetting amounts denominated in the same currency or the currency is difficult or too expensive to hedge. We do not enter into any derivative transactions for speculative purposes.

The sensitivity of earnings and cash flows to variability in exchange rates is assessed by applying an approximate range of potential rate fluctuations to our assets, obligations and projected results of operations denominated in foreign currency with all other variables held constant. The analysis includes all of our foreign currency contracts offset by the underlying exposures. Based on our overall foreign currency rate exposure at June 30, 2018, we believe that movements in foreign currency rates may have a material effect on our financial position and results of operations. We estimate that if the exchange rates for the Chinese Yuan Renminbi, Euro, British Pound, Argentinian Peso, Mexican Peso, Brazilian Real, Indian Rupee and Japanese Yen relative to the U.S. Dollar fluctuate 10% from June 30, 2018, net income in the second quarter of 2018 would fluctuate by approximately \$9.6 million.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of 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.

Changes in Internal Control Over Financial Reporting

During the first quarter of 2018, we implemented the second phase of a multi-year, company-wide program to transition to a new global enterprise resource planning ("ERP") software system. This second phase included our Asia operations, and thus now our North America and Asia operations are utilizing this new ERP system. In connection with this implementation, the design of our internal controls over financial reporting remained largely intact; however, we have updated our affected internal controls over financial reporting as necessary to accommodate modifications to our business processes and accounting processes. This global ERP implementation effort is projected to continue through 2019. We do not believe that the ERP implementation has or will have an adverse effect on our internal control over financial reporting.

Except as described above, there have been no other changes in our internal control over financial reporting during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

We are subject to lawsuits arising out of the conduct of our business. The discussion of our litigation matters contained in "Notes to Consolidated Financial Statements - Note 10" is incorporated herein by reference.

ITEM 1A. RISK FACTORS

The information presented below updates and supplements the risk factors discussed in "Part I, Item 1A: Risk Factors" of the Company's 2017 Annual Report on Form 10-K incorporated herein by reference. The reader should carefully consider these risk factors in connection with the other information in this report. These factors may cause our actual results to differ materially from those stated in forward-looking statements contained in this document and elsewhere.

International Business Risk

We operate our businesses worldwide. There are risks inherent in doing business internationally, including global financial market turmoil; economic volatility and global economic slowdown; currency exchange rate fluctuations and inflationary pressures; the requirements of local laws and customs relating to the publication and distribution of content and the display and sale of advertising; import or export restrictions and changes in trade regulations; difficulties in developing, staffing and managing foreign operations; issues related to occupational safety and adherence to diverse local labor laws and regulations; and potentially adverse tax developments. In addition, doing business internationally subjects us to risks relating to political or social unrest, as well as corruption and government regulation, including U.S. laws such as the Foreign Corrupt Practices Act, that impose stringent requirements on how we conduct our foreign operations. If any of these events occur, our businesses may be adversely affected, and costs as well as timing to mitigate these risks are difficult to estimate and may exceed management's expectations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth, for the three months ended June 30, 2018, our total stock repurchases, average price paid per share and the maximum number of shares that may yet be purchased on the open market under our plans or programs:

Period	Total Number of Shares Purchased ⁽¹⁾	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Total Dollar Value of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽³⁾
April 1, 2018 - April 30, 2018	1,041	\$ 52.43	—	\$ —	\$ —
May 1, 2018 - May 31, 2018	87,013	30.44	85,826	2,614,243	7,385,757
June 1, 2018 - June 30, 2018	123,387	30.76	122,696	3,773,019	\$ 3,612,738
Total	<u>211,441</u>	\$ 30.74	<u>208,522</u>	<u>\$ 6,387,262</u>	

⁽¹⁾ Of the repurchases in April, May and June, 1,041, 1,187 and 691 shares, respectively, represent common shares of the Company that were owned and tendered by employees to satisfy tax withholding obligations in connection with the vesting of restricted shares.

⁽²⁾ Amounts in this column reflect the weighted average price paid for shares purchased under our share repurchase authorizations. The weighted average price includes commissions paid to brokers on shares purchased under our share repurchase authorizations.

⁽³⁾ On May 11, 2018, our board of directors approved a repurchase plan authorizing the repurchase of up to \$10.0 million of our common stock. Under this authorization, shares may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act. On June 30, 2018, we had \$3.6 million of authorized repurchases remaining under the Board's authorizations.

ITEM 6. EXHIBITS

EXHIBIT INDEX

10.1	First Amendment To Second Amended and Restated Credit Agreement dated as of May 4, 2018 between Universal Electronics Inc. and U.S. Bank National Association and Wells Fargo Bank, National Association (filed herewith)
10.2	Termination of Equity Transfer Agreement dated April 17, 2018 between CG Development Limited and Guangzhou Junhao Investment Co., Ltd. and Gemstar Technology (China) Co., Limited (filed herewith)
10.3	Share Transfer Agreement dated April 23, 2018 between C.G. Development Limited and Guangzhou MuXia Hotel Management Co. Ltd. and Gemstar Technology (China) Co., Ltd. (filed herewith)
10.4	2018 Equity and Incentive Compensation Plan
10.5	Form of Restricted Stock Award Agreement under the 2018 Equity and Incentive Compensation Plan
10.6	Form of Stock Option Agreement under the 2018 Equity and Incentive Compensation Plan
31.1	Rule 13a-14(a) Certifications of Paul D. Arling, Chief Executive Officer (principal executive officer) of Universal Electronics Inc.
31.2	Rule 13a-14(a) Certifications of Bryan M. Hackworth, Chief Financial Officer (principal financial officer and principal accounting officer) of Universal Electronics Inc.
32	Section 1350 Certifications of Paul D. Arling, Chief Executive Officer (principal executive officer) of Universal Electronics Inc., and Bryan M. Hackworth, Chief Financial Officer (principal financial officer and principal accounting officer) of Universal Electronics Inc., pursuant to 18 U.S.C. Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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.

Dated: August 8, 2018

UNIVERSAL ELECTRONICS INC.

By: /s/ Bryan M. Hackworth

Bryan M. Hackworth

Chief Financial Officer (principal financial officer
and principal accounting officer)

**FIRST AMENDMENT TO
SECOND AMENDED AND RESTATED CREDIT AGREEMENT**

This First Amendment to Second Amended and Restated Credit Agreement (this "Amendment") dated as of May 4, 2018, is by and between UNIVERSAL ELECTRONICS INC., a corporation organized under the laws of the State of Delaware (the "Borrower"), the lenders party hereto (each a "Lender" and, collectively the "Lenders") and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as administrative agent (the "Administrative Agent").

RECITALS

A. The Borrower, the Lenders and the Administrative Agent have entered into a Second Amended and Restated Credit Agreement dated as of October 27, 2017 (as amended, restated, supplemented, or otherwise modified prior to the date hereof, the "Credit Agreement").

B. The Borrower has requested that the Lenders and the Administrative Agent make certain amendments to the Credit Agreement and the Required Lenders and the Administrative Agent are willing to do so, on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises herein set forth and for other good and valuable consideration, the Borrower, the Required Lenders and the Administrative Agent agree as follows:

Section 1. Capitalized Terms. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement, unless the context shall otherwise require.

Section 2. Amendments. The Credit Agreement is hereby amended as follows:

2.1 Definitions.

(a) Section 1.1 of the Credit Agreement is amended by adding a new sentence immediately following the period punctuation at the end of the definition of "Consolidated Total Funded Debt" contained therein, which shall read as follows:

"Notwithstanding anything to the contrary in this Agreement, for purposes of calculating the Consolidated Cash Flow Leverage Ratio, Consolidated Total Funded Debt as it relates to clause (e) of the definition of "Indebtedness" shall exclude (i) intercompany trade payables; provided that any such intercompany trade payables that are outstanding for more than 120 days shall only be excluded in an amount not to exceed

\$3,000,000 at any time and (ii) the long-term portion of any deferred or contingent consideration incurred in connection with an Acquisition; provided; however; no amount of any such long-term deferred or contingent consideration shall be excluded under this clause in excess of an aggregate deferred or contingent consideration of \$20,000,000 at any time (including for these purposes, for the avoidance of doubt, the short-term portion of any such deferred or contingent considerations).”

Section 3. Conditions and Effectiveness. This Amendment shall become effective only upon satisfaction of the following conditions:

3.1 The Borrower shall have duly executed and delivered to the Administrative Agent this Amendment.

3.2 The Borrower shall have satisfied any other conditions as specified by the Administrative Agent, including payment of all unpaid legal fees and expenses incurred by the Administrative Agent through the date of this Amendment in connection with the Credit Agreement.

Section 4. Representations, Warranties, Authority, No Adverse Claim.

4.1 Reassertion of Representations and Warranties, No Default. The Borrower hereby represents that on and as of the date hereof and after giving effect to this Amendment (a) all of the representations and warranties contained in the Credit Agreement are true, correct and complete in all respects as of the date hereof as though made on and as of such date, except for changes permitted by the terms of the Credit Agreement, and (b) there will exist no Event of Default under the Credit Agreement as amended by this Amendment on such date which has not been waived by the Required Lenders.

4.2 Authority, No Conflict, No Consent Required, Enforceability. The Borrower represents and warrants that the Borrower has the power and legal right and authority to enter into this Amendment and any other instrument or agreement executed by the Borrower in connection with this Amendment (collectively, the “Amendment Documents”) and has duly authorized as appropriate the execution and delivery of the Amendment Documents and other agreements and documents executed and delivered by the Borrower in connection herewith or therewith by proper company action, and none of the Amendment Documents nor the agreements contained herein or therein contravenes or constitutes a default under any agreement, instrument or indenture to which the Borrower is a party or a signatory or a provision of the Borrower’s articles of organization, Bylaws or any other agreement or requirement of law, or result in the imposition of any lien on any of its property under any agreement binding on or applicable to the Borrower or any of its property except, if any, in favor of the Secured Party (as defined in that certain Amendment to Security Agreement dated as of October 27, 2017, by and between the Borrower and the Administrative Agent (the “Security Agreement”). The Borrower represents and warrants that no consent, approval or authorization of or registration or

declaration with any entity, including but not limited to any governmental authority, is required in connection with the execution and delivery by the Borrower of the Amendment Documents or other agreements and documents executed and delivered by the Borrower in connection therewith or the performance of obligations of the Borrower therein described, except for those which the Borrower has obtained or provided and as to which the Borrower has delivered certified copies of documents evidencing each such action to the Administrative Agent. The Borrower represents and warrants that this Amendment constitutes the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with its terms, subject to limitations as to enforceability which might result from bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights generally and subject to limitations on the availability of equitable remedies.

4.3 No Adverse Claim. The Borrower warrants, acknowledges and agrees that no events have taken place and no circumstances exist at the date hereof which would give the Borrower a basis to assert a defense, offset or counterclaim to any claim of the Lenders with respect to the Borrower's obligations under the Credit Agreement as amended by this Amendment.

Section 5. Affirmation of Credit Agreement, Further References, Affirmation of Security Interest. The Lenders, the Administrative Agent and the Borrower each acknowledge and affirm that the Credit Agreement, as hereby amended, is hereby ratified and confirmed in all respects and all terms, conditions and provisions of the Credit Agreement, except as amended by this Amendment, shall remain unmodified and in full force and effect. All references in any document or instrument to the Credit Agreement are hereby amended and shall refer to the Credit Agreement as amended by this Amendment. The Borrower confirms to the Secured Party that the Borrower's obligations under the Credit Agreement, as amended by this Amendment, are and continue to be secured by the security interest granted by the Borrower in favor of the Secured Party under the Security Agreement, and all of the terms, conditions, provisions, agreements, requirements, promises, obligations, duties, covenants and representations of the Borrower under such documents and any and all other documents and agreements entered into with respect to the obligations under the Credit Agreement are incorporated herein by reference and are hereby ratified and affirmed in all respects by the Borrower.

Section 6. Merger and Integration, Superseding Effect. This Amendment, from and after the date hereof, embodies the entire agreement and understanding between the parties hereto and supersedes and has merged into this Amendment all prior oral and written agreements on the same subjects by and between the parties hereto with the effect that this Amendment shall control with respect to the specific subjects hereof and thereof.

Section 7. Severability. Whenever possible, each provision of this Amendment and any other statement, instrument or transaction contemplated hereby or thereby or relating hereto or thereto shall be interpreted in such manner as to be effective, valid and enforceable under the applicable law of any jurisdiction, but, if any provision of this Amendment, or any other statement, instrument or transaction contemplated hereby or thereby or relating hereto or thereto

shall be held to be prohibited, invalid or unenforceable under the applicable law, such provision shall be ineffective in such jurisdiction only to the extent of such prohibition, invalidity or unenforceability, without invalidating or rendering unenforceable the remainder of such provision or the remaining provisions of this Amendment, or any other statement, instrument or transaction contemplated hereby or thereby or relating hereto or thereto in such jurisdiction, or affecting the effectiveness, validity or enforceability of such provision in any other jurisdiction.

Section 8. Successors. This Amendment shall be binding upon the Borrower, the Lenders, the Administrative Agent and their respective successors and assigns, and shall inure to the benefit of the Borrower, the Lenders, the Administrative Agent and the successors and assigns of the Lenders and the Administrative Agent.

Section 9. Legal Expenses. As provided in Section 9.6 of the Credit Agreement, the Borrower agrees to pay or reimburse the Administrative Agent, upon execution of this Amendment, for all reasonable out-of-pocket expenses paid or incurred by the Administrative Agent, including filing and recording costs and fees, charges and disbursements of outside counsel to the Administrative Agent and/or the allocated costs of in-house counsel incurred from time to time, in connection with the Credit Agreement, including in connection with the negotiation, preparation, execution, collection and enforcement of the Amendment Documents and all other documents negotiated, prepared and executed in connection with the Amendment Documents, and in enforcing the obligations of the Borrower under the Amendment Documents, and to pay and save the Administrative Agent harmless from all liability for, any stamp or other taxes which may be payable with respect to the execution or delivery of the Amendment Documents, which obligations of the Borrower shall survive any termination of the Credit Agreement.

Section 10. Headings. The headings of various sections of this Amendment have been inserted for reference only and shall not be deemed to be a part of this Amendment.

Section 11. Counterparts. This Amendment may be executed in several counterparts as deemed necessary or convenient, each of which, when so executed, shall be deemed an original, provided that all such counterparts shall be regarded as one and the same document, and either party to the Amendment may execute any such agreement by executing a counterpart of such agreement.

Section 12. Governing Law. THE AMENDMENT DOCUMENTS SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT GIVING EFFECT TO CONFLICT OF LAW PRINCIPLES THEREOF, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS, THEIR HOLDING COMPANIES AND THEIR AFFILIATES.

[The remainder of this page is intentionally left blank.]

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

UNIVERSAL ELECTRONICS INC.

By: /s/ Bryan M. Hackworth

Name: Bryan M. Hackworth

Title: Sr. Vice President and CFO

U.S. BANK NATIONAL ASSOCIATION, as a Lender and as Administrative Agent

By: /s/ Andrew Williams

Name: Andrew Williams

Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Aaron Ryan

Name: Aaron Ryan

Title: Senior Vice President

[Signature Page to First Amendment to Second A&R Credit Agreement]

Termination Agreement for the Equity Transfer Agreement with Respect to Panyu Gemstar Project

This Termination Agreement for the Equity Transfer Agreement with Respect to Panyu Gemstar Project (the "Termination Agreement") is entered into this ___ day of ___ 2018 (the "Effective Date") by and among the following parties:

Party A: CG Development Limited

Authorized Representative: David Chong Cheung Hyen

Address: 902-908, 9/F, One Harbourfront, 18 Tak Fung Street, Hung Hom, Kowloon, Hong Kong

Party B: Guangzhou Junhao Investment Co., Ltd.

