

**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 March 31, 2017

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, 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, any 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: 14,432,883 shares of Common Stock, par value \$0.01 per share, of the registrant were outstanding on May 5, 2017.

UNIVERSAL ELECTRONICS INC.

INDEX

	Page Number
<u>PART I. FINANCIAL INFORMATION</u>	<u>3</u>
<u>Item 1. Consolidated Financial Statements (Unaudited)</u>	<u>3</u>
<u>Consolidated Balance Sheets</u>	<u>3</u>
<u>Consolidated Income Statements</u>	<u>4</u>
<u>Consolidated Comprehensive Income Statements</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows</u>	<u>6</u>
<u>Notes to Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>29</u>
<u>Item 4. Controls and Procedures</u>	<u>30</u>
<u>PART II. OTHER INFORMATION</u>	<u>31</u>
<u>Item 1. Legal Proceedings</u>	<u>31</u>
<u>Item 1A. Risk Factors</u>	<u>31</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>31</u>
<u>Item 6. Exhibits</u>	<u>32</u>
<u>Signature</u>	<u>33</u>
<u>Exhibit Index</u>	<u>34</u>

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

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

	March 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 62,654	\$ 50,611
Restricted cash	—	4,623
Accounts receivable, net	129,231	124,592
Inventories, net	131,535	129,879
Prepaid expenses and other current assets	8,350	7,439
Income tax receivable	2,774	1,054
Deferred income taxes	—	5,960
Total current assets	334,544	324,158
Property, plant, and equipment, net	106,738	105,351
Goodwill	43,048	43,052
Intangible assets, net	27,335	28,549
Deferred income taxes	17,706	10,430
Long-term restricted cash	4,643	4,600
Other assets	4,872	4,896
Total assets	\$ 538,886	\$ 521,036
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 93,259	\$ 97,157
Line of credit	88,000	49,987
Accrued compensation	31,876	35,580
Accrued sales discounts, rebates and royalties	7,195	8,358
Accrued income taxes	—	375
Other accrued expenses	20,315	24,410
Total current liabilities	240,645	215,867
Long-term liabilities:		
Long-term contingent consideration	8,600	10,500
Deferred income taxes	6,325	7,060
Income tax payable	791	791
Other long-term liabilities	6,255	6,308
Total liabilities	262,616	240,526
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; 23,614,604 and 23,573,340 shares issued on March 31, 2017 and December 31, 2016, respectively	236	236
Paid-in capital	254,619	250,481
Treasury stock, at cost, 9,207,707 and 9,022,587 shares on March 31, 2017 and December 31, 2016, respectively	(234,369)	(222,980)
Accumulated other comprehensive income (loss)	(21,438)	(22,821)
Retained earnings	277,222	275,594
Total stockholders' equity	276,270	280,510
Total liabilities and stockholders' equity	\$ 538,886	\$ 521,036

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 INCOME STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2017	2016
Net sales	\$ 161,406	\$ 150,658
Cost of sales	120,372	113,011
Gross profit	41,034	37,647
Research and development expenses	5,498	5,186
Factory transition restructuring charges	5,250	1,433
Selling, general and administrative expenses	30,651	27,987
Operating income (loss)	(365)	3,041
Interest income (expense), net	(393)	(267)
Other income (expense), net	583	720
Income (loss) before income tax provision (benefit)	(175)	3,494
Income tax provision (benefit)	(294)	751
Net income	119	2,743
Net income attributable to noncontrolling interest	—	22
Net income attributable to Universal Electronics Inc.	\$ 119	\$ 2,721
Earnings per share attributable to Universal Electronics Inc.:		
Basic	\$ 0.01	\$ 0.19
Diluted	\$ 0.01	\$ 0.19
Shares used in computing earnings per share:		
Basic	14,449	14,373
Diluted	14,717	14,637

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)

	<u>Three Months Ended March 31,</u>	
	<u>2017</u>	<u>2016</u>
Net income	\$ 119	\$ 2,743
Other comprehensive income:		
Change in foreign currency translation adjustment	1,383	1,368
Total comprehensive income	1,502	4,111
Comprehensive income attributable to noncontrolling interest	—	22
Comprehensive income attributable to Universal Electronics Inc.	<u>\$ 1,502</u>	<u>\$ 4,089</u>

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)

	Three Months Ended March 31,	
	2017	2016
Cash provided by (used for) operating activities:		
Net income	\$ 119	\$ 2,743
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	7,645	5,929
Provision for doubtful accounts	23	(40)
Provision for inventory write-downs	659	756
Deferred income taxes	(496)	(407)
Tax benefit from exercise of stock options and vested restricted stock	—	616
Excess tax benefit from stock-based compensation	—	(668)
Shares issued for employee benefit plan	346	345
Employee and director stock-based compensation	2,623	2,493
Performance-based common stock warrants	932	866
Changes in operating assets and liabilities:		
Restricted cash	4,623	—
Accounts receivable	(3,689)	12,255
Inventories	(1,564)	5,095
Prepaid expenses and other assets	(905)	(1,604)
Accounts payable and accrued expenses	(16,182)	(22,900)
Accrued income taxes	(2,064)	(2,338)
Net cash provided by (used for) operating activities	(7,930)	3,141
Cash used for investing activities:		
Acquisition of property, plant, and equipment	(6,460)	(7,480)
Acquisition of intangible assets	(410)	(564)
Net cash used for investing activities	(6,870)	(8,044)
Cash provided by (used for) financing activities:		
Borrowings under line of credit	53,000	42,987
Repayments on line of credit	(14,987)	(35,000)
Proceeds from stock options exercised	237	1,935
Treasury stock purchased	(11,389)	(1,724)
Excess tax benefit from stock-based compensation	—	668
Net cash provided by (used for) financing activities	26,861	8,866
Effect of exchange rate changes on cash	(18)	(852)
Net increase (decrease) in cash and cash equivalents	12,043	3,111
Cash and cash equivalents at beginning of year	50,611	52,966
Cash and cash equivalents at end of period	\$ 62,654	\$ 56,077
Supplemental cash flow information:		
Income taxes paid	\$ 2,925	\$ 2,933
Interest paid	\$ 414	\$ 302

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
MARCH 31, 2017
(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. 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 months ended March 31, 2017 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, 2016.

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.

See Note 2 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016 for a summary of our significant accounting policies.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers", which will supersede most existing U.S. GAAP revenue recognition guidance. This new standard requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. In addition, ASU 2014-09 contains expanded disclosure requirements relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for fiscal periods beginning after December 15, 2016 and permits the use of either the full retrospective or cumulative effect transition method. On July 9, 2015, the FASB postponed the effective date of the new revenue standard by one year; however, early adoption is permitted as of the original effective date. We do not plan to early adopt ASU 2014-09. We are currently reviewing contract terms and assessing the impact of adopting this standard on our consolidated financial statements. While we are still in the process of conducting this analysis, the impact of this new guidance may accelerate revenue recognition for certain of our contractual arrangements, and the impact could be material. We expect to complete our assessment over the next six to nine months, during which time we will also select a transition method.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory", which states that inventory should be measured at the lower of cost and net realizable value. Net realizable value is defined as estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for fiscal periods beginning after December 15, 2016 and must be applied prospectively. The adoption of ASU 2015-11 did not have a material impact on our consolidated financial position or results of operations.

In November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes." This new guidance requires all deferred tax assets and liabilities, along with any related valuation allowance, be classified as non-current on the balance sheet. ASU 2015-17 is effective for fiscal periods beginning after December 15, 2016 and may be adopted either prospectively or retrospectively. We prospectively adopted ASU 2015-17 effective January 1, 2017, and thus prior period balance sheets have not been adjusted. The adoption of ASU 2015-17 has no impact on our consolidated results of operations or cash flows.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017
(Unaudited)

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 March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting", which amends Accounting Standards Codification ("ASC") 718, "Compensation - Stock Compensation". ASU 2016-09 requires excess tax benefits and tax deficiencies to be recorded as a discrete adjustment to income tax expense when stock awards vest or are settled, rather than in paid-in capital when they impact income taxes payable. This new guidance also requires cash flows related to excess tax benefits from stock-based compensation to be presented with other income tax cash flows in operating activities, rather than separately as a financing activity, in the statement of cash flows. Additionally, ASU 2016-09 impacts the calculation of diluted weighted-average shares under the treasury stock method as the assumed proceeds from an employee vesting in or exercising a stock-based award are no longer increased or decreased by the amount of excess tax benefits or deficiencies taken to paid-in capital. We elected to adopt the provisions of ASU 2016-09 prospectively effective January 1, 2017. We also made the accounting policy election, as allowed by ASU 2016-09, to account for forfeitures of stock-based awards as they occur, rather than estimating forfeitures. The cumulative effect of adopting ASU 2016-09 was an increase of \$1.5 million to deferred tax assets and an increase to retained earnings of \$1.5 million, as of January 1, 2017, as a result of recognizing previously unrecognized excess tax benefits from stock-based compensation. There was no cumulative effect impact related to the change in accounting policy to account for forfeitures of stock-based awards when they occur as a result of our minimal historical forfeitures experience.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments", which amends 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. Early adoption is permitted as long as all amendments are adopted in the same period. We are currently evaluating the impact that ASU 2016-15 will have on our consolidated financial statements.

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. Early adoption is permitted. The impact of the adoption of ASU 2016-16 could be material depending on the size of any intra-entity transfers we may implement in future periods.

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. Early adoption is permitted. The adoption of ASU 2016-18 will modify our current disclosures by reclassifying certain amounts within the consolidated statement of cash flows, but is not expected to have a material effect 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 31, 2019. Early adoption is permitted. We do not expect the adoption of ASU 2017-04 to have a material impact on our consolidated financial statements.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017
(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)	March 31, 2017	December 31, 2016
United States	\$ 20,382	\$ 3,277
People's Republic of China ("PRC")	17,676	22,142
Asia (excluding the PRC)	4,833	5,260
Europe	18,214	19,630
South America	1,549	302
Total cash and cash equivalents	\$ 62,654	\$ 50,611

Restricted Cash

In connection with a court order issued in a now settled litigation matter, we previously placed \$4.6 million of cash into a collateralized surety bond. This bond had certain restrictions for liquidation and was therefore classified as restricted cash. On February 10, 2017, the \$4.6 million surety bond was returned to us upon final settlement of the related litigation matter.

In connection with the pending sale of our Guangzhou factory in the PRC (Note 10), the buyer made a cash deposit of RMB 32 million (\$4.6 million based on March 31, 2017 exchange rates) into an escrow account on September 29, 2016. Under the terms of the escrow account, these funds will not be paid to us until the close of the sale. Accordingly, this deposit is presented as long-term restricted cash within our consolidated balance sheet.

Note 3 — Accounts Receivable, Net and Revenue Concentrations

Accounts receivable, net were as follows:

(In thousands)	March 31, 2017	December 31, 2016
Trade receivables, gross	\$ 124,399	\$ 120,965
Allowance for doubtful accounts	(945)	(904)
Allowance for sales returns	(501)	(539)
Net trade receivables	122,953	119,522
Other	6,278	5,070
Accounts receivable, net	\$ 129,231	\$ 124,592

Allowance for Doubtful Accounts

Changes in the allowance for doubtful accounts were as follows:

(In thousands)	Three Months Ended March 31,	
	2017	2016
Balance at beginning of period	\$ 904	\$ 822
Additions (reductions) to costs and expenses	23	(40)
(Write-offs)/Foreign exchange effects	18	17
Balance at end of period	\$ 945	\$ 799

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017
(Unaudited)

Sales Returns

The allowance for sales returns at March 31, 2017 and December 31, 2016 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 March 31, 2017 and December 31, 2016, respectively. The value of these returned goods was included in our inventory balance at March 31, 2017 and December 31, 2016.

Significant Customers

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

	Three Months Ended March 31,			
	2017		2016	
	\$ (thousands)	% of Net Sales	\$ (thousands)	% of Net Sales
Comcast Corporation	\$ 42,247	26.2%	\$ 39,609	26.3%
DIRECTV	16,632	10.3	16,819	11.2

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

	March 31, 2017		December 31, 2016	
	\$ (thousands)	% of Accounts Receivable, Net	\$ (thousands)	% of Accounts Receivable, Net
Comcast Corporation	\$ 25,156	19.5%	\$ 23,716	19.0%
DIRECTV	15,299	11.8	12,878	10.3

Note 4 — Inventories, Net and Significant Supplier

Inventories, net were as follows:

(In thousands)	March 31, 2017	December 31, 2016
Raw materials	\$ 40,496	\$ 33,059
Components	19,690	15,046
Work in process	5,892	5,860
Finished goods	69,666	80,119
Reserve for excess and obsolete inventory	(4,209)	(4,205)
Inventories, net	<u>\$ 131,535</u>	<u>\$ 129,879</u>

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017
(Unaudited)

Reserve for Excess and Obsolete Inventory

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

(In thousands)	Three Months Ended March 31,	
	2017	2016
Balance at beginning of period	\$ 4,205	\$ 3,045
Additions charged to costs and expenses ⁽¹⁾	632	693
Sell through ⁽²⁾	(354)	(211)
(Write-offs)/Foreign exchange effects	(274)	(235)
Balance at end of period	\$ 4,209	\$ 3,292

⁽¹⁾ The additions charged to costs and expenses do not include inventory directly written-off that was scrapped during production totaling \$27 thousand and \$63 thousand for the three months ended March 31, 2017 and 2016, 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 Supplier

We purchase integrated circuits, components and finished goods from multiple sources. Texas Instruments provided \$9.1 million, or 10.4%, of total inventory purchases during the three months ended March 31, 2017 and \$8.5 million, or 10.8%, of total inventory purchases during the three months ended March 31, 2016.

Related Party Supplier

We purchase certain printed circuit board assemblies from a related party supplier. The supplier is considered a related party for financial reporting purposes because our Senior Vice President of Strategic Operations owns 40% of this vendor. Inventory purchases from this supplier were as follows:

	Three Months Ended March 31,			
	2017		2016	
	\$ (thousands)	% of Total Inventory Purchases	\$ (thousands)	% of Total Inventory Purchases
Related party supplier	\$ 946	1.1%	\$ 1,612	2.0%

Total accounts payable to this supplier were as follows:

	March 31, 2017		December 31, 2016	
	\$ (thousands)	% of Accounts Payable	\$ (thousands)	% of Accounts Payable
Related party supplier	\$ 1,177	1.3%	\$ 1,690	1.7%

Our payment terms and pricing with this supplier are consistent with the terms offered by other suppliers in the ordinary course of business. The accounting policies that we apply to our transactions with our related party supplier are consistent with those applied in transactions with independent third parties. Corporate management routinely monitors purchases from our related party supplier to ensure these purchases remain consistent with our business objectives.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017
(Unaudited)

Note 5 — Goodwill and Intangible Assets, Net
Goodwill

Changes in the carrying amount of goodwill were as follows:

(In thousands)

Balance at December 31, 2016	\$	43,052
Foreign exchange effects		(4)
Balance at March 31, 2017	\$	<u>43,048</u>

Intangible Assets, Net

The components of intangible assets, net were as follows:

(In thousands)	March 31, 2017			December 31, 2016		
	Gross ⁽¹⁾	Accumulated Amortization ⁽¹⁾	Net	Gross ⁽¹⁾	Accumulated Amortization ⁽¹⁾	Net
Distribution rights	\$ 302	\$ (119)	\$ 183	\$ 302	\$ (119)	\$ 183
Patents	11,345	(3,988)	7,357	12,038	(4,775)	7,263
Trademarks and trade names	2,396	(1,371)	1,025	2,400	(1,310)	1,090
Developed and core technology	12,578	(4,569)	8,009	12,585	(4,068)	8,517
Capitalized software development costs	142	(24)	118	142	(5)	137
Customer relationships	27,654	(17,011)	10,643	27,703	(16,344)	11,359
Total intangible assets, net	<u>\$ 54,417</u>	<u>\$ (27,082)</u>	<u>\$ 27,335</u>	<u>\$ 55,170</u>	<u>\$ (26,621)</u>	<u>\$ 28,549</u>

⁽¹⁾ This table excludes the gross value of fully amortized intangible assets totaling \$11.2 million and \$10.2 million at March 31, 2017 and December 31, 2016, respectively.

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

(In thousands)	Three Months Ended March 31,	
	2017	2016
Cost of sales	\$ 19	\$ 21
Selling, general and administrative expenses	1,581	1,533
Total amortization expense	<u>\$ 1,600</u>	<u>\$ 1,554</u>

Estimated future annual amortization expense related to our intangible assets at March 31, 2017, is as follows:

(In thousands)	
2017 (remaining 9 months)	\$ 4,797
2018	6,364
2019	6,285
2020	5,196
2021	1,782
Thereafter	2,911
Total	<u>\$ 27,335</u>

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017
(Unaudited)

Note 6 — Line of Credit

Our Amended and Restated Credit Agreement ("Amended Credit Agreement") with U.S. Bank National Association ("U.S. Bank") provides for an \$85.0 million line of credit ("Credit Line") that expires on November 1, 2018 and that may be used for working capital and other general corporate purposes including acquisitions, share repurchases and capital expenditures. On May 5, 2017, we entered into the Eighth Amendment to the Amended Credit Agreement in which the Credit Line was increased to \$115.0 million. 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 March 31, 2017.

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 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 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 Amended Credit Agreement. The interest rate in effect at March 31, 2017 was 2.11%. There are no commitment fees or unused line fees under the Amended Credit Agreement.

The Amended Credit Agreement includes financial covenants requiring a minimum fixed charge coverage ratio and a maximum cash flow leverage ratio. In addition, the Amended Credit Agreement also contains other customary affirmative and negative covenants and events of default. As of March 31, 2017, we were in compliance with the covenants and conditions of the Amended Credit Agreement.

At March 31, 2017, we had \$88.0 million outstanding under the Credit Line. Our total interest expense on borrowings was \$0.5 million and \$0.3 million during the three months ended March 31, 2017 and 2016, 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 tax rate and multiplying it by the year-to-date pre-tax book income.

We recorded an income tax benefit of \$0.3 million for the three months ended March 31, 2017 as a result of incurring a loss, a favorable foreign tax ruling that resulted in the reversal of a reserve approximating \$0.2 million, and the recognition of \$0.1 million of excess tax benefits related to stock-based compensation. For the three months ended March 31, 2016, we recorded income tax expense of \$0.8 million which represented an effective tax rate of 21.5%.