Legal Representative: Cen Zhaoxiong

Address: Room S, 36F, No. 410-412, Dongfeng Road, Yuexiu District, Guangzhou

Party C: Universal Electronics Inc.

Authorized Representative: Bryan M. Hackworth

Address: 201E, Sandpoint Avenue, 8th Floor, Santa Ana, CA 92707, USA

Party D: Gemstar Technology (China) Co., Limited

Legal Representative: Chen Dezhong

Address: 45 Section II Shiguang Road, Zhongcun Town, Panyu District, Guangzhou

Party E: [Redacted]

Authorized Representative: [Redacted]

Address: [Redacted]

Party F: [Redacted]

Authorized Representative: [Redacted]

Address: [Redacted]

Party G: [Redacted]

Authorized Representative: [Redacted]

Address: [Redacted]

Party H: [Redacted]

Authorized Representative: [Redacted]

Address: [Redacted]

Party E: Times China Holdings Limited

Legal Representative: Cen Zhaoxiong

Address: Suites 4706-07, 47/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

Termination Agreement

On September 18, 2016, Party A, Party B, Party C, Party D, and Party E signed the "Equity Transfer Agreement with Respect to Panyu Gemstar Project" (hereinafter referred to as the "Original Agreement"). According to Article 4.1 of the Original Agreement, Party A and Party B have opened an Escrow Account at the Industrial and Commercial Bank of China Guangzhou Yushan Branch on 09/27/2016, and the account name is Guangzhou Junhao Investment Co., Ltd., the account number is 36020060192011931. Party B has transferred RMB 32 million deposit into the Escrow Account on 09/29/2016 (the "Initial Deposit").

Whereas, on September 18, 2016, Party A, Party B, Party C, Party D, and Party E signed the "Equity Transfer Agreement with Respect to Panyu Gemstar Project" (hereinafter referred to as the "Original Agreement"). According to Article 4.1 of the Original Agreement, Party A and Party B have opened an Escrow Account at the Industrial and Commercial Bank of China Guangzhou Yushan Branch on 09/27/2016, and the account name is Guangzhou Junhao Investment Co., Ltd., the account number is 36020060192011931. Party B has transferred RMB 32 million deposit into the Escrow Account on 09/29/2016 (the "Initial Deposit").

Now, after friendly negotiations amongst the parties, the parties have unanimously agreed to terminate the Original Agreement, and the parties hereby will sign this Termination Agreement effective on and as of the Effective Date and agree to abide by its terms.

Now, after friendly negotiations amongst the parties, the parties have unanimously agreed to terminate the Original Agreement, and the parties hereby will sign this Termination Agreement effective on and as of the Effective Date and agree to abide by its terms.

1. All parties agree that the Original Agreement is terminated effective immediately on and as of the Effective Date and the Parties' rights and obligations under the Original Agreement shall cease, and the Parties shall not bear any liability of whatever kind or nature under or in connection with the Original Agreement, including without limitation, any breach or claim of breach of the Original Agreement.
2. After Party B has returned to Party A the documents and materials that Party B had received in the course of its due diligence review of Party D ("Due Diligence Materials"), Party B shall thereafter also ensure confidentiality of such Due Diligence Materials and their associated information.
3. Within 5 days from the Effective Date, Party A shall assist Party B in the cancellation of the Escrow Account and the return of the Initial Deposit (including interest accrued, if any), to the account of Party B as Party B designates in writing.
4. If Party A does not fulfill its obligations under Article 3 above, Party A shall pay Party B a penalty charge of 0.05% per day of the unpaid amount to Party B in the Escrow Account.

If Party A does not fulfill its obligations under Article 3 above, Party A shall pay Party B a penalty charge of 0.05% per day of the unpaid amount to Party B in the Escrow Account

5. This Termination Agreement is written in both Chinese and English. If there is any discrepancy between the two versions, the Chinese version shall prevail. Any disputes and claims arising out of this Termination Agreement shall first be resolved by friendly consultation, and if no agreement can be reached by friendly consultation, any Party may submit the dispute or claim for arbitration before the China Nansha International Arbitration Centre in accordance with its procedural rules, and any arbitral award shall be final and binding on the Parties. Further, the conclusion, implementation, validity and interpretation of and disputes arising out of this Termination Agreement shall be governed by the laws of the People's Republic of China.
6. This Termination Agreement will be signed in ten duplicates. Each party will hold two copies and each copy shall have full legal effect. The Agreement shall be effective upon the signing of the Agreement by each party's authorized representative and the affixing of each

party's chop.

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Party A: CG Development Limited (Chop)

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Legal Representative (Signature)

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Date:

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Party B: Guangzhou Junhao Investment Co., Ltd. (Chop)

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Legal Representative (Signature)

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Date:

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Party C: Universal Electronics Inc. (Chop)

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Legal Representative (Signature)

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Date:

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Party D: Gemstar Technology (China) Co. Ltd. (Chop)

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Legal Representative (Signature)

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Date:

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Party E: Times China Holdings Limited

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Legal Representative (Signature)

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Date:

7. Current status of Project Lot: this Project Lot with a total area of 65,980.8 m² is separately registered under two certificates as follows: : i) Certificate YFDZZ No. G03-000628 for the lot with an area of 16,736 m² (hereinafter referred to as "Lot #1"), and ii) Certificate YFDZZ No. C6542932 for the lot with an area of 49,244.8 m² (hereinafter referred to as "Lot #2"). Party A has built makeshift shelters on Lot #1 without a construction application. Party A's structures built on Lot #2 include: 1) plant (Phase I Plant including canteen) with an area of 28,345.70 m² (Property Ownership Certificate Code: C6542932); 2) office building and Phase II Plant with an area of 18,955.70 m² (Property Ownership Certificate Code: C6542929); 3) Dormitory Building #1 with an area of 6,400.50 m² (Property Ownership Certificate Code: C654928); 4) Dormitory Building #2 with an area of 2,861.60 m² (Property Ownership Certificate Code: C542928); and 5) Dormitory Building #3 with an area of 6,482.10 m² (Property Ownership Certificate Code: C6542926) (all structures above hereinafter referred to as "Buildings"). The areas stated in the aforesaid property ownership certificates amount to 63,045.60 m².

7. 当前项目地块现状: 该地块总面积为65,980.8平方米, 分别注册于两份证书如下: i) 证书YFDZZ No. G03-000628, 面积为16,736平方米(以下简称“地块#1”), 且ii) 证书YFDZZ No. C6542932, 面积为49,244.8平方米(以下简称“地块#2”). 甲方在#1地块上建造了临时建筑, 未在规划部门申请。甲方在#2地块上建造了以下建筑: 1) 厂房(一期厂房包括食堂)面积为28,345.70平方米(不动产权证书编号: C6542932); 2) 办公楼及二期厂房, 面积为18,955.70平方米(不动产权证书编号: C6542929); 3) 宿舍楼#1, 面积为6,400.50平方米(不动产权证书编号: C654928); 4) 宿舍楼#2, 面积为2,861.60平方米(不动产权证书编号: C542928); 5) 宿舍楼#3, 面积为6,482.10平方米(不动产权证书编号: C6542926) (以上所有建筑统称为“建筑物”)。上述不动产权证书中记载的面积共计63,045.60平方米。

8. Use Period of the Land Parcels under the name of Party C:

(i) Use period for the land covered by Certificate YFDZZ No. G03-000628 is through August 1, 2046.

(ii) Use period for the land covered by Certificate YFDZZ No. C6542932 is through June 23, 2044

8. 土地 parcels 的使用期限

不动产权证书G03-000628的使用期限为2046年8月1日

不动产权证书C6542932的使用期限为2044年6月23日

9. Party A signed the Transfer Contract for the Use Right of State-owned Land in Panyu and the General Management Contract for State-owned Land Transfer in Panyu with Guangzhou Panyu Zhongcun Electronic Industrial Company (former "Panyu Zhongcun Electronic Industrial Company") on June 8, 1992. The Agreement was made among Party A, Party C and Guangzhou Panyu Zhongcun Electronic Industrial Company on November 21, 2017, and the management fee has been paid and settled through the end of the term stated in the General Management Contract for State-owned Land Transfer in Panyu

9. 甲方于1992年6月8日与广州番禺中村电子有限公司(前身为“广州番禺中村电子有限公司”)签订了《广州市番禺区国有土地使用权转让合同》和《广州市番禺区国有土地资产经营管理合同》。该协议由甲方、乙方和广州番禺中村电子有限公司于2017年11月21日达成, 且甲方已按照《广州市番禺区国有土地资产经营管理合同》中约定的期限支付了管理费用并结清。

10. There exists certain discrepancies regarding the payment of some building construction fees, and the payer or summary specified in some invoices/receipts are not sufficiently identified.

10. 关于某些建筑费用的支付存在一定差异, 且部分发票/收据中指定的付款人或摘要不足以明确。

11. Party C has not been granted corresponding receipts regarding certain portions of land transfer fees and the construction costs of some buildings and structures on the Project Lot.

11. 乙方尚未收到关于项目地块上某些部分土地转让费用及某些建筑物和结构建造成本的相关收据。

12. Party C's production has been discontinued. The water and electricity supply, buildings, and fire prevention systems are operational.

12. 乙方的生产已经停止。供水和供电, 建筑物, 以及消防系统均处于运营状态。

13. On January 10, 2018, Party C received the Tax Examination Notice and the Retrieval Notice for Accounting Books and Documents issued by North District Tax Inspection Department of the Guangzhou Municipal State Taxation Bureau (hereinafter "Tax Examination"). The examination is in on-going.

13. 2018年1月10日, 乙方收到了广州市国家税务局北区税务检查局发出的《税务检查通知书》和《会计账簿及资料调取通知书》(以下简称“税务检查”)。该检查正在进行中。

14. Party B acknowledges that it has been given the opportunity to review the current status and condition of the Project Lot and the Buildings prior to the signing of this Agreement.

14. 乙方承认其在签署本协议之前, 已经获得了审查项目地块及建筑物的现状和条件的机会。

Given the foregoing recitals, through sufficient understanding and consideration, Party A agrees to transfer to Party B and Party B agrees to purchase 100% of Party C's shares held by Party A. Party B agrees that such transfer shall be based on Party C's current status on an "AS-IS" basis. Now therefore, all parties hereby agree to the following terms and conditions:

鉴于上述陈述, 通过充分理解和考虑, 甲方同意将其持有的乙方100%股份转让给乙方, 乙方同意购买甲方持有的乙方100%股份。乙方同意, 该转让应基于乙方当前的状况, 按“AS-IS”原则进行。因此, 各方特此同意以下条款和条件:

1. Definition and Interpretation

1. 定义和解释

Unless otherwise provided herein, the terms mentioned herein shall have the following meaning:

除非另有规定，本协议中提到的术语应具有以下含义：

“Project Lot” shall refer to the multiple parcels of land which together constitute the piece of land located at 45 Section II Shiguang Road, Zhongcun Town, Panyu District, Guangzhou with a total area of 65,980.80 square meters.

“项目地块”是指位于广州市番禺区长涌镇新光路45号地段的多块土地，总面积为65,980.80平方米。

“Buildings” refer to Party C’s structures built on the Project Lot, including: 1) plant (Phase I Plant including canteen) with an area of 28,345.70 m² (Property Ownership Certificate Code: C6542932); 2) office building and Phase II Plant with an area of 18,955.70 m² (Property Ownership Certificate Code: C6542929); 3) Dormitory Building #1 with an area of 6,400.50 m² (Property Ownership Certificate Code: C654928); 4) Dormitory Building #2 with an area of 2,861.60 m² (Property Ownership Certificate Code: C542928); 5) Dormitory Building #3 with an area of 6,482.10 m² (Property Ownership Certificate Code: C6542926); and 6) any makeshift structures or shelters.

“建筑物”是指乙方在项目地块上建造的结构，包括：1) 厂房（一期厂房包括食堂）面积为28,345.70平方米（不动产权证书编号：C6542932）；2) 办公楼和二期厂房面积为18,955.70平方米（不动产权证书编号：C6542929）；3) 宿舍楼#1面积为6,400.50平方米（不动产权证书编号：C654928）；4) 宿舍楼#2面积为2,861.60平方米（不动产权证书编号：C542928）；5) 宿舍楼#3面积为6,482.10平方米（不动产权证书编号：C6542926）；以及6) 任何临时搭建的结构或棚架。

“Third Party” refers to any entity or individual except Party A, Party B and Party C.

“第三方”是指除甲方、乙方和丙方以外的任何实体或个人。

“Business Approval Authority” refers to the competent authority which previously examined and approved the incorporation of Party B.

“商业审批机构”是指此前审查并批准乙方设立的有权机构。

“Commerce Approval Authority” refers to the competent authority which handles and approves changes in industrial and commercial registration.

“工商审批机构”是指处理并批准工业和商业注册变更的有权机构。

“Approval” refers to any permission, permit, license, approval, exemption, agreement, authorization, registration or record issued or made by any governmental authority.

“审批”是指任何由政府机构颁发的许可、批准、豁免、协议、授权、注册或记录。

“Applicable Laws” refers to any binding, effective and applicable treaties, laws, administrative regulations, local laws, regulations, decisions, orders, judicial interpretations, judgments, decisions, arbitration awards or other normative documents to which a specified person or property is subject.

“适用法律”是指任何具有约束力、有效且适用的条约、法律、行政法规、地方法规、规章、决定、命令、司法解释、判决、裁定、仲裁裁决或其他规范性文件，适用于指定的人或财产。

“Closing Date” refers to the date when Party B completes the procedures for changes in Party C’s Industrial and Commercial Registration, and receives the Notice for Allowance of Change of Industrial and Commercial Registration from the Commerce Approval Authority.

“交割日期”是指乙方完成丙方工业和商业注册变更程序，并从工商审批机构收到《准予变更工业和商业注册通知书》之日。

“Handover Date” refers to the date on which Party B completes the handover of the Project Lot, Buildings, corporate and legal documents, key licenses, bank account information and chops in accordance with the requirements set forth by Article 3.4 of the Agreement and as evidenced by the issuance of the Certificate of Handover Completion as defined in Article 3.4.

“移交日期”是指乙方根据本协议第3.4条的要求，完成项目地块、建筑物、公司法律文件、关键许可证、银行账户信息和印章的移交，并由移交完成证书所证明的日期。

“Tax Liabilities” means all forms of taxes, fees, and related charges.

“税务负债”是指所有形式的税款、费用和杂费。

“Party A Receivables” means cash reserve maintained by Party C in its bank accounts prior to the Handover Date minus the regularly incurred tax liabilities of Party C payable by Party A prior to the Handover Date and other liabilities which are required to be paid by Party A prior to the Handover Date pursuant to this Agreement.

“甲方应收款”是指截至移交日期前，丙方在银行账户中持有的现金储备，减去丙方在移交日期前应由甲方支付的常规发生的税务负债，以及根据本协议要求在移交日期前由甲方支付的其他负债。

“Business Day” refers to any calendar day other than Saturdays, Sundays and all other statutory holidays in China.

“”

“yuan” refers to CNY (Chinese yuan).

“”

2. Purpose and Subject Matter of Transaction, and Transaction Amount

2

2.1 Party B agrees to buy and Party A agrees to sell 100% of the shares of Party C in accordance with the terms of this Agreement.

2.1 100%

2.2 **Transaction purpose:** Facilitate Party B to obtain the corresponding Project Lot and the Buildings thereon through acquiring from Party A 100% shares that Party A holds in Party C.