At March 31, 2017, we had gross unrecognized tax benefits of \$3.8 million, including interest and penalties, of which \$3.5 million 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. However, based on federal, state and foreign statute expirations in various jurisdictions, we anticipate a decrease in unrecognized tax benefits of approximately \$0.1 million 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 \$0.3 million and \$0.3 million at March 31, 2017 and December 31, 2016, respectively, are included in our unrecognized tax benefits.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017
(Unaudited)

Note 8 — Accrued Compensation

The components of accrued compensation were as follows:

(In thousands)	March 31, 2017	December 31, 2016
Accrued social insurance ⁽¹⁾	\$ 17,088	\$ 19,974
Accrued salary/wages	7,880	7,903
Accrued vacation/holiday	2,845	2,411
Accrued bonus ⁽²⁾	1,873	2,421
Accrued commission	373	933
Accrued medical insurance claims	146	122
Other accrued compensation	1,671	1,816
Total accrued compensation	<u>\$ 31,876</u>	<u>\$ 35,580</u>

⁽¹⁾ Effective January 1, 2008, the Chinese Labor Contract Law was enacted in the PRC. This law mandated that PRC employers remit the applicable social insurance payments to their local government. Social insurance is comprised of various components such as pension, medical insurance, job injury insurance, unemployment insurance, and a housing assistance fund, and is administered in a manner similar to social security in the United States. This amount represents our estimate of the amounts due to the PRC government for social insurance on March 31, 2017 and December 31, 2016.

⁽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 \$0.3 million and \$0.7 million at March 31, 2017 and December 31, 2016, respectively.

Note 9 — Other Accrued Expenses

The components of other accrued expenses were as follows:

(In thousands)	March 31, 2017	December 31, 2016
Advertising and marketing	\$ 228	\$ 213
Deferred revenue	1,421	1,431
Duties	1,125	1,127
Freight and handling fees	1,830	1,919
Product development	641	454
Product warranty claim costs	132	134
Professional fees	1,814	1,313
Property, plant, and equipment	1,334	1,017
Sales taxes and VAT	2,613	2,715
Short-term contingent consideration	2,400	—
Third-party commissions	610	853
Tooling ⁽¹⁾	1,858	1,520
Unrealized loss on foreign currency exchange contracts	453	1,623
URC court order and settlement agreement (Note 2)	—	6,622
Utilities	142	331
Other	3,714	3,138
Total other accrued expenses	<u>\$ 20,315</u>	<u>\$ 24,410</u>

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

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017
(Unaudited)

Note 10 — Commitments and Contingencies*Product Warranties*

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

(In thousands)	Three Months Ended March 31,	
	2017	2016
Balance at beginning of period	\$ 134	\$ 35
Accruals for warranties issued during the period	—	—
Settlements (in cash or in kind) during the period	(2)	—
Balance at end of period	\$ 132	\$ 35

Restructuring Activities and Sale of Guangzhou Factory

In the first quarter of 2016, we implemented a plan to reduce our manufacturing costs by transitioning manufacturing activities from our southern-most China factory, located in the city of Guangzhou in the Guangdong province, to our other three China factories where labor rates are lower. As a result, we incurred severance costs of \$5.3 million and \$1.4 million during the three months ended March 31, 2017 and 2016, respectively, which are included within operating expenses. We expect to incur additional severance costs of approximately \$2 million as we continue to execute this transition over the next three to six months. Because severance costs relate to involuntary terminations, we record the related liability at the communication date. At March 31, 2017, we had \$0.2 million of unpaid severance costs included within accrued compensation.

On September 26, 2016, we entered into an agreement to sell our Guangzhou manufacturing facility for RMB 320 million (approximately \$46 million based on March 31, 2017 exchange rates). Under the terms of this agreement, we have up to 24 months to cease all operations within the facility. The closing of the sale will be subject to customary due diligence and local regulatory approval and per the terms of the agreement could take up to approximately 28 months from the execution of the agreement. In accordance with the terms of the agreement, the buyer deposited 10% of the purchase price into an escrow account at agreement inception, which we have presented as long-term restricted cash in our consolidated balance sheet (also refer to Note 2). The remaining balance of the purchase price is to be placed into the escrow account prior to the closing of the sale and will be released to us upon closing.

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 supplies 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 products 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 the appeal and on February 15, 2016, the appellate court heard oral arguments. While awaiting the appellate court's ruling, we requested and received permission to submit additional filings in support of our position. In March, we submitted our additional filings and answered questions from the court. We are now awaiting the decision from the court, which we believe will be rendered during the summer of 2017. In addition, 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 has been set for July 2017. Finally, on or about February 9, 2016, Ruwido filed a writ of summons for proceeding on the merits with respect to asserted patents. UEBV and Telenet have replied, denying all of Ruwido's allegations and we intend to vigorously defend against these claims. A hearing on this matter occurred in February 2017 with the court allowing the parties to submit additional filings to further support their respective positions. A further hearing has been scheduled for early summer 2017.

On January 26, 2017, OpenTV, Inc., Nagra USA, Inc., NagraVision SA, and Kudelski SA (collectively, the "Kudelski Group") filed a request with the U.S. International Trade Commission ("ITC") to institute an investigation pursuant to Section 337 of the Tariff Act of 1930, as amended, concerning certain remote control devices we supply Comcast Corporation ("Comcast") to which the ITC agreed to accept this request. By this request, the Kudelski Group will seek exclusion of certain digital television set-top boxes, remote control devices, and components thereof imported into the United States by Comcast and/or various of its subsidiaries, ARRIS International plc and/or various of its subsidiaries, and us and/or certain of our subsidiaries. We deny the allegations made

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017
(Unaudited)

by the Kudelski Group against us and we intend to vigorously defend against them. Discovery in this matter has just begun. Further, the ITC issued its scheduling order, setting the hearing start date for November 1, 2017.

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 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.

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. Repurchases may be made to manage dilution created by shares issued under our stock incentive plans or whenever we deem a repurchase is a good use of our cash and the price to be paid is at or below a threshold approved by our Board. As of March 31, 2017, we had 194,565 shares available for repurchase on the open market under the Board's authorizations. On April 26, 2017, our Board increased these repurchase authorizations by 5,435 shares bringing the total authorization as of the approval date to 200,000 shares. Shares may also be tendered by employees to satisfy tax withholding obligations in connection with the vesting of restricted stock.

Repurchased shares of our common stock were as follows:

(In thousands)	Three Months Ended March 31,	
	2017	2016
Shares repurchased	185	33
Cost of shares repurchased	\$ 11,389	\$ 1,724

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, which has included compensating our outside directors.

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.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017
(Unaudited)

Foreign Operations

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

(In thousands)	Three Months Ended March 31,	
	2017	2016
United States	\$ 81,928	\$ 83,938
Asia (excluding PRC)	24,650	21,573
People's Republic of China	15,743	16,926
Europe	17,424	15,783
Latin America	15,645	7,555
Other	6,016	4,883
Total net sales	\$ 161,406	\$ 150,658

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

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

(In thousands)	March 31, 2017	December 31, 2016
	United States	\$ 12,584
People's Republic of China	94,753	94,113
All other countries	4,273	4,186
Total long-lived tangible assets	\$ 111,610	\$ 110,247

Note 13 — Stock-Based Compensation

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

(In thousands)	Three Months Ended March 31,	
	2017	2016
Cost of sales	\$ 15	\$ 14
Research and development expenses	119	136
Selling, general and administrative expenses:		
Employees	1,744	1,845
Outside directors	745	498
Total employee and director stock-based compensation expense	\$ 2,623	\$ 2,493
Income tax benefit	\$ 815	\$ 733

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017
(Unaudited)

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, 2016	652	\$ 39.27		
Granted	92	62.70		
Exercised	(8)	29.53		\$ 306
Forfeited/canceled/expired	—	—		
Outstanding at March 31, 2017 ⁽¹⁾	<u>736</u>	\$ 42.30	4.86	\$ 19,275
Vested and expected to vest at March 31, 2017 ⁽¹⁾	736	\$ 42.30	4.86	\$ 19,272
Exercisable at March 31, 2017 ⁽¹⁾	452	\$ 34.30	4.10	\$ 15,450

⁽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 first quarter of 2017 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 March 31, 2017. This amount will change based on the fair market value of our stock.

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 March 31,	
	2017	2016
Weighted average fair value of grants	\$19.61	\$17.96
Risk-free interest rate	1.75%	1.36%
Expected volatility	34.25%	41.38%
Expected life in years	4.52	4.55

As of March 31, 2017, we expect to recognize \$4.9 million of total unrecognized pre-tax stock-based compensation expense related to non-vested stock options over a remaining weighted-average life of 2.1 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, 2016	153	\$ 57.43
Granted	98	63.39
Vested	(26)	56.94
Forfeited	(1)	58.95
Non-vested at March 31, 2017	<u>224</u>	\$ 60.09

As of March 31, 2017, we expect to recognize \$12.0 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.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017
(Unaudited)

Note 14 — Performance-Based Common Stock Warrants

On March 9, 2016, we issued common stock purchase warrants to Comcast Corporation ("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 (with the first two-year period commencing on January 1, 2016) 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. To fully vest in the rights to purchase all of the underlying shares, Comcast and its affiliates must purchase an aggregate of \$1.02 billion in goods and services from us during the six-year vesting period.

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 purchase 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. At March 31, 2017, none of the warrants had vested.

The fair value of the warrants is determined using the Black-Scholes option pricing model. The assumptions we utilized and the resulting fair value of the warrants were the following:

	Three Months Ended March 31,	
	2017	2016
Fair value	\$32.32	\$29.86
Price of Universal Electronics Inc. common stock	\$67.98	\$62.30
Risk-free interest rate	2.04%	1.50%
Expected volatility	39.86%	41.49%
Expected life in years	5.75	6.75

For each of the three months ended March 31, 2017 and 2016, we recorded a \$0.9 million reduction to net sales in connection with the warrants. The related income tax benefit was \$0.3 million in both periods. At March 31, 2017, we estimated the number of warrants that will vest based on the combination of purchases already made and 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 March 31, 2017 was \$19.8 million.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017
(Unaudited)

Note 15 — Other Income (Expense), Net

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

(In thousands)	Three Months Ended March 31,	
	2017	2016
Net gain (loss) on foreign currency exchange contracts ⁽¹⁾	\$ 234	\$ (199)
Net gain (loss) on foreign currency exchange transactions	330	911
Other income (expense)	19	8
Other income (expense), net	\$ 583	\$ 720

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

Note 16 — Earnings Per Share

Earnings per share was calculated as follows:

(In thousands, except per-share amounts)	Three Months Ended March 31,	
	2017	2016
BASIC		
Net income attributable to Universal Electronics Inc.	\$ 119	\$ 2,721
Weighted-average common shares outstanding	14,449	14,373
Basic earnings per share attributable to Universal Electronics Inc.	\$ 0.01	\$ 0.19
DILUTED		
Net income attributable to Universal Electronics Inc.	\$ 119	\$ 2,721
Weighted-average common shares outstanding for basic	14,449	14,373
Dilutive effect of stock options and restricted stock	268	264
Weighted-average common shares outstanding on a diluted basis	14,717	14,637
Diluted earnings per share attributable to Universal Electronics Inc.	\$ 0.01	\$ 0.19

The number of stock options and shares of restricted stock excluded from the computation of diluted earnings per common share were as follows:

(In thousands)	Three Months Ended March 31,	
	2017	2016
Stock options	128	256
Restricted stock awards	59	20

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017
(Unaudited)

Note 17 — Derivatives

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

(In thousands)	March 31, 2017				December 31, 2016				
	Fair Value Measurement Using				Fair Value Measurement Using				Total Balance
	Level 1	Level 2	Level 3	Total Balance	Level 1	Level 2	Level 3		
Foreign currency exchange contracts	\$ —	\$ (453)	\$ —	\$ (453)	\$ —	\$ (1,584)	\$ —	\$ (1,584)	

We held foreign currency exchange contracts which resulted in a net pre-tax gain of \$0.2 million and a net pre-tax loss of \$0.2 million for the three months ended March 31, 2017 and 2016, respectively (see Note 15).

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
March 31, 2017	USD/Euro	USD	\$ 20.0	1.0557	\$ (239)	April 5, 2017
March 31, 2017	USD/Chinese Yuan Renminbi	USD	\$ 16.0	6.9210	\$ (60)	May 19, 2017
March 31, 2017	USD/Brazilian Real	USD	\$ 3.0	3.2982	\$ (154)	April 20, 2017
December 31, 2016	USD/Euro	USD	\$ 18.0	1.0513	\$ (61)	January 27, 2017
December 31, 2016	USD/Chinese Yuan Renminbi	Chinese Yuan Renminbi	\$ 25.0	6.7230	\$ (974)	January 13, 2017
December 31, 2016	USD/Chinese Yuan Renminbi	Chinese Yuan Renminbi	\$ 10.0	6.6757	\$ (457)	January 13, 2017
December 31, 2016	USD/Brazilian Real	USD	\$ 2.0	3.4775	\$ (131)	January 13, 2017
December 31, 2016	USD/Brazilian Real	USD	\$ 4.0	3.2316	\$ 39	January 13, 2017

⁽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 expenses.

Note 18 — Subsequent Event

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. Under the terms of the Asset Purchase Agreement, we paid an initial cash purchase price of approximately \$9 million, plus contingent cash consideration of up to an additional \$10 million based upon a percentage of operating income attributable to RCS over the period commencing on the acquisition date through June 30, 2022.

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 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 dealers 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 approximately one million individual device functions and approximately 8,000 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 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 more than 400 pending and issued patents related to remote controls and home automation.

We operate as one business segment. We have 23 international subsidiaries located in Argentina, Brazil, British Virgin Islands, Cayman Islands, France, Germany, Hong Kong (3), India, Italy, Japan, Mexico, the Netherlands, People's Republic of China (6), Singapore, Spain, and the United Kingdom.

To recap our results for the three months ended March 31, 2017:

- Net sales increased 7.1% to \$161.4 million for the three months ended March 31, 2017 from \$150.7 million for the three months ended March 31, 2016.
- Our gross margin percentage increased from 25.0% for the three months ended March 31, 2016 to 25.4% for the three months ended March 31, 2017.
- Operating expenses, as a percent of net sales, increased from 23.0% for the three months ended March 31, 2016 to 25.6% for the three months ended March 31, 2017.
- Our operating income decreased from \$3.0 million for the three months ended March 31, 2016 to an operating loss of \$0.4 million for the three months ended March 31, 2017, and our operating margin percentage decreased from 2.0% for the three months ended March 31, 2016 to (0.2)% for the three months ended March 31, 2017.
- We recorded a \$0.3 million income tax benefit for the three months ended March 31, 2017, compared to an income tax provision of \$0.8 million for the three months ended March 31, 2016.

Our strategic business objectives for 2017 include the following:

- continue to develop and market the advanced remote control products and technologies 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. We do not believe that there have been any significant changes during the three months ended March 31, 2017 to 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, 2016.

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 results of operations expressed as a percentage of net sales for the periods indicated.

	Three Months Ended March 31,	
	2017	2016
Net sales	100.0 %	100.0 %
Cost of sales	74.6	75.0
Gross profit	25.4	25.0
Research and development expenses	3.4	3.5
Factory transition restructuring charges	3.2	0.9
Selling, general and administrative expenses	19.0	18.6
Operating income (loss)	(0.2)	2.0
Interest income (expense), net	(0.2)	(0.2)
Other income (expense), net	0.3	0.5
Income (loss) before income tax provision (benefit)	(0.1)	2.3
Income tax provision (benefit)	(0.2)	0.5
Net income	0.1	1.8
Net income attributable to noncontrolling interest	—	0.0
Net income attributable to Universal Electronics Inc.	0.1 %	1.8 %

Three Months Ended March 31, 2017 versus Three Months Ended March 31, 2016

Net sales. Net sales for the three months ended March 31, 2017 were \$161.4 million, an increase of 7.1% compared to \$150.7 million for the three months ended March 31, 2016. Net sales by our Business and Consumer lines were as follows:

	Three Months Ended March 31,			
	2017		2016	
	\$ (millions)	% of total	\$ (millions)	% of total
Business	\$ 150.4	93.2%	\$ 140.7	93.4%
Consumer	11.0	6.8	10.0	6.6
Total net sales	\$ 161.4	100.0%	\$ 150.7	100.0%

Net sales in our Business lines (subscription broadcasting, OEM, and computing companies) were 93.2% of net sales for the three months ended March 31, 2017 compared to 93.4% for the three months ended March 31, 2016. Net sales in our Business lines for the three months ended March 31, 2017 increased by 6.9% to \$150.4 million from \$140.7 million driven by the continued rollout of higher end platforms in North America and Europe, as well as increased market share in Latin America. In addition, sales of our home security products contributed to our growth as we shipped sensors and keypads to a significant customer in the cable industry.

Net sales in our Consumer lines (*One For All*[®] retail and private label) were 6.8% of net sales for the three months ended March 31, 2017 compared to 6.6% for the three months ended March 31, 2016. Net sales in our Consumer lines for the three months ended March 31, 2017 increased by 10.0% to \$11.0 million from \$10.0 million in the three months ended March 31, 2016 driven primarily by growth in the Latin America market.

Gross profit. Gross profit for the three months ended March 31, 2017 was \$41.0 million compared to \$37.6 million for the three months ended March 31, 2016. Gross profit as a percent of sales increased to 25.4% for the three months ended March 31, 2017 compared to 25.0% for the three months ended March 31, 2016. The gross margin percentage was favorably impacted by the weakening of the Chinese Yuan Renminbi relative to the U.S. Dollar, partially offset by the impact of manufacturing inefficiencies related to a factory transition and price reductions granted to certain large customers. We expect to continue to experience manufacturing inefficiencies over the next three to six months as we complete the transition of production activities from our southern-most China factory to our other three factories located in China (also see additional related discussion below under "Factory transition restructuring charges").

Research and development ("R&D") expenses. R&D expenses increased 6.0% to \$5.5 million for the three months ended March 31, 2017 from \$5.2 million for the three months ended March 31, 2016 as we continue to develop new product offerings in existing categories as well as newer categories such as home security.

Factory transition restructuring charges. In the first quarter of 2016, we implemented a plan to reduce our manufacturing costs by transitioning manufacturing activities from our southern-most China factory, located in the city of Guangzhou in the Guangdong province, to our other three China factories where labor rates are lower. As a result, we incurred severance costs of \$5.3 million and \$1.4 million for the three months ended March 31, 2017 and 2016, respectively. We expect to incur additional factory transition restructuring charges of approximately \$2 million as we continue to execute this transition over the next three to six months.