2.2

2.3 **Subject matter of transaction:** 100% of Party C’s shares held by Party A

2.3 100%

2.4 **Transaction Amount:** RMB 338,880,000 yuan plus the Party A Receivables as jointly determined by Parties A and B for transfer of 100% of Party C’s shares (“Transaction Amount”).

2.4 100% 338880000

3. Arrangements for Transaction and Payment of Transaction Amount

3.

3.1 Within three (3) days upon the execution of this Agreement, Party B shall remit RMB 33,888,000 yuan into the bank account designated by Party A as the transaction deposit (“Deposit”) under this Agreement. Party B shall provide the payment wire confirmation to Party A once the wire transfer is done.

3.1 3 33,888,000

3.2 Within twenty (20) days upon the execution of this Agreement, all parties shall cooperate to commence to fulfill the required procedures regarding the business approval of such share transfer and the changes in Party C's Industrial and Commercial Registration with the relevant authority (including but not limited to filings with the Business Approval Authority and Commerce Approval Authority). On the date that Party B receives a confirmation receipt from the Commerce Approval Authority that the Authority has received on file the application materials, Party B shall remit RMB 237,216,000 yuan into the bank account designated by Party A. Party B shall provide the payment wire confirmation to Party A once the wire transfer is done.

3.2 20 237,216,000

3.3 Within 2 business days after Party B has received a confirmation receipt from the Commerce Approval Authority that the Authority has received on file the application materials, Party B shall remit RMB 67,776,000 yuan into the bank account of Guangdong Zu Chi Nou Law Firm for safe custody; in exchange Guangdong Zu Chi Nou Law Firm shall issue a receipt (escrow) certificate of the fund to Party A upon receipt of such amount. Party B shall provide payment wire confirmation to Party A after the wire transfer is done.

Bank Account Information of the Guangdong Zu Chi Nou Law Firm is as follows:

Account Holder Name: Guangdong Zu Chi Nou Law Firm

Bank Branch Name: Guangzhou Famer Merchant Bank Hua-Nan New City Branch

Account No.: 0620 1739 0000 00415

3.3 67,776,000

4.1.2 [REDACTED]

4.1.3 All the provisions in "WHEREAS" herein, as well as Party A's representation and warranties hereunder, are authentic.

4.1.3 [REDACTED]

4.1.4 On the date of the execution of this Agreement, Party A must provide Party B with the following documents duly stamped and confirmed by Party A, including: i) Party C's unaudited financial statements as of March 31, 2018; ii) Party C's unaudited balance sheet as of March 31, 2018, 2018; (iii) tax clearance certificate and Party C's audit report; (iv) the tax certificate for increment tax on land value (if any), and (v) the settlement statement of corporate income tax. Prior to the Closing Date, Party A will submit those unaudited financial statements as of the Closing Date.

4.1.4 [REDACTED] 2018年3月31日 [REDACTED] 2018年3月31日 [REDACTED]

4.1.5 Party A shall be liable for all of Party C's losses and liabilities arising from the Tax Examination as stated in point 13 of WHEREAS. Party A shall provide Party B a copy of the final examination report [original copy] issued by the Guangzhou Municipal State Taxation Bureau.

4.1.5 [REDACTED] 13 [REDACTED]

4.1.6 Party A will provide Party B with a set of Party C's current financial books and records

4.1.6 [REDACTED]

4.1.7 Parties A and C warrant that presently there are no disputes regarding their shares. Party A warrants that it will not sign any share transfer contract similar to this Agreement with any third party after the full execution of this Agreement.

4.1.7 [REDACTED]

4.2 For the purpose of the performance hereof, Party B make the following representation and warranties to Party A:

4.2 [REDACTED]

4.2.1 Party B has sufficient funds that can be disposed and transferred at any time to carry out the transaction hereunder.

4.2.1 [REDACTED]

4.2.2 Party B possesses the full capacity for civil conduct and full capacity to execute this Agreement, as well as all the rights, power and authority necessary to have any of its rights and perform any of its duties hereunder. Party B's performance hereof will neither violate any law, regulation, rule or order applicable to it, nor go against its existing valid articles of association.

4.2.2 [REDACTED]

4.2.3 If after the Handover Date, if Party B actually uses the Net Taxable Loss stated in point 6 of "WHEREAS" to reduce Party B's operating income and associated tax liability, Party B shall repay to Party A the realized tax savings due to such usage within ten (10) days upon receipt of the related tax payment voucher or supporting documents issued by the taxation authority. Prior to the full utilization of the Net Taxable Loss, Party B shall disclose to Party A in writing (1) each instance on which the Net Taxable Loss is utilized to reduce Party B's operating income and tax liability, and (2) submit its detailed annual income tax return to Party A on an annual basis up to five (5) years.

4.2.3 [REDACTED] 6 [REDACTED]

4.2.4 Party B undertakes and warrants that it will continuously perform the Transfer Contract for the Use Right of State-owned Land in Panyu, the General Management Contract for State-owned Land Transfer in Panyu, and the Agreement with Guangzhou Panyu Zhongcun Electronic Industrial Company as specified in point 9 of "WHEREAS" herein, and that Party B will solely assume all rights and obligations arising out of these agreements.

4.2.4 [REDACTED]

4.2.5 Party B warrants that if _ Guangdong Zu Chi Nou Law Firm fails to remit the balance of the Transaction Amount pursuant to this Agreement, Party B shall be responsible for paying Party A any such shortfall in the Transaction Amount .

4.2.5 [REDACTED]

4.3 Party A and Party B acknowledge and agree that that: i) for two years after the Handover Date, Party A shall indemnify Party B for any losses

or debt incurred arising from any rights and obligations of Party C (including but not limited to legal disputes, litigation, guarantees, rent, administrative penalties and fines, contractual damages, and delinquent taxes) that arose or were incurred prior to the Closing Date, except for those matters listed in "WHEREAS" herein; and ii) Party B shall solely assume and be obligated for any rights and obligations of Party C that arise or are incurred upon or after the Handover Date. Upon the expiration of said two-year period, the indemnification obligations of Party A will cease with no further actions needing to be taken by the Parties.

4.3 ii)

4.4 On the Handover Date, Parties A and B will destroy the old official chops of Party C, and handover the new official chops of Party C to Party B. Liabilities and debt arising from documents previously chopped by the old official chops will be considered as Party C's liabilities which arose prior to the Handover Date. Liabilities and debt arising from documents chopped by the new official chops will be considered as Party C's liabilities which arose after the Handover Date, for which Party A has no responsibility or liability.

4.4

5. Liability for Breach and Termination of Agreement

5.

5.1 Except as otherwise agreed herein, for two years after the execution of this Agreement, any party must indemnify for the other party's actual losses arising from such party's failure to perform its duties and obligations hereunder, or misleading or incorrect representation and warranties.

5.1

5.2 After Party B has paid the Deposit to Party A pursuant to Article 3.1, if Party A commits a material delay in fulfilling its obligations as provided in this Agreement, it shall pay Party B a liquidated damage equaling 0.05% of the Transaction Amount Party A already received from Party B per day for each day of material delay, except if such delay is attributable to any governmental authority's action, any examination and approval delayed by a relevant authority which is out of the control of Party A, or any other cause which is beyond the reasonable control of Party A. Meanwhile, Party A shall finish the relevant contractual obligations as soon as possible, and all parties shall also continue to perform the Agreement. However, if the delay by Party A exceeds twenty (20) days, Party B is entitled to terminate this Agreement without further liability, and claim against Party A liquidated damage at 10% of the total Transaction Amount.

5.2 3.1 1 0.05% 20 10%

5.3 In case that Party B fails to make the payment to Party A pursuant to Article 3.2, Party B shall pay Party A a liquidated damage equaling 0.05% of the unpaid Transaction Amount for each day of delay. In addition, in case Party B's late payment exceeds three (3) days, Party A is entitled to unilaterally terminate this Agreement (without the need to notify Party B) without further liability, and claim against Party B a liquidated damage at 10% of the total Transaction Amount.

5.3 3.2 1 0.05% 3 10%

5.4 In case that Party B fails to make the payment to Guangdong Zu Chi Nou Law Firm pursuant to Article 3.3, it shall pay Party A a liquidated damage equaling 0.05% of the unpaid Transaction Amount per day for each day of delay. In addition, in case of Party B's late payment exceeds five (5) days, Party A is entitled to unilaterally terminate this Agreement (without the need to notify Party B) without further liability, and claim against Party B a liquidated damage at 10% of the total Transaction Amount.

5.4 3.3 1 0.05% 5 10%

5.5 Upon the execution of this Agreement, neither party A or B shall unilaterally discharge this Agreement on any ground unless such party's obligations to perform the Agreement has been duly excused (for example, the other party announces that it will not continue to perform the Agreement according to its term). If either party unilaterally terminates this Agreement without just cause, such breaching party must pay the non-breaching party the liquidated damages at 10% of the total Transaction Amount.

5.5 10%

5.6 If Party A's representations and warranties are materially untrue or inaccurate, or its failure to perform its duties as specified in this Agreement,

results in any actual losses and liabilities of Party C or Party B, Party B must claim such loss against Party A in writing and list any matter, basis and amount for compensation no later than two years from the Closing Date. Within fifteen (15) days upon receipt of such written claim for damages, Party A shall investigate such matter specified therein. If it is verified through investigation, Party A shall make compensation to Party B.

5.6 15

5.7 Notwithstanding anything to the contrary, in the event that the transaction contemplated by this Agreement fails to fully close on or before June 30, 2018 (including but not limited to the transfer of shares and handover of the project), and such failure to close is through no fault of Party A or reasons related to the delay of the government not otherwise caused by or attributable to Party B, Party A shall be able to terminate this Agreement without further liability and retain 10% of the Transaction Amount paid by Party B as liquidated damage.

5.7 6 30 10

6. Governing Laws and Resolution of Disputes

6.

All the disputes during the performance hereof shall be settled by Party A and Party B through consultation between officials of the Parties that have decision making authority. Failing that, Party A and Party B acknowledge that any dispute arising from or in connection with this Agreement shall be filed for arbitration with Nansha International Arbitration Center. For this purpose, the summary procedures and the laws of PRC shall apply in the hearing process. The arbitral award shall be final and binding upon Party A and Party B.

7. Notice and Service

7.

Any notices, documents and materials sent or submitted among all parties for the performance hereof shall be made in writing (including email) and addressed through registered mail or express delivery to the addresses stated herein. In case of change in either party's address, it shall promptly inform the other party in writing; otherwise, any notices and documents sent to such party's address stated herein shall be deemed to have been directly delivered to such party.

8. Miscellaneous Provisions

8.

8.1 Party A shall be responsible for the fees incurred through the commerce authority for this transaction. Any taxes and levies relating to the transaction hereunder shall be borne by the related parties in accordance with relevant laws and regulations and as provided herein, or shall be equally (50%) shared by Party A and Party B if no such law, regulation or provision.

8.1 50%

8.2 Where either party hereto fails to perform this Agreement in whole or in part due to force majeure, any act of government, and any other unforeseeable and insurmountable cause, such affected party shall immediately inform the other party in writing. Consequently, all parties hereto shall discuss whether to discharge this Agreement based on the impact of such events on the performance hereof, or shall be released from, in whole or in part, or shall decide to postpone the performance hereof.

8.2

8.3 The transaction amount to be stated in the standard share transfer contract to be entered into by Party A and Party B for purpose of the business approval procedure ("Standard Transfer Contract") shall be the same as the Transaction Amount stated in this Agreement. In the event of any inconsistency between the Standard Transfer Contract and this Agreement, this Agreement shall prevail.

8.3

8.4 Upon the end of the land use period granted to Party C, Party B shall be solely responsible for those matters (and associated liabilities) relating to the ownership or use rights of the land and building. If Party B needs Party A's assistance, Party A will provide reasonable assistance provided that (i) such assistance does not adversely impact the interests of Party A, and (ii) Party B reimburses any out-of-pocket costs incurred by Party A in the course of such assistance.

8.4

8.5 Party B shall be responsible for cost water, electricity and security services of Party C on the following month following the Handover Date.

8.5

8.6 Neither party has engaged or authorized any broker, finder, investment banker or other third party to act on behalf of any Party hereto, directly or indirectly, as a broker, finder, investment banker or in any other like capacity in connection with this Agreement or the transactions contemplated hereby, or has consented to or acquiesced in anyone so acting. There are no claims for compensation from any such broker, finder, investment banker or other third party for so acting or of any basis for such a claim.

8.6

8.7 This Agreement is written both in Chinese and English. In case of any difference between the two versions, the Chinese version shall prevail.

8.7

8.8 This Agreement is made in duplicates. Parties A and B will each hold two (2) copies. Parties C and the Guangdong Zu Chi Nou Law Firm's will each hold one (1) copy. The Agreement comes into effect upon signature and seal by the authorized representatives of all parties. All copies have the same legal force.

8.8

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Party A: CG Development Limited (Chop)

□□□□□□□□□□□□

Legal Representative (Signature)

□ □ □

Date:

□□□□□□□□□□□□

Party B: Guangzhou MuXia Hotel Management Co. Ltd.

□□□□□□□□□□□□

Legal Representative (Signature)

□ □ □

Date:

□□□Gemstar Technology (China) Co., Ltd.

Party C: Gemstar Technology (China) Co., Ltd.

□□□□□□□□□□□□

Legal Representative (Signature)

□ □ □

Date:

□□□□□□□□□□

Guangdong Zu Chi Nou Law Firm

□□□□□□□□□□□□

Legal Representative (Signature):

□ □ □

Date:

Place of Signature: Panyu District, Guangzhou

□□□□□□□□□□

□□□

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Appendix

1. List of Party C Handover Materials
2. Each Party's business license
3. Guangdong Zu Chi Nou Law Firm's License.
4. Form of Escrow Receipt/Certificate and Certificate of Handover Completion

UNIVERSAL ELECTRONICS INC.
2018 EQUITY AND INCENTIVE COMPENSATION PLAN

1. **Purpose.** The purpose of the Universal Electronics Inc. 2018 Equity and Incentive Compensation Plan is to provide a means through which the Company may attract and retain key personnel and to provide a means whereby directors, officers, employees, consultants and advisors of the Company and its Subsidiaries (the “**Company Group**”) can acquire and maintain an equity interest in the Company, or be paid incentive compensation, which may (but need not) be measured by reference to the value of Common Stock, thereby strengthening their commitment to the welfare of the Company Group and aligning their interests with those of the Company’s stockholders.

2. **Definitions.** The following definitions shall be applicable throughout the Plan:

“**Annual Award**” has the meaning given such term in Section 5(c) of the Plan.

“**Award**” means, individually or collectively, any Incentive Stock Option, Nonqualified Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Other Stock-Based Award, Cash-Based Award granted under the Plan.

“**Award Agreement**” means a written agreement between the Company and a Participant evidencing the grant of an Award (other than a Cash-Based Award) to the Participant.

“**Board**” means the Board of Directors of the Company.

“**Business Combination**” has the meaning given such term in the definition of “**Change in Control**.”

“**Cash-Based Award**” means an Award that is not a Stock Appreciation Right or Restricted Stock Unit granted under Section 10 of the Plan that is denominated and/or payable in cash.

“**Cause**” means in the case of a particular Award, unless the applicable Award Agreement states otherwise, (i) the Company or any Subsidiary having “cause” to terminate a Participant’s employment or service, as defined in any employment or consulting agreement between the Participant and any member of the Company Group in effect at the time of such termination or (ii) in the absence of any such employment or consulting agreement (or the absence of any definition of “**Cause**” contained therein), the following with respect to a Participant: (a) the commission of a felony or other crime involving moral turpitude or the commission of any act or omission involving dishonesty, disloyalty or fraud in connection with the performance of his or her duties with respect to the Company or any of its Subsidiaries; (b) any conduct in conjunction with his or her duties which could reasonably be expected to, or which does, cause public disgrace or disrepute or significant economic harm to the Company or any of its Subsidiaries; (c) repeated or continuing failure to perform his or her duties that is not cured to the Company’s reasonable satisfaction within fifteen (15) days after written notice thereof (provided, that, such opportunity to cure shall not be available for repeated or habitual violations); (d) a deliberate act of insubordination or repeated refusal to follow reasonable and lawful instructions of supervisors, including engaging in disruptive conduct to the detriment of the Company or any of its Subsidiaries; (e) gross negligence or willful misconduct in connection with the performance of his or her duties with respect to the Company or any of its Subsidiaries; (f) obtaining any personal profit not thoroughly disclosed to and approved by the Company in connection with any transaction entered into by, or on behalf of, the Company or any of its Subsidiaries or a breach of his or her fiduciary duties to the Company or any of its Subsidiaries; (g) violating any material terms of the applicable material policies of the Company or any of its Subsidiaries that is not cured to the Company’s reasonable satisfaction within fifteen (15) days after written notice thereof (provided, that, such opportunity to cure shall not be available for repeated or habitual violations); or (i) any breach of any material provision of a written agreement between the Company or any of its Subsidiaries and the Participant which is not cured to the Company’s reasonable satisfaction within fifteen (15) days after written notice thereof.

“**Change in Control**” shall, in the case of a particular Award, unless the applicable Award Agreement states otherwise or contains a different definition of “Change in Control,” be deemed to occur upon the first to occur of the following:

(i) Any individual, entity or group (within the meaning of Section 12(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended and any successor thereto (the “**Exchange Act**”) (a “**Person**”) becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of either (A) the then-outstanding shares of Common Stock of the Company (the “**Outstanding Company Common Stock**”) or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the “**Outstanding Company Voting Securities**”); provided, however, that, for purposes herein, the following acquisitions shall not constitute a Change in Control: (I) any acquisition by the Company, (II) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any affiliate of the Company, or (III) any acquisition by any corporation pursuant to a transaction that complies with subsections (iii)(A), (iii)(B) and (iii)(C) of this definition below;

(ii) During any period of twelve (12) consecutive months, individuals who, as of the date hereof, constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(iii) Consummation of a reorganization (excluding a reorganization under either Chapter 7 or Chapter 11 of Title 11 of the United States Code), merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its Subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its Subsidiaries (each, a “**Business Combination**”), in each case unless, following such Business Combination,

(A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company’s assets either directly or through one or more Subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be,

(B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, fifty percent (50%) or more of, respectively, the then-outstanding

shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur under the Plan unless the event(s) constituting a Change in Control also constitute a “change in the ownership” of the Company, a “change in effective control” of the Company, or a “change in the ownership of a substantial portion of the assets” of the Company under Treasury Regulations § 1.409A-3(i)(5), or any successor provision.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor thereto. Reference in the Plan to any section of the Code shall be deemed to include any regulations or other interpretative guidance under such section, and any amendments or successor provisions to such section, regulations or guidance.

“Committee” means the Compensation Committee of the Board or a committee of at least two people as the Board may appoint to administer the Plan or, if no such committee has been appointed by the Board, the Board.

“Common Stock” means the common stock, par value \$0.01 per share, of the Company (and any stock or other securities into which such common stock may be converted or into which it may be exchanged).

“Company” means Universal Electronics Inc., a Delaware corporation, and any successor thereto.

“Confidential Information” means, unless the applicable Award Agreement states otherwise, any data, information or documentation (including such that is received by third parties) that is competitively sensitive or commercially valuable and not generally known to the public, including data, information or documentation related or pertaining to: (1) finance, supply or service; (2) customers, suppliers or consumers, including customer lists, relationships and profiles; (3) marketing or product information, including product planning, marketing strategies, marketing results, marketing forecasts, plans, finance, operations, reports, sales estimates, business plans and internal performance results relating to past, present or future business activities, clients and suppliers; and (4) scientific or technical information, design, process, procedure, formula or improvement, computer software, object code, source code, specifications, inventions or systems information, whether or not patentable or copyrightable, and that is not otherwise a Trade Secret.

“Date of Grant” means the date on which the granting of an Award is authorized, or such other date as may be specified in such authorization.

“Detrimental Activity” means any of the following: (1) unauthorized use, disclosure or dissemination of Confidential Information or Trade Secrets pertaining to the business of any member of the Company Group; (2) any activity that would be grounds to terminate the Participant’s employment or service with any member of the Company Group for Cause; or (3) a breach by the Participant of any restrictive covenant by which such Participant is bound, including, without limitation, any covenant not to compete or not to solicit, in any agreement with any member of the Company Group; provided, however, that the activity described under clause (1) of this definition does not apply to (x) any Confidential Information which has become generally known to competitors of any member of the Company Group through no act or omission by the Participant or (y) a Participant’s communications that are required by law or judicial process (e.g., subpoena). Further, this definition does not preclude a Participant from communicating, cooperating or filing a complaint with any U.S. federal, state or local governmental or law enforcement branch, agency or entity (collectively, a “**Governmental Entity**”) with respect to possible violations of any U.S. federal, state or local law or regulation, or otherwise making disclosures to any Governmental Entity, in each case, that are protected under the whistleblower provisions of any such law or regulation, provided, that, in each case, such communications and disclosures are consistent with applicable law and provided, further, that under no circumstance is the Participant authorized to disclose any information covered by the Company Group’s attorney-client privilege or attorney work product or Trade Secrets without prior written consent of the Board or its designee.

“Effective Date” means the first date on which the Plan has been both adopted by the Board and approved by the Company’s shareholders.

“Eligible Director” means a person who is a “non-employee director” within the meaning of Rule 16b-3 under the Exchange Act.

“Eligible Person” means any (i) individual employed by any member of the Company Group; (ii) director of any member of the Company Group; or (iii) consultant or advisor to any member of the Company Group who may be offered securities registrable on Form S-8 under the Securities Act or pursuant to Rule 701 of the Securities Act, or any other available exemption, as applicable.

“Employment Agreement” means an employment agreement or similar agreement between a Participant and a member of the Company Group.

“Exchange Act” has the meaning given such term in the definition of “Change in Control,” and any reference in the Plan to any section of (or rule promulgated under) the Exchange Act shall be deemed to include any rules, regulations

or other interpretative guidance under such section or rule, and any amendments or successor provisions to such section, rules, regulations or guidance.

“Exercise Price” has the meaning given such term in Section 7(b) of the Plan.

“Fair Market Value” means, on a given date, (i) if the Common Stock is listed on the NASDAQ Stock Market or another national securities exchange, the closing sales price of the Common Stock reported on such national securities exchange, or, if there is no such sale on that date, then on the last preceding date on which such a sale was reported; (ii) if the Common Stock is not listed on the NASDAQ Stock Market or another national securities exchange, but is quoted on an inter-dealer quotation system on a last sale basis, the closing bid price or, if there is no such sale on that date, then on the last preceding date on which a sale was reported; or (iii) if the Common Stock is not listed on a national securities exchange or quoted in an inter-dealer quotation system on a last sale basis, the amount determined by the Committee in good faith to be the fair market value of the Common Stock in a manner intended to satisfy the principles of Section 409A of the Code.

“Good Reason” or “Constructive Termination” means the definition of such term as set forth in an Employment Agreement or Award Agreement; provided, that, in the absence of such definition in such an agreement, the concept shall not apply with respect to a Participant’s Awards.

“Immediate Family Members” shall have the meaning set forth in Section 15(b).

“Incentive Stock Option” means an Option that is designated by the Committee as an incentive stock option as described in Section 422 of the Code and otherwise meets the requirements set forth in the Plan.

“Incumbent Board” has the meaning given such term in the definition of “Change in Control.” “Indemnifiable Person” shall have the meaning set forth in Section 4(e) of the Plan.

“Mature Shares” means shares of Common Stock owned by a Participant that are not subject to any pledge or security interest and that have been either previously acquired by the Participant on the open market or meet such other requirements, if any, as the Committee may determine are necessary in order to avoid an accounting earnings charge on account of the use of such shares to pay the Exercise Price or satisfy a withholding obligation of the Participant.

“Nonqualified Stock Option” means an Option that is not designated by the Committee as an Incentive Stock Option. “Option” means an Award granted under Section 7 of the Plan.

“Option Period” has the meaning given such term in Section 7(c) of the Plan.

“Other Stock-Based Award” means an Award that is not an Option, Stock Appreciation Right, Restricted Stock, or Restricted Stock Unit, that is granted under Section 10 of the Plan and is (1) payable by delivery of Common Stock and/or (2) measured by reference to the value of Common Stock.

“Outstanding Company Common Stock” has the meaning given such term in the definition of “Change in Control.” “Outstanding Company Voting Securities” has the meaning given such term in the definition of “Change in Control.”

“Participant” means an Eligible Person who has been selected by the Committee to participate in the Plan and to receive an Award pursuant to Section 6 of the Plan.

“Permitted Transferee” shall have the meaning set forth in Section 15(b) of the Plan. “Person” has the meaning given such term in the definition of “Change in Control.”

“Plan” means this Universal Electronics Inc. 2018 Equity and Incentive Compensation Plan.

“Prior Plan” means each of the Universal Electronics Inc. 2014 Stock Incentive Plan, the Universal Electronics Inc. 2010 Stock Incentive Plan, the Universal Electronics Inc. 2006 Stock Incentive Plan, the Universal Electronics Inc. 2003 Stock Incentive Plan, and the Universal Electronics Inc. 1999A Nonqualified Stock Plan (collectively, the “Prior Plans”).

“Restricted Period” means the period of time determined by the Committee during which an Award is subject to restrictions or, as applicable, the period of time within which performance is measured for purposes of determining whether an Award has been earned.

“Restricted Stock Unit” means an unfunded and unsecured promise to deliver shares of Common Stock, cash, other securities or other property, subject to certain restrictions (including, without limitation, a requirement that the Participant remain continuously employed or provide continuous services for a specified period of time), granted under Section 9 of the Plan.

“Restricted Stock” means Common Stock, subject to certain specified restrictions (including, without limitation, a requirement that the Participant remain continuously employed or provide continuous services for a specified period of time), granted under Section 9 of the Plan.

“SAR Period” has the meaning given such term in Section 8(b) of the Plan.

“Securities Act” means the Securities Act of 1933, as amended, and any successor thereto. Reference in the Plan to any section of (or rule promulgated under) the Securities Act shall be deemed to include any rules, regulations or other interpretative guidance under such section or rule, and any amendments or successor provisions to such section, rules, regulations or guidance.

“Stock Appreciation Right” or “SAR” means an Award granted under Section 8 of the Plan.

“Strike Price” means, except as otherwise provided by the Committee in the case of Substitute Awards, (i) in the case of a SAR granted in tandem with an Option, the Exercise Price of the related Option, or (ii) in the case of a SAR granted independent of an Option, the Fair Market Value on the Date of Grant.

“Subsidiary” means a corporation, company or other entity (i) more than fifty percent (50%) of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (ii) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture, limited liability company, unincorporated association or other similar entity), but more than fifty percent (50%) of whose ownership interest representing the right generally to make decisions for such other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Company; provided, however, that for purposes of determining whether any person may be a Participant for purposes of any grant of Incentive Stock Options, “Subsidiary” means any corporation in which the Company at the time owns or controls, directly or indirectly, more than fifty percent (50%) of the total combined Voting Power represented by all classes of stock issued by such corporation.

“Substitute Award” has the meaning given such term in Section 5(f).

“Sub-Plans” means any sub-plan to this Plan that has been adopted by the Board or the Committee for the purpose of permitting the offering of Awards to employees of any member of the Company Group that are located outside the United States of America, with each such sub-plan designed to comply with local laws applicable to offerings in such foreign jurisdictions. Although any Sub-Plan may be designated a separate and independent plan from the Plan in order to comply with applicable local laws, the limits specified in Section 5 shall apply in the aggregate to the Plan and any Sub-Plan adopted hereunder.

“Trade Secrets” means without limitation, (1) any data or information that is competitively sensitive or commercially valuable and not generally known to the public and (2) any scientific or technical information, design, process, procedure, formula or improvement, computer software, object code, source code, specification, invention or systems

information, whether or not patentable or copyrightable; provided, that, this definition of Trade Secrets shall have the broadest meaning as permitted by law and shall extend beyond the definition of “trade secrets” as set forth in the Delaware Uniform Trade Secrets Act.

3. **Effective Date; Duration.** The Plan shall be effective as of the Effective Date. No grants shall be made on or after the Effective Date under any of the Prior Plans; provided, that, outstanding awards granted under any Prior Plan will remain subject to the terms and conditions of the applicable Prior Plan. Unless earlier terminated as provided herein, the expiration date of the Plan, on and after which date no Awards may be granted hereunder, shall be the tenth (10th) anniversary of the Effective Date; provided, however, that such expiration shall not affect Awards then outstanding, and the terms and conditions of the Plan shall continue to apply to such Awards.

4. **Administration.** (a) The Committee shall administer the Plan. To the extent required to comply with the provisions of Rule 16b-3 promulgated under the Exchange Act (if the Board is not acting as the Committee under the Plan) it is intended that each member of the Committee shall, at the time he or she takes any action with respect to an Award under the Plan, be an Eligible Director. However, the fact that a Committee member shall fail to qualify as an Eligible Director shall not invalidate any Award granted by the Committee that is otherwise validly granted under the Plan. The majority of the members of the Committee shall constitute a quorum. The acts of a

majority of the members present at any meeting at which a quorum is present or acts approved in writing by the Committee in compliance with Delaware law shall be deemed the acts of the Committee.

(b) Subject to the provisions of the Plan and applicable law, the Committee shall have the sole and plenary authority, in addition to other express powers and authorizations conferred on the Committee by the Plan, to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to a Participant; (iii) determine the number of shares of Common Stock to be covered by, or with respect to which payments, rights, or other matters are to be calculated in connection with, Awards; (iv) determine the terms and conditions of any Award, including any applicable performance criteria relating to the Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, shares of Common Stock, other securities, other Awards or other property, or canceled, forfeited, or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited, or suspended; (vi) determine whether, to what extent, and under what circumstances the delivery of cash, Common Stock, other securities, other Awards or other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the Participant or of the Committee; (vii) interpret, administer, reconcile any inconsistency in, correct any defect in and/or supply any omission in the Plan and any instrument or agreement relating to, or Award granted under, the Plan; (viii) establish, amend, suspend, or waive any rules and regulations and appoint such agents as the Committee shall deem appropriate for the proper administration of the Plan; (ix) accelerate the vesting or exercisability of, payment for or lapse of restrictions on, Awards; (x) adopt Sub-Plans; and (xi) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) The Committee may from time to time delegate all or any part of its authority under this Plan to a subcommittee thereof. To the extent of any such delegation, references in this Plan to the Committee will be deemed to be references to such subcommittee. The Committee may also delegate to one or more officers of any member of the Company Group the authority to act on behalf of the Committee with respect to any matter, right, obligation, or election that is the responsibility of or that is allocated to the Committee herein, and that may be so delegated as a matter of law, except for grants of Awards to persons subject to Section 16 of the Exchange Act.

(d) Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award or any documents evidencing Awards granted pursuant to the Plan shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all persons or entities, including, without limitation, the Company, any Subsidiary, any Participant, any holder or beneficiary of any Award, and any stockholder of the Company.