Selling, general and administrative ("SG&A") expenses. SG&A expenses increased 9.5% to \$30.7 million for the three months ended March 31, 2017 from \$28.0 million for the three months ended March 31, 2016. The increase was primarily due to increased payroll and benefits costs related to annual merit increases and additional headcount to support product development efforts, incremental expense recorded to reflect an increase in the value of contingent consideration to be paid in connection with our acquisition of Ecolink Intelligent Technology, Inc., and additional freight and handling costs related to sales growth.

Interest income (expense), net. Net interest expense was \$0.4 million for the three months ended March 31, 2017 compared to net interest expense of \$0.3 million for the three months ended March 31, 2016 as a result of an increased level of borrowings on our line of credit.

Other income (expense), net. Net other income was \$0.6 million for the three months ended March 31, 2017 compared to net other income of \$0.7 million for the three months ended March 31, 2016. This change was driven primarily by a decrease in foreign currency gains associated with fluctuations in the Chinese Yuan Renminbi exchange rate versus the U.S. Dollar, partially offset by foreign currency gains associated with fluctuations in the Euro exchange rate versus the U.S. Dollar.

Income tax provision (benefit). We recorded an income tax benefit of \$0.3 million for the three months ended March 31, 2017 as a result of incurring a loss, a favorable foreign tax ruling that resulted in the reversal of a reserve approximating \$0.2 million, and the recognition of \$0.1 million of excess tax benefits related to stock-based compensation. For the three months ended March 31, 2016, we recorded income tax expense of \$0.8 million which represented an effective tax rate of 21.5%.

Liquidity and Capital Resources

Sources and Uses of Cash

(In thousands)	Three Months Ended March 31, 2017	Increase (Decrease)	Three Months Ended March 31, 2016
Cash provided by (used for) operating activities	\$ (7,930)	\$ (11,071)	\$ 3,141
Cash used for investing activities	(6,870)	1,174	(8,044)
Cash provided by (used for) financing activities	26,861	17,995	8,866
Effect of exchange rate changes on cash	(18)	834	(852)
Net increase (decrease) in cash and cash equivalents	<u>\$ 12,043</u>	<u>\$ 8,932</u>	<u>\$ 3,111</u>

	March 31, 2017	Increase (Decrease)	December 31, 2016
Cash and cash equivalents	\$ 62,654	\$ 12,043	\$ 50,611
Working capital	93,899	(14,392)	108,291

Net cash used for operating activities was \$7.9 million during the three months ended March 31, 2017 compared to \$3.1 million of net cash provided by operating activities during the three months ended March 31, 2016. The decrease in net cash provided by operating activities was primarily due to working capital needs associated with accounts receivable. For the three months ended March 31, 2016, there was a decrease in net sales of \$11.5 million compared to the fourth quarter of 2015 resulting in a cash inflow relating to accounts receivable. However, for the three months ended March 31, 2017, net sales remained relatively consistent with the net sales of the preceding quarter. In addition, days sales outstanding increased from 66 days at March 31, 2016 to 72 days at March 31, 2017.

Net cash used for investing activities during the three months ended March 31, 2017 was \$6.9 million compared to \$8.0 million during the three months ended March 31, 2016 with both periods consisting of investments in property, plant and equipment as well as internally developed patents. With respect to property, plant and equipment, we continue to invest in factory automation

in our factories in an effort to mitigate the rising cost of labor in China. Based on our current projections, we anticipate that property, plant and equipment purchases in 2017 will total between \$22 million and \$25 million.

Additionally, on April 6, 2017, we acquired substantially all of the net assets of Residential Control Systems, Inc. for an initial cash purchase price of approximately \$9 million, plus contingent consideration of up to \$10 million over the period commencing on the acquisition date through June 30, 2022.

Net cash provided by financing activities was \$26.9 million during the three months ended March 31, 2017 compared to \$8.9 million during the three months ended March 31, 2016. This increase was driven primarily by an increase in net borrowing on our line of credit, partially offset by an increase in the purchase of treasury stock. Net borrowings on our line of credit were \$38.0 million during the three months ended March 31, 2017, compared to net borrowings on our line of credit of \$8.0 million during the three months ended March 31, 2016, primarily as a result of working capital needs and increased repurchases of our common stock in the current year period.

During the three months ended March 31, 2017, we repurchased 185,120 shares of our common stock at a cost of \$11.4 million compared to our repurchase of 32,934 shares at a cost of \$1.7 million during the three months ended March 31, 2016. 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.

From time to time, our Board of Directors authorizes management to repurchase shares of our issued and outstanding common stock on the open market. Repurchases may be made to manage dilution created by shares issued under our stock incentive plans or whenever we deem a repurchase is a good use of our cash and the price to be paid is at or below a threshold approved by our Board. As of March 31, 2017, we had 194,565 shares available for repurchase on the open market under the Board's authorizations. On April 26, 2017, our Board increased these repurchase authorizations by 5,435 shares bringing the total authorization as of the approval date to 200,000 shares.

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	\$ 11,476	\$ 3,845	\$ 4,255	\$ 2,534	\$ 842
Capital lease obligations	8	8	—	—	—
Purchase obligations ⁽¹⁾	4,512	4,512	—	—	—
Contingent consideration ⁽²⁾	11,000	2,400	5,933	2,667	—
Total contractual obligations	\$ 26,996	\$ 10,765	\$ 10,188	\$ 5,201	\$ 842

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

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

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 August 2015 acquisition of the net assets of Ecolink Intelligent Technology, Inc. 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. Our working capital needs have typically been greatest during the third and fourth quarters when accounts receivable and inventories increase in connection with the fourth quarter holiday selling season and when inventory levels increase in anticipation of factory closures in observance of Chinese New Year. 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)	March 31, 2017		December 31, 2016	
Cash and cash equivalents	\$	62,654	\$	50,611
Available borrowing resources		17,000		35,000

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, would be subject to United States federal income taxes, less applicable foreign tax credits. Repatriation of some foreign balances is restricted by local laws. We have not provided for the United States federal tax liability 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. We utilize a variety of tax planning strategies in an effort to ensure that our worldwide cash is available in the locations in which it is needed.

On March 31, 2017, we had \$20.4 million, \$17.7 million, \$4.8 million, \$18.2 million and \$1.6 million of cash and cash equivalents in the United States, the People's Republic of China ("PRC"), Asia (excluding the PRC), Europe, and South America, respectively. On December 31, 2016, we had \$3.3 million, \$22.1 million, \$5.3 million, \$19.6 million, and \$0.3 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 Amended and Restated Credit Agreement ("Amended Credit Agreement") with U.S. Bank National Association ("U.S. Bank") provides for an \$85.0 million line of credit ("Credit Line") that expires on November 1, 2018 and that may be used for working capital and other general corporate purposes including acquisitions, share repurchases and capital expenditures. On May 5, 2017, we entered into the Eighth Amendment to the Amended Credit Agreement in which the Credit Line was increased to \$115.0 million. 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 March 31, 2017.

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 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 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 Amended Credit Agreement. The interest rate in effect at March 31, 2017 was 2.11%. There are no commitment fees or unused line fees under the Amended Credit Agreement.

The Amended Credit Agreement includes financial covenants requiring a minimum fixed charge coverage ratio and a maximum cash flow leverage ratio. In addition, the Amended Credit Agreement also contains other customary affirmative and negative covenants and events of default. As of March 31, 2017, we were in compliance with the covenants and conditions of the Amended Credit Agreement.

At March 31, 2017, we had an outstanding balance of \$88.0 million on our Credit Line and \$17.0 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 2016 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 failure of our customers to grow and expand as we anticipated; 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 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 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; the sale of our Guangzhou facility not occurring as or within the time frame anticipated by management; 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 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 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 \$0.6 million annual impact on net income based on our outstanding line of credit balance at March 31, 2017.

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 March 31, 2017, we had wholly-owned subsidiaries in Argentina, Brazil, Cayman Islands, France, Germany, Hong Kong, India, Italy, Japan, 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 March 31, 2017, 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 and Indian Rupee relative to the U.S. Dollar fluctuate 10% from March 31, 2017, net income in the second quarter of 2017 would fluctuate by approximately \$9.0 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 2017, we implemented the first phase of a multi-year, company-wide program to transition to a new global enterprise resource planning ("ERP") software system. This first phase included our North America operations. 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 last 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 reader should carefully consider, in connection with the other information in this report, the factors discussed in "Part I, Item 1A: Risk Factors" of the Company's 2016 Annual Report on Form 10-K incorporated herein by reference. These factors may cause our actual results to differ materially from those stated in forward-looking statements contained in this document and elsewhere.

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

During the three months ended March 31, 2017, we repurchased 185,120 shares of our issued and outstanding common stock for \$11.4 million. We make stock repurchases under ongoing and systematic programs approved by our Board of Directors to manage the dilution created by shares issued under our stock incentive plans or when we deem a repurchase is a good use of our cash and the price to be paid is at or below a threshold approved by our Board from time to time. On March 31, 2017, we had 194,565 shares available for repurchase on the open market under the Board's authorizations. On April 26, 2017, our Board increased these repurchase authorizations by 5,435 shares bringing the total authorizations as of the approval date to 200,000 shares. Shares may also be tendered by employees to satisfy tax withholding obligations in connection with the vesting of restricted stock.

The following table sets forth, for the three months ended March 31, 2017, 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 ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽³⁾
January 1, 2017 - January 31, 2017	75,720	\$ 60.70	69,932	300,633
February 1, 2017 - February 28, 2017	108,796	62.05	106,068	194,565
March 1, 2017 - March 31, 2017	604	67.89	—	194,565
Total	185,120	\$ 61.52	176,000	194,565

(1) Of the repurchases in January, February and March, 5,788, 2,728 and 604 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) For shares tendered in connection with the vesting of restricted shares, the average price paid per share is an average calculated using the daily high and low of the Company's common stock at the time of vesting.