(e) No member of the Board, the Committee, delegate of the Committee or any employee or agent of the Company (each such person, an “**Indemnifiable Person**”) shall be liable for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award hereunder. Each Indemnifiable Person shall

be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense (including attorneys’ fees) that may be imposed upon or incurred by such Indemnifiable Person in connection with or resulting from any action, suit or proceeding to which such Indemnifiable Person may be a party or in which such Indemnifiable Person may be involved by reason of any action taken or omitted to be taken under the Plan or any Award Agreement and against and from any and all amounts paid by such Indemnifiable Person with the Company’s approval, in settlement thereof, or paid by such Indemnifiable Person in satisfaction of any judgment in any such action, suit or proceeding against such Indemnifiable Person; provided, that, the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding and once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company’s choice. The foregoing right of indemnification shall not be available to an Indemnifiable Person to the extent that a final judgment or other final adjudication (in either case not subject to further appeal) binding upon such Indemnifiable Person determines that the acts or omissions of such Indemnifiable Person giving rise to the indemnification claim resulted from such Indemnifiable Person’s bad faith, fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by the Company’s Certificate of Incorporation or Bylaws. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such Indemnifiable Persons may be entitled under the Company’s Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any other power that the Company may have to indemnify such Indemnifiable Persons or hold them harmless.

(f) Notwithstanding anything to the contrary contained in the Plan, the Board may, in its sole discretion, at any time and from time to time, grant Awards and administer the Plan with respect to such Awards. In any such case, the Board shall have all the authority granted to the Committee under the Plan.

5. **Grant of Awards; Shares Subject to the Plan; Limitations.** (a) The Committee may, from time to time, grant Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Other Stock-Based Awards and Cash-Based to one or more Eligible Persons.

(b) **Shares Available.** Subject to adjustment in accordance with Section 11 of the Plan, the total number of shares of Common Stock reserved and available for issuance in connection with Awards under the Plan shall be one million (1,000,000) (all of which may be issued as Incentive Stock Options) plus the number of shares of Common Stock underlying any award granted under any of the Prior Plans that expires, terminates or is canceled or forfeited for any reason whatsoever or settled in cash (in whole or in part) or is unearned (in whole or in part) under the terms of the applicable Prior Plan.

(c) **Director Awards.** Each year prior to the expiration or termination of the Plan and commencing on the first day of July following the Effective Date, each Participant who is an Eligible Director shall be granted an Award covering the lesser of (i) 5,000 shares of Common Stock (which number of shares may be reduced when determined by the Board to be necessary and appropriate) and (ii) shares of Common Stock with an aggregate maximum value at the Date of Grant (calculating the value of any such awards based on the grant date fair value for financial reporting purposes) of \$500,000 (the “Annual Award”). In addition to the Annual Award, as an inducement to commence service with the Company as a Eligible Director or, from time to time, to reward extraordinary service rendered by an existing Eligible Director, a Participant who is or becomes an Eligible Director may be granted an Award of Options covering up to 20,000 shares of Common Stock.

(d) **Share Counting.** Use of shares of Common Stock to pay the required Exercise Price or tax obligations, or shares not issued in connection with settlement of an Option or SAR, reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of an Option, or that are used or withheld to satisfy tax obligations of the Participant shall, notwithstanding anything herein to the contrary, not be available again for other Awards under the Plan. In addition, if a Participant elects to give up the right to receive compensation in exchange for shares of Common Stock based on Fair Market Value, such shares of Common Stock will not be available again

for Awards under the Plan. Shares underlying Awards under this Plan that are forfeited, cancelled, expire unexercised, or are settled in cash (in whole or in part) or is unearned (in whole or in part) are available again for Awards under the Plan.

(e) Source of Shares. Shares of Common Stock delivered by the Company in settlement of Awards may be authorized and unissued shares, shares held in the treasury of the Company, shares purchased on the open market or by private purchase, or a combination of the foregoing.

(f) Substitute Awards. Awards may, in the sole discretion of the Committee, be granted under the Plan in assumption of, or in substitution for, outstanding awards previously granted by an entity acquired by the Company or with which the Company combines (“**Substitute Awards**”). The number of shares of Common Stock underlying any Substitute Awards shall be counted against the aggregate number of shares of Common Stock available for Awards under the Plan.

6. Eligibility. Participation shall be limited to Eligible Persons who have entered into an Award Agreement or who have received written notification from the Committee, or from a person designated by the Committee, that they have been selected to participate in the Plan.

7. Options. (a) Generally. Each Option granted under the Plan shall be evidenced by an Award Agreement (whether in paper or electronic medium (including email or the posting on a web site maintained by the Company or a third party under contract with the Company)). Each Option so granted shall be subject to the conditions set forth in this Section 7, and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement. All Options granted under the Plan shall be Nonqualified Stock Options unless the applicable Award Agreement expressly states that the Option is intended to be an Incentive Stock Option. Incentive Stock Options shall be granted only to Eligible Persons who are employees of the Company Group, and no Incentive Stock Option shall be granted to any Eligible Person who is ineligible to receive an Incentive Stock Option under the Code. No Option shall be treated as an Incentive Stock Option unless the Plan has been approved by the stockholders of the Company in a manner intended to comply with the stockholder approval requirements of Section 422(b)(1) of the Code, provided, that, any Option intended to be an Incentive Stock Option shall not fail to be effective solely on account of a failure to obtain such approval, but rather such Option shall be treated as a Nonqualified Stock Option unless and until such approval is obtained. In the case of an Incentive Stock Option, the terms and conditions of such grant shall be subject to and comply with such rules as may be prescribed by Section 422 of the Code. If for any reason an Option intended to be an Incentive Stock Option (or any portion thereof) shall not qualify as an Incentive Stock Option, then, to the extent of such nonqualification, such Option or portion thereof shall be regarded as a Nonqualified Stock Option appropriately granted under the Plan.

(b) Exercise Price. Except as otherwise provided by the Committee in the case of Substitute Awards, the exercise price (“**Exercise Price**”) per share of Common Stock for each Option shall not be less than one hundred percent (100%) of the Fair Market Value of such share (determined as of the Date of Grant); provided, however, that in the case of an Incentive Stock Option granted to an employee who, at the time of the grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of any member of the Company Group, the Exercise Price per share shall not be less than one hundred and ten percent (110%) of the Fair Market Value per share on the Date of Grant.

(c) Vesting and Expiration. Options shall vest and become exercisable in such manner and on such date or dates determined by the Committee and set forth in an Award Agreement and shall expire after such period, not to exceed ten (10) years, as may be determined by the Committee (the “**Option Period**”); provided, however, that the Option Period shall not exceed five (5) years from the Date of Grant in the case of an Incentive Stock Option granted to a Participant who on the Date of Grant owns stock representing more than ten percent (10%) of the voting power of all classes of stock of any member of the Company Group; provided, further, that notwithstanding any vesting dates set by the Committee, the Committee may, in its sole discretion, accelerate the exercisability of any Option, which acceleration shall not affect the terms and conditions of such Option other than with respect to exercisability.

(d) Method of Exercise and Form of Payment. No shares of Common Stock shall be delivered pursuant to any exercise of an Option until payment in full of the Exercise Price therefor is received by the Company and the Participant has paid to the Company an amount equal to any federal, state, local and non-U.S. income and employment taxes required to be withheld. Options that have become exercisable may be exercised by delivery of written or electronic notice of exercise to the Company in accordance with the terms of the Option accompanied by payment of the Exercise Price.

The Exercise Price shall be payable (i) in cash, check, cash equivalent and/or shares of Common Stock valued at the Fair Market Value at the time the Option is exercised (including, pursuant to procedures approved by the Committee, by means of attestation of ownership of a sufficient number of shares of Common Stock in lieu of actual delivery of such shares to the Company); provided, that, such shares of Common Stock are not subject to any pledge or other security interest and are Mature Shares and; (ii) by such other method as the Committee may permit in its sole discretion, including without limitation: (A) in other property having a fair market value on the date of exercise equal to the Exercise Price or (B) if there is a public market for the shares of Common Stock at such time, by means of a broker- assisted “cashless exercise” pursuant to which the Company is delivered a copy of irrevocable instructions to a stockbroker to sell the shares of Common Stock otherwise deliverable upon the exercise of the Option and to deliver promptly to the Company an amount equal to the Exercise Price or (C) by a “net exercise” method whereby the Company withholds from the delivery of the shares of Common Stock for which the Option was exercised that number of shares of Common Stock having a Fair Market Value equal to the aggregate Exercise Price for the shares of Common Stock for which the Option was exercised. Any fractional shares of Common Stock shall be settled in cash.

(e) Notification upon Disqualifying Disposition of an Incentive Stock Option. Each Participant awarded an Incentive Stock Option under the Plan shall notify the Company in writing immediately after the date he or she makes a disqualifying disposition of any Common Stock acquired pursuant to the exercise of such Incentive Stock Option. A disqualifying disposition is any disposition (including, without limitation, any sale) of such Common Stock before the later of (A) two (2) years after the Date of Grant of the Incentive Stock Option or (B) one (1) year after the date of exercise of the Incentive Stock Option. The Company may, if determined by the Committee and in accordance with procedures established by the Committee, retain possession of any Common Stock acquired pursuant to the exercise of an Incentive Stock Option as agent for the applicable Participant until the end of the period described in the preceding sentence.

(f) Compliance With Laws, etc. Notwithstanding the foregoing, in no event shall a Participant be permitted to exercise an Option in a manner that the Committee determines would violate the Sarbanes-Oxley Act of 2002, or any other applicable law or the applicable rules and regulations of the Securities and Exchange Commission or the applicable rules and regulations of any securities exchange or inter-dealer quotation system on which the securities of the Company are listed or traded.

8. **Stock Appreciation Rights.** (a) Generally. Each SAR granted under the Plan shall be evidenced by an Award Agreement (whether in paper or electronic medium (including email or the posting on a web site maintained by the Company or a third party under contract with the Company)). Each SAR so granted shall be subject to the conditions set forth in this Section 8, and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement. Any Option granted under the Plan may include tandem SARs. The Committee also may award SARs to Eligible Persons independent of any Option.

(b) Vesting and Expiration. A SAR granted in connection with an Option shall become exercisable and shall expire according to the same vesting schedule and expiration provisions as the corresponding Option. A SAR granted independent of an Option shall vest and become exercisable and shall expire in such manner and on such date or dates determined by the Committee and set forth in an Award Agreement and shall expire after such period, not to exceed ten (10) years, as may be determined by the Committee (the “SAR Period”); provided, however, that notwithstanding any vesting dates set by the Committee, the Committee may, in its sole discretion, accelerate the exercisability of any SAR, which acceleration shall not affect the terms and conditions of such SAR other than with respect to exercisability.

(c) Method of Exercise. SARs that have become exercisable may be exercised by delivery of written or electronic notice of exercise to the Company in accordance with the terms of the Award, specifying the number of SARs to be exercised and the date on which such SARs were awarded. Notwithstanding the foregoing, if on the last day of the Option Period (or in the case of a SAR independent of an option, the SAR Period), the Fair Market Value exceeds the Strike Price, the Participant has not exercised the SAR or the corresponding Option (if applicable), and neither the SAR nor the corresponding Option (if applicable) has expired, such SAR shall be deemed to have been exercised by the Participant on such last day and the Company shall make the appropriate payment therefor.

(d) Payment. Upon the exercise of a SAR, the Company shall pay to the Participant an amount equal to the number

of shares subject to the SAR that are being exercised multiplied by the excess, if any, of the Fair Market Value of one share of Common Stock on the exercise date over the Strike Price, less an amount equal to any federal, state, local and non-U.S. income and employment taxes required to be withheld. The Company shall pay such amount in cash, in shares of Common Stock valued at Fair Market Value, or any combination thereof, as determined by the Committee. Any fractional shares of Common Stock shall be settled in cash.

9. **Restricted Stock and Restricted Stock Units.** (a) Generally. Each grant of Restricted Stock and Restricted Stock Units shall be evidenced by an Award Agreement (whether in paper or electronic medium (including email or the posting on a web site maintained by the Company or a third party under contract with the Company)). Each such grant shall be subject to the conditions set forth in this Section 9, and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement.

(b) Stock Certificates; Escrow or Similar Arrangement. Upon the grant of Restricted Stock, the Committee shall cause a stock certificate or book-entry designation registered in the name of the Participant to be issued and, if the Committee determines that the Restricted Stock shall be held by the Company or in escrow rather than delivered to the Participant pending the release of the applicable restrictions, the Committee may require the Participant to additionally execute and deliver to the Company (i) an escrow agreement satisfactory to the Committee, if applicable, and (ii) the appropriate stock power (endorsed in blank) with respect to the Restricted Stock covered by such agreement. If a Participant shall fail to execute an agreement evidencing an Award of Restricted Stock and, if applicable, an escrow agreement and blank stock power within the amount of time specified by the Committee, the Award shall be null and void. Subject to the restrictions set forth in this Section 9 and the applicable Award Agreement, the Participant generally shall have the rights and privileges of a stockholder as to such Restricted Stock, including without limitation the right to vote such Restricted Stock. To the extent shares of Restricted Stock are forfeited, any stock certificates or book-entry designations issued to the Participant evidencing such shares shall be returned to the Company, and all rights of the Participant to such shares and as a stockholder with respect thereto shall terminate without further obligation on the part of the Company.

(c) Vesting; Acceleration of Lapse of Restrictions. Except as provided below, the Restricted Period shall lapse as determined by the Committee and set forth in an Award Agreement.

(d) Delivery of Restricted Stock and Settlement of Restricted Stock Units. (i) Upon the expiration of the Restricted Period with respect to any shares of Restricted Stock, the restrictions set forth in the applicable Award Agreement shall be of no further force or effect with respect to such shares, except as set forth in the applicable Award Agreement. If an escrow arrangement is used, upon such expiration, the Company shall deliver to the Participant, or his or her beneficiary, without charge, the stock certificate evidencing the shares of Restricted Stock that have not then been forfeited and with respect to which the Restricted Period has expired. Dividends, if any, that may have been withheld by the Committee and attributable to any particular share of Restricted Stock shall be distributed to the Participant in cash or, at the sole discretion of the Committee, in shares of Common Stock having a Fair Market Value equal to the amount of such dividends, upon the release of restrictions on such share and, if such share is forfeited, the Participant shall have no right to such dividends (except as otherwise set forth by the Committee in the applicable Award Agreement).

(ii) Unless otherwise provided in an Award Agreement, an Employment Agreement or otherwise by the Committee, upon the expiration of the Restricted Period with respect to any outstanding Restricted Stock Units, the Company shall deliver to the Participant, or the Participant’s beneficiary, without charge, one share of Common Stock for each such outstanding Restricted Stock Unit; provided, however, that the Committee may, in its sole discretion, elect to (i) pay cash or part cash and part Common Stock in lieu of delivering only shares of Common Stock in respect of such Restricted Stock Units or (ii) defer the delivery of Common Stock (or cash or part Common Stock and part cash, as the case may be) beyond the expiration of the Restricted Period. If a cash payment is made in lieu of delivering shares of Common Stock, the amount of such payment shall be equal to the Fair Market Value of the Common Stock as of the date on which the Restricted Period lapsed with respect to such Restricted Stock Units, less an amount equal to any federal, state, local and non-U.S. income and employment taxes required to be withheld.

(e) Legends on Restricted Stock. Each certificate or book-entry designation representing Restricted Stock awarded

under the Plan shall bear a legend substantially in the form of the following in addition to any other information the Company deems appropriate until the lapse of all restrictions with respect to such Common Stock:

TRANSFER OF THIS CERTIFICATE AND THE SHARES REPRESENTED HEREBY IS RESTRICTED PURSUANT TO THE TERMS OF THE UNIVERSAL ELECTRONICS INC. 2018 EQUITY AND INCENTIVE COMPENSATION PLAN AND A RESTRICTED STOCK AWARD AGREEMENT, BETWEEN UNIVERSAL

10. **Other Stock-Based Awards and Cash-Based Awards.** The Committee may issue Other Stock-Based Awards under the Plan to Eligible Persons, either alone or in tandem with other awards, in such amounts as the Committee shall from time to time in its sole discretion determine. Each Other Stock-Based Award granted under the Plan shall be evidenced by an Award Agreement (whether in paper or electronic medium (including email or the posting on a web site maintained by the Company or a third party under contract with the Company)). Each Other Stock-Based Award so granted shall be subject to such conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement. The Committee may grant Cash-Based Awards under the Plan to Eligible Persons, alone or in tandem with other Awards, in such amounts and dependent on such conditions as the Committee shall from time to time in its sole discretion determine. Each Cash-Based Award granted under the Plan shall be evidenced in such form as the Committee may determine from time to time and shall be subject to such conditions not inconsistent with the Plan as may be reflected in the form evidencing such Award.

11. **Changes in Capital Structure and Similar Events.** In the event of (a) any dividend (other than regular cash dividend) or other distribution (whether in the form of cash, shares of Common Stock, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, split-off, combination, repurchase or exchange of shares of Common Stock or other securities of the Company, issuance of warrants or other rights to acquire shares of Common Stock or other securities of the Company, or other similar corporate transaction or event (including, without limitation, a Change in Control) that affects the shares of Common Stock, or (b) unusual or nonrecurring events (including, without limitation, a Change in Control) affecting any member of the Company Group, or the financial statements of any member of the Company Group, or changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange or inter-dealer quotation system, accounting principles or law, such that in either case an adjustment is determined by the Committee in its sole discretion to be necessary or appropriate, then the Committee shall make any such adjustments in such manner as it may deem equitable, including without limitation any or all of the following:

- (i) adjusting (A) any or all of the limits provided under the Plan (including under Section 5 of Plan) with respect to the number of Awards which may be granted hereunder, (B) the number of shares of Common Stock or other securities of the Company (or number and kind of other securities or other property) that may be delivered in respect of Awards or with respect to which Awards may be granted under the Plan (including, without limitation, adjusting any or all of the limitations under Section 5 of the Plan) or any Sub-Plan and (C) the terms of any outstanding Award, including, without limitation, (1) the number of shares of Common Stock or other securities of the Company (or number and kind of other securities or other property) subject to outstanding Awards or to which outstanding Awards relate, (2) the Exercise Price or Strike Price with respect to any Award or (3) any applicable performance; provided, that, any adjustment under this Section 11(i) shall be conclusive and binding for all purposes and may provide for the elimination of any fractional shares that might otherwise become subject to an Award;
- (ii) providing for a substitution or assumption of Awards (or awards of an acquiring company), accelerating the exercisability of, lapse of restrictions on, or termination of, Awards or providing for a period of time for exercise prior to the occurrence of such event; and
- (iii) subject to any limitations or reductions as may be necessary to comply with Section 409A of the Code, cancelling any one or more outstanding Awards and causing to be paid to the holders thereof, in cash, shares of Common Stock, other securities or other property, or any combination thereof, the value of such Awards, if any, as determined by the Committee (which if applicable may be based upon the price per share of Common

Stock received or to be received by other stockholders of the Company in such event), including without limitation, in the case of an outstanding Option or SAR, a cash payment in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the shares of Common Stock subject to such Option or SAR over the aggregate Exercise Price or Strike Price of such Option or SAR, respectively (it being understood that, in such event, any Option or SAR having a per share Exercise Price or Strike Price equal to, or in excess of, the Fair Market Value of a share of Common Stock subject thereto may be canceled and terminated without any payment or consideration therefor) or, in the case of Restricted Stock, Restricted Stock Units or Other Stock-Based Awards that are not vested as of such cancellation, a cash payment or equity subject to deferred vesting and delivery consistent with the vesting restrictions applicable to such Restricted Stock, Restricted Stock Units or Other Stock-Based Awards prior to cancellation, or the underlying shares in respect thereof;

provided, however, that in the case of any "equity restructuring" (within the meaning of the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004)), the Committee shall make an equitable or proportionate adjustment to outstanding Awards to reflect such equity restructuring. Any adjustment in Incentive Stock Options under this Section 11 (other than any cancellation of Incentive Stock Options) shall be made only to the extent not constituting a "modification" within the meaning of Section 424(h)(3) of the Code, and any adjustments under this Section 11 shall be made in a manner that does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act, to the extent applicable. The Company shall give each Participant notice of an adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

Prior to any payment or adjustment contemplated under this Section 11, the Committee may require a Participant to (A) represent and warrant as to the unencumbered title to the Participant's Awards, (B) bear such Participant's pro rata share of any post-closing indemnity obligations, and be subject to the same post-closing purchase price adjustments, escrow terms, offset rights, holdback terms, and similar conditions as the other holders of Common Stock, subject to any limitations or reductions as may be necessary to comply with Section 409A of the Code, and (C) deliver customary transfer documentation as reasonably determined by the Committee.

12. **Effect of Change in Control.** Except to the extent otherwise provided in an Award Agreement, an Employment Agreement or otherwise by the Committee, in the event of a Change in Control, notwithstanding any provision of the Plan to the contrary, the Committee may provide that, with respect to all or any portion of a particular outstanding Award or Awards:

- (a) then outstanding Options and SARs shall become immediately exercisable as of a time prior to the Change in Control;
- (b) Restricted Period shall expire as of a time prior to the Change in Control; and
- (c) cause Awards previously deferred to be settled in full as soon as practicable.

To the extent practicable, any actions taken by the Committee under the immediately preceding clauses (a) through (c) shall occur in a manner and at a time which allows affected Participants the ability to participate in the Change in Control transactions with respect to the Common Stock subject to their Awards.

13. **Amendments and Termination.** (a) Amendment and Termination of the Plan. The Board may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time; provided, that (i) no amendment to Section 13(b) (to the extent required by the proviso in such Section 13(b)) shall be made without stockholder approval and (ii) no such amendment, alteration, suspension, discontinuation or termination shall be made without stockholder approval if such approval is necessary to comply with any tax or regulatory requirement applicable to the Plan (including, without limitation, as necessary to comply with any rules or requirements of any securities exchange or inter-dealer quotation system on which the shares of Common Stock may be listed or quoted); provided, further, that any such amendment, alteration, suspension, discontinuance or termination that would materially and adversely affect the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the affected Participant, holder or beneficiary.

(b) Amendment of Award Agreements. The Committee may, to the extent consistent with the terms of any applicable Award Agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any Award theretofore granted or the associated Award Agreement, prospectively or retroactively; provided, that, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely affect the rights of any Participant with respect to any Award theretofore granted shall not to that extent be effective without the consent of the affected Participant; provided, further, that without stockholder approval to the extent required by the rules of any applicable national securities exchange or inter-dealer quotation system on which the Common Stock is listed or quoted, except as otherwise permitted under Section 11 of the Plan,

(i) no amendment or modification may reduce the Exercise Price of any Option or the Strike Price of any SAR, (ii) the Committee may not cancel any outstanding Option or SAR and replace it with a new Option or SAR, another Award or cash and (iii) the Committee may not take any other action that is considered a “repricing” for purposes of the stockholder approval rules of the applicable securities exchange or inter-dealer quotation system.

14. **Section 409A.** (a) Notwithstanding anything herein to the contrary, this Plan and any Awards granted hereunder are intended to be interpreted and applied so that the payments and benefits set forth thereunder either shall either be exempt from the requirements of Code Section 409A and the final Treasury Regulations promulgated thereunder (the “Final Treasury Regulations” and together with Section 409A of the Code, “Section 409A”), or shall comply with the requirements of Section 409A, and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be exempt from or in compliance with Section 409A. To the extent that the Company determines that any provision of this Plan or any Award granted hereunder would cause a Participant to incur any additional tax or interest under Section 409A, the Company shall be entitled to reform such provision to attempt to comply with or be exempt from Section 409A through good faith modifications. To the extent that any provision hereof is modified in order to comply with Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Participant and the Company without violating the provisions of Section 409A. In no event may a Participant, directly or indirectly, designate the calendar year of any payment to be made under this Agreement or otherwise which constitutes a “deferral of compensation” within the meaning of Section 409A.

(b) Except as otherwise specifically provided, amounts payable under an Award, other than those expressly payable on a deferred or installment basis, will be paid as promptly as practicable following the date they are earned and vested and, in any event, on or prior to March 15 of the year following the first calendar year in which such amounts are no longer subject to a substantial risk of forfeiture, as such term is defined in Section 409A.

(c) Notwithstanding anything in this Plan or any Award Agreement to the contrary, a termination of employment shall not be deemed to have occurred for purposes of any provision any Award providing for the payment of any amounts or benefits that constitute “non-qualified deferred compensation” within the meaning of Section 409A upon or following a termination of a Participant’s employment unless such termination is also a “separation from service” within the meaning of Section 409A and, for purposes of any such provision of this Plan or any Award Agreement, references to a “termination,” “termination of employment” or like terms shall mean “separation from service” and the date of such separation from service shall be the date of termination for purposes of any such payment or benefits.

(d) Each payment in a series of payments made under this Plan and any Awards granted hereunder shall be deemed to be a separate payment for purposes of Section 409A.

(e) Notwithstanding any provision in this Plan or any Award Agreement to the contrary, if upon a termination employment a Participant is deemed to be a “specified employee” within the meaning of Section 409A using the identification methodology selected by the Company from time to time, or if none, the default methodology under Section 409A, any payments or benefits due upon a termination of Executive’s employment under any arrangement that constitutes a “deferral of compensation” within the meaning of Section 409A shall be delayed and paid or provided (or commence, in the case of installments) on the first payroll date on or following the earlier of (i) the date which is six (6) months and one (1) day after Employee’s termination of employment for any reason other than death (the “Delayed Payment Date”), and (ii) the date of Executive’s death, and any remaining payments and benefits shall be paid or provided in accordance with the normal payment dates specified for such payment or benefit; provided, that, payments or benefits that qualify as short-term deferral (within the meaning of Section 409A and Final Treasury

Regulations Section 1.409A-1(b)(4)) or involuntary separation pay (within the meaning of Section 409A and Final Treasury Regulations Section 1.409A-1(b)(9)(iii)(A)) and are otherwise permissible under Section 409A and the Final Treasury Regulations, shall not be subject to such six-month delay. On the Delayed Payment Date, the Company will pay to Employee a lump sum equal to all amounts that would have been paid during the period of the delay if the delay were not required plus interest on such amount at a rate equal to the short-term applicable federal rate then in effect, and will thereafter continue to pay Employee the Severance Payment in installments in accordance with this Section.

(f) Neither a Participant nor any of a Participant’s creditors or beneficiaries will have the right to subject any deferred compensation (within the meaning of Section 409A) payable under this Plan and grants hereunder to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation payable to a Participant or for a Participant’s benefit under this Plan and grants hereunder may not be reduced by, or offset against, any amount owing by a Participant to the any member of Company Group.

(g) No member of the Company Group, nor any employee, director or officer thereof guarantees that this Plan or any Award granted hereunder complies with, or is exempt from, Section 409A and none of the foregoing shall have any liability with respect to any failure to so comply or to be so exempt.

15. **General.** (a) Award Agreements. Other than Cash-Based Awards, each Award under the Plan shall be evidenced by an Award Agreement, which shall be delivered to the Participant (whether in paper or electronic medium (including email or the posting on a web site maintained by the Company or a third party under contract with the Company)) and shall specify the terms and conditions of the Award any rules applicable thereto, including without limitation, the effect on such Award of the death, disability or termination of employment or service of a Participant, or of such other events as may be determined by the Committee.

(b) Nontransferability. (i) Each Award shall be exercisable only by a Participant during the Participant's lifetime, or, if permissible under applicable law, by the Participant's legal guardian or representative. No Award may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant other than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against any member of the Company Group; provided, that, the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(ii) Notwithstanding the foregoing, the Committee may, in its sole discretion, permit Awards (other than Incentive Stock Options) to be transferred by a Participant, without consideration, subject to such rules as the Committee may adopt consistent with any applicable Award Agreement to preserve the purposes of the Plan, to: (A) any person who is a "family member" of the Participant, as such term is used in the instructions to Form S-8 under the Securities Act (collectively, the "**Immediate Family Members**"); (B) a trust solely for the benefit of the Participant and his or her Immediate Family Members; or (C) a partnership or limited liability company whose only partners or stockholders are the Participant and his or her Immediate Family Members; or (D) any other transferee as may be approved either

(I) by the Board or the Committee in its sole discretion, or (II) as provided in the applicable Award Agreement (each transferee described in clauses (A), (B) (C) and (D) above is hereinafter referred to as a "**Permitted Transferee**"); provided, that, the Participant gives the Committee advance written notice describing the terms and conditions of the proposed transfer and the Committee notifies the Participant in writing that such a transfer would comply with the requirements of the Plan.

(iii) The terms of any Award transferred in accordance with the immediately preceding sentence shall apply to the Permitted Transferee and any reference in the Plan, or in any applicable Award Agreement, to a Participant shall be deemed to refer to the Permitted Transferee, except that (A) Permitted Transferees shall not be entitled to transfer any Award, other than by will or the laws of descent and distribution; (B) Permitted Transferees shall not be entitled to exercise any transferred Option unless there shall be in effect a registration statement on an appropriate form covering the shares of Common Stock to be acquired pursuant to the exercise of such Option if the Committee determines, consistent with any applicable Award Agreement, that such a registration statement is necessary or appropriate; (C) the Committee or the Company shall not be required to provide any notice to a Permitted Transferee, whether or not

such notice is or would otherwise have been required to be given to the Participant under the Plan or otherwise; and

(D) the consequences of the termination of the Participant's employment by, or services to, any member of the Company Group under the terms of the Plan and the applicable Award Agreement shall continue to be applied with respect to the Participant, including, without limitation, that an Option shall be exercisable by the Permitted Transferee only to the extent, and for the periods, specified in the Plan and the applicable Award Agreement.

(c) Tax Withholding. (i) A Participant shall be required to pay to any member of the Company Group, and any member of the Company Group shall have the right and is hereby authorized to withhold, from any cash, shares of Common Stock, other securities or other property deliverable under any Award or from any compensation or other amounts owing to a Participant, the amount (in cash, Common Stock, other securities or other property) of any required withholding or any other applicable taxes in respect of an Award, its exercise, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Committee or the Company to satisfy all obligations for the payment of such withholding and taxes.

(ii) Without limiting the generality of clause (i) above, the Committee may, in its sole discretion, permit a Participant to satisfy, in whole or in part, the foregoing withholding liability by (A) the delivery of shares of Common Stock (which are not subject to any pledge or other security interest and are Mature Shares) owned by the Participant having a Fair Market Value equal to such withholding liability or (B) having the Company withhold from the number of shares of Common Stock otherwise issuable or deliverable pursuant to the exercise or settlement of the Award a number of shares with a Fair Market Value equal to such withholding liability; provided, that, with respect to shares withheld pursuant to clause (B), the number of such shares may not have a Fair Market Value greater than the minimum required statutory withholding liability unless determined by the Committee not to result in adverse accounting consequences.

(d) No Claim to Awards; No Rights to Continued Employment; Waiver. No employee of any member of the Company Group, or other person, shall have any claim or right to be granted an Award under the Plan or, having been selected for the grant of an Award, to be selected for a grant of any other Award. There is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee's determinations and interpretations with respect thereto need not be the same with respect to each Participant and may be made selectively among Participants, whether or not such Participants are similarly situated. Neither the Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the employ or service of any member of the Company Group, nor shall it be construed as giving any Participant any rights to continued service on the Board. Any member of the Company Group may at any time dismiss a Participant from employment or discontinue any consulting relationship, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or any Award Agreement.