(3) The Company may purchase shares from time to time in open market purchases. The Company may make all or part of the purchases pursuant to accelerated share repurchases or Rule 10b5-1 plans.

ITEM 6. EXHIBITS

3.1	Amended and Restated By-laws of Universal Electronics Inc. (filed herewith).
10.1	Seventh Amendment to Amended and Restated Credit Agreement dated as of April 14, 2017 between Universal Electronics Inc. and U.S. Bank National Association (filed herewith)
10.2	Eighth Amendment to Amended and Restated Credit Agreement dated as of May 5, 2017 between Universal Electronics Inc. and U.S. Bank National Association (filed herewith)
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

SIGNATURE

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: May 9, 2017

UNIVERSAL ELECTRONICS INC.

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

EXHIBIT INDEX

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AMENDED AND RESTATED, BY-LAWS

OF

UNIVERSAL ELECTRONICS INC.

As of October 23, 2007

AMENDED AND RESTATED, BY-LAWS

OF

UNIVERSAL ELECTRONICS INC.

ARTICLE I

OFFICES OF REGISTERED AGENT

Section 1.1 **Office and Agent.** The Corporation shall have and maintain a registered office in Delaware and a registered agent having a business office identical with such registered office.

Section 1.2 **Other Offices.** The Corporation may also have such other office or offices in Delaware or elsewhere as the Board of Directors may determine or as the business of the Corporation may require.

ARTICLE II

STOCKHOLDERS

Section 2.1 **Annual Meeting.** An annual meeting of the stockholders shall be held on the second Tuesday in May in each year beginning with the year 1992, at the hour of 10:30 A.M., local time or in the event the annual meeting is not held on such date and at such time, then on the date and at the time designated by the Board of Directors, for the purpose of electing directors and for the transaction of each other business as may properly come before the meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. If the directors shall not be elected at the annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held as soon thereafter as may be convenient.

Section 2.2 **Special Meetings.** Special meetings of the stockholders may be called at any time by the Chairman of the Board or by the President, and shall be called by the Chairman of the Board, the President or the Secretary at the request in writing of (a) The holders of at least twenty percent (20%) of all the outstanding shares of stock of the Corporation entitled to vote on the matter for which the meeting is called, or (b) a majority of the Board of Directors, or (c) any two (2) directors (but only so long as the Corporation's Series A Convertible Preferred Stock shall remain outstanding. Such request shall state the purpose or purposes of the proposed meeting.

Section 2.3 **Place of Meeting.** Meetings of stockholders, whether annual or special, shall be held at such time and place as may be determined by the Board of Directors and designated in the call and notice or waiver of notice of such meeting; provided, that a waiver of notice signed by all stockholders may designate any time or place as the time and place for the holding of such meeting. If no designation is made, the place of meeting shall be at the Corporation's principal place of business.

Section 2.4 **Notice of Meeting.** Written notice stating the place, date and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting, or, in the case of a merger, consolidation or sale, lease or exchange of all or substantially all of the Corporation's property and assets, at least twenty (20) days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman of the Board, the President or the Secretary to each stockholder of record entitled to vote at such meeting. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation. If delivered (rather than mailed) to such address, such notice shall be deemed to be given when so delivered.

Section 2.5 **Waiver of Notice.** A waiver of notice in writing signed by a stockholder entitled to such notice, whether before or after the time of the meeting, shall be deemed equivalent to the giving of such notice. Attendance of a stockholder in person or by proxy at a meeting of stockholders shall constitute a waiver of notice of such meeting except when the stockholder or his or her proxy attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 2.6

Fixing Record Date for Determination of Stockholders.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment of such meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date as adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days, or in the case of a merger, consolidation or sale, lease or exchange of all or substantially all of the Corporation's property and assets, not less than twenty (20) days, before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by statute, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation at its registered office in the State of Delaware or at its principal place of business. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by this statute, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall not be more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating to such purpose.

(d) Only those who shall be stockholders of record on the record date fixed in accordance with this section shall be entitled to notice of, and to vote at, such meeting and any adjournment of such meeting, or to consent to such corporate action in writing, or to receive payment of such dividend or other distribution, or to receive such allotment of rights, or to exercise such rights, as the case may be, notwithstanding the transfer of any stock on the books of the Corporation after the applicable record date.

Section 2.7

List of Stockholders Entitled to Vote. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list of the stockholders, the corporate books, or to vote at any meeting of the stockholders.

Section 2.8

Quorum and Manner of Acting. Unless otherwise provided by the Certificate of Incorporation of the Corporation, as may be amended or restated from time to time, or these By-laws, the holders of a majority of the outstanding shares of the Corporation entitled to vote on a matter present in person or represented by proxy shall constitute a quorum for consideration of such matter at any meeting of stockholders; provided, that if holders of less than a majority of the outstanding shares entitled to vote on a matter are present in person or represented by proxy at said meeting, the holders of a majority of the shares so present in person or represented by proxy may adjourn the meeting from time to time without further notice other than announcement at the meeting at which the adjournment is taken of the time and place of the adjourned meeting. At the adjourned meeting the Corporation may transact any business which might properly have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If a quorum is present,

the affirmative vote by the holders of the majority of the shares present in person or represented by proxy at the meeting and entitled to vote shall be the act of the stockholders, unless the vote of a greater number or voting by classes is required by the General Corporation Law of the State of Delaware, the Certificate of Incorporation of the Corporation, as may be amended or restated from time to time, or these By-laws.

Section 2.9 **Voting Shares and Proxies.** Each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder, except as otherwise provided in the Certificate of Incorporation of the Corporation, as may be amended or restated from time to time. Each stockholder entitled to vote at a meeting of the stockholders or to express consent to corporate action in writing without a meeting may authorize another person or persons to act for him or her by proxy, but no proxy shall be valid after three (3) years from its date unless otherwise provided in the proxy. Such proxy shall be in writing and shall be filed with the Secretary of the Corporation before or at the time of the meeting or the giving of such written consent, as the case may be. Execution of a writing authorizing another person or persons to act as proxy may be accomplished by the stockholder (or his or her authorized officer, director, employee or agent) signing such writing or causing his or her signature to be affixed to such writing by any reasonable means, including by facsimile signature. A stockholder may authorize another person or persons to act for him or her as proxy by transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy; provided that any such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder.

Section 2.10 **Inspectors.** At any meeting of stockholders, the chairman of the meeting may, or upon the request of any stockholder shall, appoint one or more persons as inspectors for such meeting. Such inspectors shall ascertain and report the number of shares represented at the meeting, based upon the list of stockholders produced at the meeting in accordance with Section 2.7 hereof and upon their determination of the validity and effect of proxies, and they shall count all votes, report the results and do such other acts as are proper to conduct the election and voting with impartiality and fairness to all the stockholders. Each such report shall be in writing and signed by at least a majority of the inspectors, the report of a majority being the report of the inspectors, and such reports shall be prima facie evidence of the number of shares represented at the meeting and the result of a vote of the stockholders.

Section 2.11 **Voting of Shares by Certain Holders.** Shares of its own stock belonging the Corporation, unless held by it in a fiduciary capacity, shall not be voted, directly or indirectly, at any meeting, and shall not be counted in determining the total number of outstanding shares at any given time. Shares standing in the name of another corporation, domestic or foreign, may be voted by such officer, agent or proxy as the by-laws of such corporation may prescribe, or, in the absence of such provision, as the board of directors of such corporation may determine. Persons holding stock in a fiduciary capacity shall be entitled to vote the shares so held. Persons whose stock is pledged shall be entitled to vote, unless in the transfer by the pledgor on the books of the Corporation he or she expressly empowered the pledgee to vote thereon, in which case only the pledgee, or pledgee's proxy, may represent such stock and vote thereon.

Section 2.12 **Voting by Ballot.** Any question or any election at a meeting of the stockholders may be decided by voice vote unless the chairman of the meeting shall order that voting be by ballot or unless otherwise provided in the Certificate of Incorporation of the Corporation, as may be amended or restated from time to time, or required by the General Corporation Law of the State of Delaware.

Section 2.13 **Informal Action.** Any corporate action upon which a vote of stockholders is required or permitted may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote on such action were present and voted and shall be delivered to the Corporation at the office of its registered agent within the State of Delaware, at its principal place of business, or at such other place as determined by the Board of Directors. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to in the consent unless, within sixty (60) days of the earliest dated consent delivered to the Corporation, written consents signed by a sufficient number of holders to take action are delivered to the Corporation at the office of its registered agent within the State of Delaware, at its principal place of business, or at such other place as determined by the Board of Directors. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not so consented in writing.

ARTICLE III

DIRECTORS

Section 3.1 **General Powers.** The business and affairs of the Corporation shall be managed by its Board of Directors, except as may be otherwise provided by statute, the Certificate of Incorporation of the Corporation, as may be amended or restated from time to time, or these By-laws.

Section 3.2 **Number, Tenure and Qualifications.** The number of directors which shall constitute the whole Board of Directors shall be such number as is determined from time to time by resolution of the Board of Directors, except as otherwise provided for in the Certificate of Incorporation of the Corporation, as may be amended or restated from time to time. Each Director elected shall hold office until his successor is elected and qualified or until his earlier resignation or removal. Directors need not be stockholders of the Corporation or residents of Delaware.