(e) Participants. Subject to the shareholder approval requirements under Section 13, with respect to Participants who reside or work outside of the United States of America, the Committee may in its sole discretion amend the terms of the Plan and create or amend Sub-Plans or amend outstanding Awards with respect to such Participants in order to conform such terms with the requirements of local law or to obtain more favorable tax or other treatment for a Participant or any member of the Company Group.

(f) Designation and Change of Beneficiary. Each Participant may file with the Committee a written designation of one or more persons as the beneficiary(ies) who shall be entitled to receive the amounts payable with respect to an Award, if any, due under the Plan upon his or her death. A Participant may, from time to time, revoke or change his or her beneficiary designation without the consent of any prior beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no beneficiary designation is filed by a Participant, the beneficiary shall be deemed to be his or her spouse or, if the Participant is unmarried at the time of death, his or her estate.

(g) Termination of Employment/Service. Unless determined otherwise by the Committee at any point following such event: (i) neither a temporary absence from employment or service due to illness, vacation or leave of absence nor a transfer from employment or service with the Company to employment or service with a Subsidiary or an affiliate of

the Company shall be considered a termination of employment or service with any member of the Company Group; and (ii) if a Participant's employment with the Company Group terminates, but such Participant continues to provide services to the Company Group in a non-employee capacity, such change in status shall not be considered a termination of employment with any member of the Company Group.

(h) No Rights as a Stockholder. Except as otherwise specifically provided in the Plan or any Award Agreement, no person shall be entitled to the privileges of ownership in respect of shares of Common Stock that are subject to Awards hereunder until such shares have been issued or delivered to that person.

(i) Government and Other Regulations. (i) The obligation of the Company to settle Awards in Common Stock or other consideration shall be subject to all applicable laws, rules, and regulations, and to such approvals by governmental agencies as may be required. Notwithstanding any terms or conditions of any Award to the contrary, the Company shall be under no obligation to offer to sell or to sell, and shall be prohibited from offering to sell or selling, any shares of Common Stock pursuant to an Award unless such shares have been properly registered for sale pursuant to the Securities Act with the Securities and Exchange Commission or unless the Company has received an opinion of counsel, satisfactory to the Company, that such shares may be offered or sold without such registration pursuant to an available exemption therefrom and the terms and conditions of such exemption have been fully complied with. The Company shall be under no obligation to register for sale under the Securities Act any of the shares of Common Stock to be offered or sold under the Plan. The Committee shall have the authority to provide that all certificates for shares of Common Stock or other securities of any member of the Company Group delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, the applicable Award Agreement, the federal securities laws, or the rules, regulations and other requirements of the Securities and Exchange Commission, any securities exchange or inter-dealer quotation system upon which such shares or other securities are then listed or quoted and any other applicable federal, state, local or non-U.S. laws, and, without limiting the generality of Section 9 of the Plan, the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. Notwithstanding any provision in the Plan to the contrary, the Committee reserves the right to add any additional terms or provisions to any Award granted under the Plan that it in its sole discretion deems necessary or advisable in order that such Award complies with the legal requirements of any governmental entity to whose jurisdiction the Award is subject.

(ii) The Committee may cancel an Award or any portion thereof if it determines, in its sole discretion, that legal or contractual restrictions and/or blockage and/or other market considerations would make the Company's acquisition of shares of Common Stock from the public markets, the Company's issuance of Common Stock to the Participant, the Participant's acquisition of Common Stock from the Company and/or the Participant's sale of Common Stock to the public markets, illegal, impracticable or inadvisable. If the Committee determines to cancel all or any portion of an Award in accordance with the foregoing, the Company shall pay to the Participant an amount equal to the excess of (A) the aggregate Fair Market Value of the shares of Common Stock subject to such Award or portion thereof canceled (determined as of the applicable exercise date, or the date that the shares would have been vested or delivered, as applicable), over (B) the aggregate Exercise Price or Strike Price (in the case of an Option or SAR, respectively) or any amount payable as a condition of delivery of shares of Common Stock (in the case of any other Award). Such amount shall be delivered to the Participant as soon as practicable following the cancellation of such Award or portion thereof.

(j) Payments to Persons Other Than Participants. If the Committee shall find that any person to whom any amount is payable under the Plan is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his or her estate (unless a prior claim therefor has been made by a duly appointed legal representative) may, if the Committee so directs the Company, be paid to his or her spouse, child, relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Company therefor.

(k) Nonexclusivity of the Plan. Neither the adoption of this Plan by the Board nor the submission of this Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock

options otherwise than under this Plan, and such arrangements may be either applicable generally or only in specific cases.

(l) No Trust or Fund Created. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between any member of the Company Group, on the one hand, and a Participant or other person or entity, on the other hand. No provision of the Plan or any Award shall require the Company, for the purpose of satisfying any obligations under the Plan, to purchase assets or place any assets in a trust or other entity to which contributions are made or otherwise to segregate any assets, nor shall the Company maintain separate bank accounts, books, records or other evidence of the existence of a segregated or separately maintained or administered fund for such purposes. Participants shall have no rights under the Plan other than as unsecured general creditors of the Company, except that insofar as they may have become entitled to payment of additional compensation by performance of services, they shall have the same rights as other employees under general law.

(m) Reliance on Reports. Each member of the Committee and each member of the Board shall be fully justified in acting or failing to act, as the case may be, and shall not be liable for having so acted or failed to act in good faith, in reliance upon any report made by the independent public accountant of the Company Group and/or any other information furnished in connection with the Plan by any agent of the Company or the Committee or the Board, other than himself or herself.

(n) Relationship to Other Benefits. No payment under the Plan shall be taken into account in determining any benefits under any pension, retirement, profit sharing, group insurance or other benefit plan of the Company except as otherwise specifically provided in such other plan.

(o) Governing Law. The Plan shall be governed by and construed in accordance with the internal laws of the State of Delaware applicable to contracts made and performed wholly within the State of Delaware, without giving effect to the conflict of laws provisions thereof.

(p) Severability. If any provision of the Plan or any Award or Award Agreement is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any person or entity or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be construed or deemed stricken as to such jurisdiction, person or entity or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

(q) Obligations Binding on Successors. The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company.

(r) Expenses; Gender; Titles and Headings. The expenses of administering the Plan shall be borne by the Company Group. Masculine pronouns and other words of masculine gender shall refer to both men and women. The titles and headings of the sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings shall control.

(s) Other Agreements. Notwithstanding the above, the Committee may require, as a condition to the grant of and/or the receipt of shares of Common Stock under an Award, that the Participant execute lock-up, stockholder or other agreements, as it may determine in its sole and absolute discretion.

(t) Payments. Participants shall be required to pay, to the extent required by applicable law, any amounts required to receive shares of Common Stock under any Award made under the Plan.

(u) Fractional Shares. Unless otherwise provided in an Award Agreement, an Employment Agreement or otherwise by the Committee, any fractional shares due on exercise or payment in respect of an Award shall be settled in cash.

(v) Detrimental Activity. Notwithstanding anything to the contrary contained herein or in any Award Agreement, if a Participant has engaged in any Detrimental Activity, as determined by the Committee, the Committee may, in its sole discretion, provide for one or more of the following:

- (1) cancellation of any or all of such Participant's outstanding Awards; or
- (2) forfeiture by the Participant of any gain realized on the vesting or exercise of Awards, and to repay any such gain to promptly to the Company.

(w) Clawback/Repayment. All Awards shall be subject to reduction, cancellation, forfeiture or recoupment to the extent necessary to comply with (1) any clawback, forfeiture or other similar policy adopted by the Board or the Committee and as in effect from time to time, and (2) applicable law, whether such policy or law becomes effective prior to or following the Effective Date or the Date of Grant of an Award. Furthermore, to the extent that the Participant receives any amount in excess of the amount that the Participant should otherwise have received under the terms of the Award for any reason (including, without limitation, by reason of a financial restatement, mistake in calculations or other administrative error), the Participant shall be required to repay any such excess amount to the Company. By accepting an Award under the Plan, a Participant shall thereby be deemed to have acknowledged and consented to the Company's application, implementation and enforcement of any clawback, forfeiture or other similar policy adopted by the Board or the Committee, whether adopted prior to or following the Date of Grant of the Award, and any provision of applicable law relating to reduction cancellation, forfeiture or recoupment, and to have agreed that the Company may take such actions as may be necessary to effectuate any such policy or applicable law, without further consideration or action.

* * *

As adopted by the Board of Directors on April 24, 2018, and approved by the shareholders, of Universal Electronics Inc. on June 4, 2018.

CERTIFICATE NUMBER: [[GRANTNUMBER]]

RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (the “Agreement”) is made as of XXXX, 20XX (the “Grant Date”) by and between Universal Electronics Inc., a Delaware corporation (the “Corporation”), and the undersigned employee (the “Employee”). As used in this Agreement, the term “Corporation” shall include, where applicable, any and all of its subsidiaries or related entities. Any capitalized term used in this Agreement that is not defined herein shall have the meaning thereof set forth in the Universal Electronics Inc. 2018 Equity and Incentive Compensation Plan (the “Plan”), a copy of which can be obtained by written request to the Corporation’s Chief Financial Officer.

WHEREAS, the Board of Directors of the Corporation (the “Board”) have approved the Plan;

WHEREAS, the Board has designated and empowered the Compensation Committee of the Board (the “Committee”) to administer the Plan; and

WHEREAS, the Committee has authorized grants of Restricted Stock Units (the “RSUs”) to Eligible Employees, payable in shares of the Corporation’s Common Stock, par value \$0.01 per share (each, a “Share”) pursuant to the terms and conditions set forth in the Plan and in this Agreement;

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

- 1. GRANT OF THE RSUS.** Subject to the terms and conditions set forth herein, the Employee is hereby granted **[[SHARESGRANTEDWORDS]]** (**[[SHARESGRANTED]]**) RSUs on the Grant Date.
- 2. VESTING OF THE RSUS AND ISSUANCE AND DELIVERY OF SHARES.** Subject to earlier termination, acceleration or cancellation of the RSUs as provided herein, the RSUs shall vest in three (3) increments (rounded to the nearest whole unit) as indicated in the following vesting table (each a “Vesting Date”), commencing and continuing in accordance with the vesting table; provided that the Employee continues to be employed by the Corporation on each such Vesting Date. The following table indicates the number of RSUs that shall vest on each vesting date:

[[ALLVESTSEGS]]

Subject to Sections 6 and 7 of this Agreement, upon the vesting of the RSUs and as soon as administratively practicable after each Vesting Date, the Corporation shall issue and deliver to the Employee (or the Employee’s estate or legal representative, in the event of Employee’s death or “Total Disability” (as such term is defined in Section 4(c)) one (1) Share free and clear of any restrictions for each vested RSU. Such issued and delivered Shares shall be in book-entry form maintained by the Corporation’s Transfer Agent and shall otherwise be transferable utilizing the Corporation’s Direct Registration System and Profile Modification System.

- 3. EFFECT OF TERMINATION OF EMPLOYMENT.** Except as set forth in Section 4, in the event that the Employee’s employment with the Corporation is terminated for any reason, any RSUs that are unvested as of such date shall be immediately forfeited and cancelled without further action by the parties hereto, and the Employee shall no longer have any rights with respect to the forfeited and cancelled RSUs (or any Dividend Equivalents (as defined in Section 5 hereof) with respect thereto).

4. EFFECT OF TERMINATION OF EMPLOYMENT WITHOUT CAUSE OR DUE TO CONSTRUCTIVE TERMINATION AND EFFECT OF CHANGE IN CONTROL.

- (a) In the event that (i) the Employee’s employment with the Corporation is terminated (A) by the Corporation without “Cause” or (B) by the Employee as the result of a “Constructive Termination” (as such term is defined in Section 4(b) below), or (ii) a “Change in Control” occurs, the Employee shall be fully vested in the RSUs as of such date of termination or the effective date of the Change in Control, whichever may apply, without further action by the parties hereto.
- (b)(i) For purposes of this Agreement, “Constructive Termination” shall mean the termination of the Employee’s employment with the Corporation by the Employee within eighteen (18) months after the occurrence of a material diminution in the Employee’s authority, duties, or responsibilities; provided that a termination by the Employee will only constitute a Constructive Termination if (A) the Employee gives the Corporation a “Notice of Constructive Termination” (as defined in Section 4(b)(ii) below) within ninety (90) calendar days following the occurrence of the event that constitutes a Constructive Termination and (B) the Corporation fails to remedy the event constituting a Constructive Termination within thirty (30) calendar days after receipt of the Notice of Constructive Termination from the

Employee. If the Employee determines that a Constructive Termination exists and timely files a Notice of Constructive Termination, such determination shall be presumed to be true and the Corporation will have the burden of proving that a Constructive Termination does not exist. Failure of the Employee to provide a Notice of Constructive Termination within the 90-day period described above shall be conclusive proof that the Employee shall not have a Constructive Termination.

(ii) For purposes of this Section 4(b), "Notice of Constructive Termination" shall mean a written notice by the Employee to the Corporation which sets forth in reasonable detail the specific reason for a termination of employment for Constructive Termination and the facts and circumstances claimed to provide a basis for such termination and is provided to the Corporation in accordance with the terms set forth in Section 4(b)(i) above.

- (c) For purposes of this Agreement, "Total Disability" shall mean that (i) the Employee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months or (ii) the Employee is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Corporation.

5.EMPLOYEE'S RIGHTS AS STOCKHOLDER. Prior to the vesting of the RSUs and delivery of Shares pursuant thereto, the Employee shall have no rights as a stockholder with respect to the Shares to be issued upon the vesting of the RSUs. However, the Employee shall be credited with an amount equal to all cash dividends ("Dividend Equivalents") that would have been paid to the Employee if one Share had been issued to the Employee on the Grant Date for each RSU granted to the Employee as set forth in this Agreement. Upon the vesting of the RSUs, in addition to the issuance and delivery of Shares in accordance with Section 2, the Employee shall be entitled to payment of the Dividend Equivalents in cash.

6.TAXES. The Employee shall be liable for any and all applicable federal, state and local tax withholding requirements arising out of this grant or the vesting of the RSUs hereunder. Employee shall satisfy his or her withholding tax obligation in accordance with Employee's selection of one of the withholding options defined below which Employee shall make immediately prior to each Vesting Date via the participant portal and Employee agrees that each such selection is irrevocable.

(a) **SHARE WITHHOLDING.** The Employee hereby authorizes the Corporation to withhold the number of Shares required to satisfy the tax withholding obligations due on the Vesting Date from the Shares to be issued upon the vesting of RSUs.

(b) **CASH PAYMENT.** The Employee hereby agrees to deliver payment to the Corporation on the Vesting Date in an amount equal to the amount required to satisfy the tax withholding obligations due on the Vesting Date as determined by the Corporation.

The Employee further agrees that the issuance and delivery of the Shares in accordance with Section 2 is conditioned on the payment by Employee to the Corporation of an amount equal to the taxes required to be withheld by the Corporation as a result of the vesting of the RSUs and that no such Shares shall be issued and delivered to Employee until Employee's tax withholding obligations have been satisfied.

7.TRANSFERABILITY OF RSUS. The RSUs or any of the rights granted hereunder may not be sold, pledged or otherwise transferred otherwise than by will or the laws of descent and distribution.

8.NOTICES. Any notice or demand provided for in this Agreement must be in writing and must be either personally delivered, delivered by overnight courier, or mailed by first class mail, to the Employee at the Employee's most recent address on file in the records of the Corporation, and to the Corporation at 201 E. Sandpointe Ave., 8th Floor, Santa Ana California 92707, Attention: Chief Financial Officer (with a copy to the Corporation's legal department), or to such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice or demand under this Agreement will be deemed to have been given when received.