Section 3.3 **Regular Meetings.** A regular meeting of the Board of Directors shall be held, without other notice than this Section 3.3, immediately after and at the same place as the annual meeting of stockholders. In the event such meeting is not held at such time and place, the meeting may be held at such time and place as shall be specified in a notice given as provided below with respect to special meetings of the Board of Directors or as shall be specified in a written waiver signed by all of the directors. The Board of Directors may provide, by resolution, the time and place, either within or without Delaware, for the holding of additional regular meetings without other notice than such resolution.

Section 3.4 **Special Meeting.** Special meetings of the Board of Directors may be called at any time by the Chairman of the Board, the President, or any three (3) directors. The person or persons who call a special meeting of the Board of Directors may, within the notice such meeting designate time and place, either within or without Delaware, as the time and place for holding such special meeting. In the absence of such a designation, the place of meeting shall be the Corporation's principal place of business.

Section 3.5 **Notice of Special Meetings.** Notice stating the place, date and hour of a special meeting shall be mailed not less than five (5) days before the date of the meeting, or shall be sent by telegram or be delivered personally or by telephone not less than two (2) days before the date of the meeting, to each director, at such director's business address or such other address as such director may have advised the Secretary of the Corporation to use for such purpose by or at the direction of the person or persons calling the meeting. If delivered, such notice shall be deemed to be given when delivered to such address or to the person to be notified. If mailed, such notice shall be deemed to be given three (3) days after deposit in the United States mail so addressed, postage prepaid. If given by telegraph, such notice shall be deemed to be given the next business day following the day the telegram is given to the telegraph company. Such notice may also be given by telephone or other means not specified in these bylaws, and in each such case shall be deemed to be given when actually received by the director to be notified. Notice of any meeting of the Board of Directors shall set forth the time and place of the meeting. Neither the business to be transacted at nor the purpose of any meeting, regular or special, of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 3.6 **Waiver of Notice.** A written waiver of notice, signed by a director entitled to notice of a meeting of the Board of Directors or of a committee of such board of which the director is a member, whether before or after the time of the meeting shall be deemed equivalent to the giving of such notice to that director. Attendance of a director at a meeting of the Board of Directors or of a committee of such board of which the director is a member shall constitute a waiver of notice of such meeting except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 3.7 **Quorum and Manner of Acting.** A majority of the number of directors as fixed in Section 3.2 hereof shall constitute a quorum for the transaction of business at any meeting of the Board of Directors; provided, that if less than a majority of such number of directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless otherwise provided in the General Corporation Law of the State of Delaware, the Certificate of Incorporation of the Corporation, as may be amended or restated from time to time, or these By-laws.

Section 3.8 **Presumption of Assent.** A director of the Corporation who is present at a duly convened meeting of the Board of Directors or any committee of such board at which action on any corporate matter is taken shall be conclusively presumed to have assented to the action taken unless such Director's dissent shall be entered in the minutes of the meeting or

unless such Director shall file a written dissent to such action with the person acting as the secretary of the meeting before adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 3.9 **Informal Action by Directors.** Any action which is required by law or by these By-laws to be taken at a meeting of the Board of Directors, or any other action which may be taken at a meeting of the Board of Directors or any committee thereof, may be taken without a meeting if a consent in writing, setting forth the action to be taken, shall be signed by all of the directors entitled to vote with respect to the subject matter thereof, or by all the members of such committee, as the case may be. Such consent shall have the same force and effect as a unanimous vote of all of the directors or all of the members of such committee, as the case may be, at a duly called meeting thereof, and shall be filed with the minutes of proceedings of the Board or committee.

Section 3.10 **Telephonic Meetings.** Unless otherwise restricted by the Certificate of Incorporation of the Corporation, as may be amended or restated from time to time; or these By-laws, members of the Board of Directors or of any committee designated by such Board, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence at such a meeting.

Section 3.11 **Resignations.** Any director may resign at any time by giving written notice to the Board of Directors, the Chairman of the Board, the President, or the Secretary. Such resignation shall take effect at the time specified therein; and, unless tendered to take effect upon acceptance thereof, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.12 **Vacancies.**

(a) Unless otherwise provided by the Certificate of Incorporation of the Corporation, as may be amended or restated from time to time, vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class shall be filled by a majority of the directors then in office, although less than a quorum, or by the sole remaining director, and the directors so chosen shall hold office until their successors are elected and qualified or until their earlier resignation or removal.

(b) Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the Certificate of Incorporation of the Corporation, as may be amended or restated from time to time, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by the sole remaining director so elected, and the directors so chosen shall hold office until the next election of the class or series for which such directors shall have been chosen, and until their successors shall be elected and qualified or until their earlier resignation or removal.

Section 3.13 **Removal.** Any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors, provided, however, that:

(a) if the Board is classified and unless otherwise provided in the Certificate of Incorporation of the Corporation, as may be amended or restated from time to time, the stockholders may affect such removal only for cause; or

(b) if the Corporation has cumulative voting, and less than the entire Board of Directors is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire Board of Directors, or, if there be classes of directors, at an election of the class of directors of which he is a part.

Whenever the holders of any class or series are entitled to elect one or more directors by the provisions of the Certificate of Incorporation of the Corporation, as may be amended or restated from time to time, the provisions of this Section 3.13 shall apply, in respect to the removal without cause of a director or directors so elected, to the vote of the holders of the outstanding shares of that class or series and not to the vote of the outstanding shares as a whole.

Section 3.14 **Interested Directors.**

(a) No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if:

(1) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board or committee in good faith authorizes the contract or transaction, by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(2) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(3) The contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the stockholders.

(b) Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Section 3.15 **Compensation.** The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and at each meeting of a committee of the Board of Directors of which they are members. The Board of Directors, irrespective of any personal interest of any of its members, shall have authority to fix compensation of all directors for services to the Corporation as directors, officers or otherwise.

Section 3.16 **Rights of Holders of the Corporation's Series A Convertible Preferred Stock.** So long as the Corporation's Series A Convertible Preferred Stock remains outstanding, the holders of the Series A Convertible Preferred Stock shall be entitled to attend all meetings of the Board of Directors and any Executive Committee thereof as observers only and shall receive such advance notice of such meetings as the directors shall receive. This Section 3.16 may not be amended, altered, or repealed, except by the holders of a majority of the outstanding Series A Convertible Preferred Stock, if any.

ARTICLE IV

STOCKHOLDER NOMINATION OF DIRECTOR CANDIDATES

Subject to the rights of holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, nominations for the election of directors may be made by the Board of Directors or a committee appointed by the Board of Directors or by any stockholder entitled to vote in the election of directors generally. However, any stockholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice of such stockholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than (i) with respect to an election to be held at an annual meeting of stockholders, one hundred twenty (120) days in advance of the date of the proxy statement released to stockholders in connection with the previous year's annual meeting of stockholders, and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, a reasonable time in advance of the meeting. For purposes of this Section, a "reasonable time in advance of the meeting" is at least fifteen (15) days before the date that the proxy statement in connection with such meeting is to be mailed to the stockholders. Each such notice shall set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person and persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or at the meeting to nominate the by proxy person or persons specified in the notice; (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a director of the Corporation if so elected. The presiding officer at the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

ARTICLE V

COMMITTEES

Section 5.1 **Appointment and Powers.** The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation which, to the extent provided in said resolution or in these By-laws, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the

Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation of the Corporation, as may be amended or restated from time to time (except that any such committee may, to the extent authorized in the resolution or resolutions providing for the issuance of such shares of stock adopted by the Board of Directors, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation thereof, or amending the By-laws; and, unless the resolution, By-laws, or Certificate of Incorporation of the Corporation, as may be amended or restated from time to time, expressly so provide, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of the State of Delaware.

Section 5.2 **Absence or Disqualification of Committee Member.** In the absence or disqualification of any member of such committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

Section 5.3 **Record of Proceedings.** The committees shall keep regular minutes of their proceedings and when required by the Board of Directors shall report the same to the Board of Directors.

ARTICLE VI

OFFICERS

Section 6.1 **Number and Titles.** The officers of the Corporation shall be a Chairman of the Board, a President, a Chief Financial Officer, a Secretary, and a Treasurer. The Board of Directors may appoint such vice presidents, assistant secretaries and assistant treasurers and such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board. Any two or more offices may be held by the same person.

Section 6.2 **Election, Term of Office and Qualifications.** The officers shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after the annual meeting of stockholders. If the election of officers is not held at such meeting, such election shall be held as soon thereafter as may be convenient. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Each officer shall be elected to hold office until his successor shall have been elected and qualified, or until his earlier death, resignation or removal. Election of an officer shall not of itself create contract rights.

Section 6.3 **Removal.** Any officer may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 6.4 **Resignation.** Any officer may resign at any time by giving written notice to the Board of Directors, the Chairman of the Board, the President or the Secretary. Such resignation shall take effect at the time specified therein; and, unless tendered to take effect upon acceptance thereof, the acceptance of such resignation shall not be necessary to make it effective; provided, however that the acceptance or deemed acceptance of such resignation by the Corporation shall be without prejudice to the contract rights, if any, of the Corporation with respect to such person so resigning.

Section 6.5 **Duties.** In addition to and to the extent not inconsistent with the provisions of these By-laws, the officers shall have such authority, be subject to such restrictions, and perform such duties in the management of the business, property and affairs of the Corporation as may be determined from time to time by the Board of Directors.