9.SEVERABILITY. This Agreement and each provision hereof shall be valid and enforced to the fullest extent permitted by law. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision. Without limiting the generality of the foregoing, if the scope of any provision contained in this

Agreement is too broad to permit enforcement to its fullest extent, such provision shall be enforced to the maximum extent permitted by law, and the parties hereby agree that such scope may be judicially modified accordingly.

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

11. NO PROMISE OF EMPLOYMENT. Neither the Plan nor this Agreement nor any provisions under either shall be construed so as to grant the Employee any right to remain in the employ of the Corporation.

12.COUNTERPARTS. This Agreement may be executed by way of facsimile or electronic signature in separate counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same agreement.

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

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

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

16.GOVERNING LAW. This Agreement shall be governed and construed and the legal relationships of the parties determined in accordance with the laws of the state of Delaware without reference to principles of conflict of laws.

17. CODE SECTION 409A. This Agreement is intended to be interpreted and applied so that the Award set forth herein shall be exempt from the requirements of Section 409A of the Code and the final Treasury Regulations promulgated thereunder (collectively, "Section 409A"), and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be exempt from Section 409A. To the extent that the Corporation determines that any provision of this Agreement would cause the Optionee to incur any additional tax or interest under Section 409A, the Corporation shall be entitled to reform such provision to attempt to comply with or be exempt from Section 409A through good faith modifications. To the extent that any provision hereof is modified in order to comply with Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to Optionee and the Corporation without violating the provisions of Section 409A. Neither the Corporation nor any employee, director or officer thereof guarantees that this Agreement complies with Section 409A and no such party shall have any liability with respect to any failure of this Agreement to so comply.

IN WITNESS WHEREOF, the parties have executed this Agreement electronically via the participant portal as of the date first above written.

EMPLOYEE

UNIVERSAL ELECTRONICS INC.

[[SIGNATURE]]

By:

Name: [[FIRSTNAME]] [[LASTNAME]]

Its: Chief Executive Officer

STOCK OPTION AGREEMENT

This Stock Option Agreement (this “Agreement”) is entered into by and between XXX (“Optionee”) and Universal Electronics Inc., a Delaware corporation (the “Corporation”), effective as of the Grant Date specified in the Stock Option Grant Statement attached hereto (the “Grant Statement”), which shall constitute an integral part of this Agreement.

1. **Option Grant.** Upon the execution and delivery of this Agreement and the Grant Statement, the Corporation hereby grants to the Optionee a nonqualified stock option (“Option”) to purchase shares of the Corporation’s Common Stock (each, a “Share”), upon the terms and conditions set out in this Agreement and the Grant Statement. This Option is issued pursuant to the Universal Electronics, Inc. 2018 Equity and Incentive Compensation Plan (the “Plan”), and the terms and conditions specified in the Plan shall apply in addition to the terms set out in this Agreement and the Grant Statement. In case on any conflict between the terms of the Plan and this Agreement or the Grant Statement, the terms of the Plan shall apply.

2. **Defined Terms and Rules of Construction.** Except as otherwise defined herein, capitalized terms in this Agreement and the Grant Statement shall have the meanings specified by the Plan. In addition, the following terms, when capitalized herein, shall have the meanings set out below:

(a) “Constructive Termination” means the Optionee’s voluntary termination of employment, if such Termination occurs within eighteen (18) months after the occurrence of (i) the Employer’s failure to elect, re-elected, appoint, or re-appoint the Optionee to an office of the Employer that the Optionee holds (other than as a result of a termination for “Cause”), if such office is one to which the Optionee is elected or appointed according to the Employer’s By-laws; provided, however, such failure shall not be deemed a Constructive Termination, if the Optionee is elected or appointed to a higher office in connection with such failure; (ii) a change in the Optionee’s functions, duties, or responsibilities such that Optionee’s position with the Employer becomes substantially less in responsibility, importance, or scope; or (iii) a Change in Control.

(b) “Exercise Notice” means a written notice described in Section 4 of this Agreement.

(c) “Exercise Price” means the price set out in the Grant Statement.

(d) “Expiration Date” means the expiration date specified in the Grant Statement.

(e) “Option Period” means the period during which an Option is exercisable, as provided in the Grant Statement.

(f) “Termination Date” means the date of the Optionee’s cessation of employment as determined by the Corporation.

3. **Term and Exercise of Option.** Subject to earlier termination, acceleration or cancellation of the Option as provided herein or the Plan, the term of the Option shall be for the period specified in the Grant Statement and, subject to the provisions of this Agreement and the Plan, the Option shall be exercisable at such times and as to such number of Shares as determined pursuant to the schedule specified in the Grant Statement.

4. **Method of Exercise.** The Option may be exercised by written notice to the Corporation at its offices at 201 E. Sandpointe Avenue, 8th Floor, Santa Ana, California 92707 to the attention of the Secretary of the Corporation, or as otherwise directed by the Corporation in writing to the Optionee. The Exercise Notice shall (i) state (A) the election to exercise the Option and (B) the number of full Shares with respect to which the Option is being exercised and (ii) be signed by the person or persons exercising the Option. Unless another method is permitted by the Committee at the time of exercise, the Exercise Notice shall be accompanied by a certified or cashier’s check for the full amount of the purchase price of such Shares, plus any amount necessary to satisfy Optionee’s obligations pursuant to Section 7. Subject to Committee approval the Exercise Price may be paid by delivery of certificates for Mature Shares that have a Fair Market Value on the date of exercise equal to the Exercise Price, through a brokered cashless exercise approved by the Corporation (subject to the Federal Reserve Board’s Regulation T and applicable securities laws), or by a combination of the foregoing methods of payment. Upon receipt of the foregoing, the Corporation shall issue the Shares as to which the Option has been duly exercised and shall return the Exercise Notice, duly endorsed to reflect such exercise, to the Optionee. In a cashless exercise, the Optionee must notify the Corporation as to the manner of the transaction.

5. Optionee’s Covenants and Representations.

(a) The Optionee represents and warrants that any and all Shares acquired through the exercise of rights under the Option granted pursuant to this Agreement will be acquired for Optionee’s own account and not with a view to, or present intention of, distribution thereof in violation of the Securities Act, and will not be disposed of in contravention of the Securities Act.

(b) The Optionee acknowledges that he/she is able to bear the economic risk of the investment in any and all Shares acquired through the exercise of rights under the Option for an indefinite period of time, because the Shares have not been registered under the Securities Act and, therefore, cannot be sold unless subsequently registered under the Securities Act or an exemption from such registration is available.

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

6. **Restrictions on Exercise.** This Option may not be exercised if the issuance of Shares upon exercise or the method of payment of consideration for such Shares would constitute a violation of any applicable federal or state securities or other law or regulation. As a condition to the exercise of this Option, the Corporation may require the Optionee to make any representation and warranty to the Corporation as may be required to comply with any applicable law or regulation. All exercises of the Option must be for full Shares only.

7. **Withholding of Taxes.** Whenever the Corporation is required to issue Shares upon exercise hereunder, the Corporation may require that the recipient remit in cash to the Corporation an amount sufficient to satisfy any federal, state and/or local tax withholding requirements before transfer of the Shares. To the extent permitted by the Committee, the recipient may satisfy such tax withholding obligations by authorizing the Corporation to withhold from Shares to be issued upon the exercise of the Option a number of Shares with an aggregate Fair Market Value that would satisfy the withholding amount due, or (ii) transferring to the Corporation Shares owned by the Participant with an aggregate Fair Market Value that would satisfy the withholding amount due. Notwithstanding the provisions of clause (i) of the preceding sentence, the Fair Market Value of Shares withheld shall not exceed the minimum amount of tax required to be withheld by law (or such lesser amount as may be necessary to avoid classification of the Option as a liability for financial accounting purposes).

8. **Effect of Termination of Employment.**

(a) Except as provided in Subsection (b) or (c) below, if the Optionee's employment terminates for any reason, the Optionee (or his/her estate or representative, in the event of the Optionee's death during the Option Period) may, during the period following the Optionee's Termination Date and ending on the earlier of (i) ninety (90) days after such Termination Date or (ii) the Expiration Date, exercise the Option to the extent such Option was exercisable on the Termination Date and, on the Termination Date, that portion of the Option that was not exercisable shall automatically terminate without further action by the parties hereto and, in all events, to the extent not exercised, the Option shall terminate in its entirety at the end of business on the last day of the exercise period specified in this Subsection; provided, however, the Committee may, in its sole discretion, accelerate full vesting to the Optionee's Termination Date and/or extend the exercise period to any date on or before the Expiration Date.

(b) If (i) the Optionee's employment is terminated without Cause, or (ii) in the event of a Constructive Termination, the Optionee shall immediately become fully vested in the Option without further action by the parties hereto, and to the extent not previously exercised, shall be exercisable in whole or in part with respect to all remaining Shares covered by the Option and may be exercised by the Optionee (or the Optionee's estate or representative, in the event of the Optionee's death) at any time before expiration of the original Option Period, determined as if no Termination of Employment had occurred.

(c) If the Optionee's employment terminates due to his/her death or Disability, the Optionee (or his/her estate or representative, in the event of the Optionee's death during the Option Period) may, during the period following his/her Termination Date and ending on the earlier of (i) one year after such Termination Date or (b) the Expiration Date, exercise the Option to the extent such Option was exercisable on the Termination Date and, on the Termination Date, that portion of the Option that was not exercisable shall automatically terminate without further action by the parties hereto and, in all events, to the extent not exercised, the Option shall terminate in its entirety at the end of business on the last day of the exercise period specified in this Subsection; provided, however, the Committee may, in its sole discretion, accelerate full vesting to the Optionee's Termination Date and/or extend the exercise period to any date on or before the Expiration Date.

(d) If (i) the Optionee's employment is terminated for Cause, the Option, whether or not vested, shall immediately terminate and be of no further force or effect.

9. **Compliance with Certain Laws and Regulations.** If the Committee shall determine, in its sole discretion, that the listing, registration, or qualification of the Shares subject to the Option upon any securities exchange or under any law or regulation, or that the consent or approval of any governmental regulatory body is necessary or desirable in connection with the granting of the Option or the acquisition of Shares thereunder, the Optionee shall supply the Committee or the Corporation, as the case may be, with such certificates, representations, and information as the Committee or the Corporation, as the case may be, may request and shall otherwise cooperate with the Corporation in obtaining any such listing, registration, qualification, consent, or approval.

10. **Transferability of Option.** The Option is not transferable by the Optionee other than by will or the laws of descent and distribution. During the Optionee's lifetime, the Option is exercisable only by the Optionee, or in the event of his/her legal incompetency, his/her guardian or legal representative.

11. **Additional Restrictions on Transfer.** Certificates representing the Shares purchased upon the exercise of the Option will bear the following legend until such Shares have been registered under an effective registration statement under the Securities Act:

The securities represented by this certificate were originally issued on _____, _____, have not been registered under the Securities Act of 1933, as amended, or under the securities laws of any state or other jurisdiction (together, the "Securities Laws") and may not be offered for sale, sold or otherwise transferred or encumbered in the absence of compliance with such Securities Laws and until the issuer hereof shall have received from counsel acceptable to issuer a written opinion reasonably satisfactory to issuer that the proposed transaction will not violate any applicable Securities Laws.

12. **Notices.** Any notice or demand provided for in this Agreement must be in writing and must be either personally delivered, delivered by overnight courier, or mailed by first class mail, to the Optionee at Optionee's most recent address on file in the records of the Employer, and to the Corporation at the address set forth or established pursuant to Section 4 or to such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice or demand under this Agreement shall be deemed to have been given when received.

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

14. **Complete Agreement.** This Agreement and those documents expressly referred to herein embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

15. **Tax Consequences.** None of the Corporation, any Subsidiary, or any officer or director of either, shall be responsible to the Participant or any other person for the tax consequences of the Option or the exercise thereof.

16. **Code Section 409A.** This Agreement is intended to be interpreted and applied so that the Award set forth herein shall be exempt from the requirements of Section 409A of the Code and the final Treasury Regulations promulgated thereunder (collectively, "Section 409A"), and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be exempt from Section 409A. To the extent that the Corporation determines that any provision of this Agreement would cause the Optionee to incur any additional tax or interest under Section 409A, the Corporation shall be entitled to reform such provision to attempt to comply with or be exempt from Section 409A through good faith modifications. To the extent that any provision hereof is modified in order to comply with Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Employee and the Corporation without violating the provisions of Section 409A. Neither the Corporation nor any employee, director or officer thereof guarantees that this Agreement complies with Section 409A and no such party shall have any liability with respect to any failure of this Agreement to so comply.

17. **Counterparts.** This Agreement may be executed by way of facsimile or electronic signature in separate counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same agreement.

18. **Successors and Assigns.** This Agreement is intended to bind and inure to the benefit of and be enforceable by the Optionee, the Corporation, and their respective permitted successors and assigns (including personal representatives, heirs, and legatees), and is intended to bind all successors and assigns of the respective parties, except that the Optionee may not assign any of his/her rights or obligations under this Agreement except to the extent and in the manner expressly permitted hereby.

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

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

In Witness Whereof, the parties have executed this Agreement effective on the XXX day of XXX, 20XX.

OPTIONEE **UNIVERSAL ELECTRONICS INC.**

Signature By: _____
Its: Chief Executive Officer

Grant Statement Number: 00XXX

**UNIVERSAL ELECTRONICS INC.
2018 EQUITY AND INCENTIVE COMPENSATION PLAN
STOCK OPTION GRANT STATEMENT**

THIS GRANT STATEMENT CERTIFIES THAT, effective as of the Grant Date set out below, XXX, has been awarded a non-qualified stock option to purchase XXX (XXX) shares of Common Stock, par value \$0.01 per share ("Shares"), of **UNIVERSAL ELECTRONICS INC.** This Grant Statement is issued in accordance with and is subject to the terms and conditions of the related Stock Option Agreement of even date herewith (the "Agreement"). The Option terms include the following:

- (a) Grant Date: XXX
- (b) Number of Shares Subject to Option: XXX
- (c) Exercise Price per Share: \$XXX
- (d) Expiration Date: XXX

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

THIS OPTION shall become vested and exercisable with respect to the percentage of the total number of Shares set forth above as follows:

On and After the Following Dates, But Prior to Expiration	Vested Percentage
XXX/2019	25%
XXX/2020	50%
XXX/2021	75%
XXX/2022	100%

IN WITNESS WHEREOF, UNIVERSAL ELECTRONICS INC. has caused this Stock Option Grant Statement to be signed by its duly authorized officer the XXX day of XXX, 20XX.

UNIVERSAL ELECTRONICS INC.

By: _____
Its: Chief Executive Officer

I, Paul D. Arling, certify that:

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

Date: August 8, 2018

/s/ Paul D. Arling

Paul D. Arling

Chairman and Chief Executive Officer
(principal executive officer)

I, Bryan M. Hackworth, certify that:

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

Date: August 8, 2018

/s/ Bryan M. Hackworth

Bryan M. Hackworth
Chief Financial Officer
(principal financial officer
and principal accounting officer)

SECTION 1350 CERTIFICATIONS

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Universal Electronics Inc. (the "Company"), hereby certifies that the (i) Company's Form 10-Q for the fiscal quarter ended June 30, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 8, 2018

By: /s/ Paul D. Arling
Paul D. Arling
Chief Executive Officer
(principal executive officer)

By: /s/ Bryan M. Hackworth
Bryan M. Hackworth
Chief Financial Officer
(principal financial officer and
principal accounting officer)

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