Section 6.6 **Chairman of the Board.** The Chairman of the Board shall be a member of the Board of Directors and shall preside at all meetings of the stockholders and of the Board of Directors of the Corporation. The Chairman may be given supervisory authority in specific matters by action of the Board of Directors and shall have the authority to perform such other duties as may be prescribed by the Board of Directors from time to time. When authorized or directed by the Board of Directors, the Chairman shall execute instruments and contracts on behalf of the Corporation.

Section 6.7 **President.** The President shall be the chief executive officer of the Corporation. Subject to the control of the Board of Directors, the President shall, in general, supervise and manage the business and affairs of the Corporation and shall see that the resolutions and directions of the Board of Directors are carried into effect. Except in those instances in which the authority to execute is expressly delegated to another officer or agent of the Corporation or a different mode of execution is expressly prescribed by the Board of Directors or these By-laws or where otherwise required by law, the President may execute for the Corporation certificates for its shares of stock (the issuance of which shall have been authorized by the Board of Directors), and any contracts, deeds, mortgages, bonds or other instruments which the Board of Directors has authorized to be executed or the execution of which is in the ordinary course of the Corporation's business, and the President may accomplish such execution either under or without the seal of the Corporation and either individually or with the Secretary, any Assistant Secretary, or any other officer authorized by the Board of Directors or these Bylaws. In the absence of the Chairman of the Board or in the event of his inability to act or while such office is vacant, the President shall perform the duties of the Chairman of the Board and when so acting shall have all of the powers and authority of, and shall be subject to all of the restrictions upon, the Chairman of the Board. Subject to Section 13.5 of these By-laws, the President may vote all securities which the Corporation is entitled to vote except as and to the extent such authority shall be vested in a different officer or agent of the Corporation by the Board of Directors.

Section 6.8 **Vice Presidents.** In the absence of the President or in the event of his inability or refusal to act, the Vice President, if one shall have been elected (or in the event there is more than one Vice President, the Vice President designated Executive vice President by the Board of Directors and thereafter, or in the absence of such other designation, the Vice Presidents in the order otherwise designated by the Board of Directors, or in the absence of such other designation, in the order of their election), shall perform the duties of the President, and when so acting, shall have all the authority of and be subject to all the restrictions upon the President. Except in those instances in which the authority to execute is expressly delegated to another officer or agent of the Corporation or a different mode of execution is expressly prescribed by the Board of Directors or these By-laws or where otherwise required by law, the Vice President (or each of them if there are more than one) may execute for the Corporation certificates for its shares of stock (the issuance of which shall have been authorized by the Board of Directors), and any contracts, deeds, mortgages, bonds or other instruments which the Board of Directors has authorized to be executed, and he may accomplish such execution either under or without the seal of the Corporation and either individually or with the Secretary, any Assistant Secretary, or any other officer thereunto authorized by the Board of Directors or these By-laws. The Vice Presidents shall perform such other duties as from time to time may be prescribed by the President or the Board of Directors.

Section 6.9 **Chief Financial Officer.** The Chief Financial Officer shall be the principal financial and accounting officer of the Corporation, shall perform all duties incident to Chief Financial Officer and such other duties as from time to time may be assigned by the President. Without limiting the foregoing, the Chief Financial Officer shall have primary responsibility for the Corporation's financial affairs; including without limitation, (a) keeping or causing to be kept correct and complete books and records of account, including a record of all receipts and disbursements; and (b) preparing or causing to be prepared, from time to time, financial statements of the Corporation at the request of the President or the Board of Directors.

Section 6.10 **Treasurer.** The Treasurer shall perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the President or the Chief Financial Officer of the Corporation. Without limiting the foregoing, the Treasurer shall (a) have charge and custody of, and be responsible for, all funds and securities of the Corporation; and (b) deposit all funds and securities of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with these By-laws. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

Section 6.11 **Secretary.** The Secretary shall (a) keep the minutes of the proceedings of the stockholders and of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these By-laws or as required by the General Corporation Law of the State of Delaware; (c) be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all stock certificates prior to the issue thereof and to all documents the execution of which on behalf of the Corporation under its seal is necessary or appropriate; (d) keep or cause to be kept a register of the name and address of each stockholder, which shall be furnished to the Corporation by each such stockholder, and the number and class of shares held by each stockholder; (e) have general charge of the stock transfer books; and (f) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be prescribed by the President or the Board of Directors,

Section 6.12 **Assistant Treasurers and Assistant Secretaries.** In the absence of the Treasurer or Secretary or in the event of the inability or refusal of the Treasurer or Secretary to act, the Assistant Treasurer and the Assistant Secretary (or in the event there is more than one of either, in the order designated by the Board of Directors or in the absence of such designation, in the order of their election) shall perform the duties of the Treasurer and Secretary, respectively, and when so acting, shall have all the authority of and be subject to all the restrictions upon such office. The Assistant Treasurers and Assistant Secretaries shall also perform such duties as from time to time may be prescribed by the Treasurer or the Secretary, respectively, or by the President

or the Board of Directors. If required by the Board of Directors, an Assistant Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

Section 6.13 Salaries. The salaries and additional compensation, if any, of the officers shall be determined from time to time by the Board of Directors; provided, no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Corporation.

ARTICLE VII

CERTIFICATES OF STOCK AND THEIR TRANSFER

Section 7.1 Shares Uncertificated. Except as otherwise provided in a resolution approved by the majority of the directors present, all shares of the Corporation shall be uncertificated shares beginning on October 23, 2007. Notwithstanding the foregoing, shares represented by a certificate issued prior to October 23, 2007, shall be certificated shares until such certificate is surrendered to this Corporation.

Section 7.2 Transfer of Shares. The shares of the Corporation shall be transferable. The Corporation shall have a duty to register any such transfer provided there is presented to the Corporation or its transfer agents reasonable assurance that any such transfer and related endorsement is genuine and effective; and, provided that (x) the Corporation has no duty to inquire into adverse claims or has discharged any such duty; (y) any applicable law relating to the collection of taxes has been complied with; and (z) the transfer is in fact rightful or is to a bonafide purchaser. Upon registration of such transfer upon the stock transfer books of the Corporation, the certificates representing the shares transferred, if any, shall be cancelled and the shares transferred to the new record holder shall be uncertificated. The terms and conditions' described in the foregoing provisions of this Section shall be construed in accordance with the provisions of the Delaware Uniform Commercial Code, except as otherwise provided by the General Corporation Law of the State of Delaware. No new shares shall be issued until a like number of shares shall have been surrendered and cancelled. In case of a lost, destroyed, wrongfully taken or mutilated certificate new shares may be issued therefor upon such terms and indemnity to the Corporation as the President or the Board of Directors may prescribe consistent with applicable law.

ARTICLE VIII

DIVIDENDS

Subject to the provisions of the General Corporation Law of the State of Delaware and the Certificate of Incorporation of the Corporation, as may be amended or restated from time to time, the Board of Directors may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the Corporation's capital stock.

ARTICLE IX

FISCAL YEAR

The fiscal year of the Corporation shall be fixed by the Board of Directors.

ARTICLE X

SEAL

The corporate seal shall have inscribed thereon the name of the Corporation and the words "Corporate Seal" and "Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

ARTICLE XI

WAIVER OF NOTICE

Whenever any notice is required to be given under these By-laws, the Certificate of Incorporation of the Corporation, as may be amended or restated from time to time, or the General Corporation Law of the State of Delaware, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XII

INDEMNIFICATION OF OFFICERS, DIRECTORS AND OTHERS

Section 12.1 **Nature of indemnity.** Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a “proceeding”) by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation shall be indemnified and held harmless by the Corporation as provided in this ARTICLE XII and to the fullest extent which it is empowered to do so by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended, against all liabilities and expenses reasonably incurred by such person in connection with such proceeding, and such indemnification shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in Section 12.2 hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding initiated by such person only if such proceeding was authorized by the Board of Directors of the Corporation. Notwithstanding any other provision of this ARTICLE XII, to the extent that any director or officer, or employee or agent (at the discretion of the Board of Directors of the Corporation pursuant to Section 12.6 of this ARTICLE XII), is by reason of such person's position, a witness, in any proceeding, such person shall be indemnified against all costs and expenses actually and reasonably incurred by him or her on his or her behalf in connection therewith.

Section 12.2 **Procedure for Indemnification of Directors and Officers.** Any indemnification of a director or officer of the Corporation under Section 12.1 of this ARTICLE XII or advance of expenses under Section 12.5 of this ARTICLE XII shall be made promptly, and in any event within thirty (30) days, upon the written request of the director or officer. If a determination by the Corporation that the director or officer is entitled to indemnification pursuant to this ARTICLE XII is required, and the Corporation fails to respond within sixty (60) days to a written request for indemnity, the Corporation shall be deemed to have approved the request. If the Corporation denies a written request for indemnification or advancing of expenses, in whole or in part, or if payment in full pursuant to such request is not made within thirty (30) days, the right to indemnification or advances as granted by this ARTICLE XII shall be enforceable by the director or officer in any court of competent jurisdiction. Such person's costs and expenses incurred in connection with successfully establishing his or her right to indemnification, in whole or in part, in any such action shall also be indemnified by the Corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the' required undertaking, if any, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the General Corporation Law of the State of Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 12.3 **Article Not Exclusive.** The rights to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this ARTICLE XII shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, as may be amended or restated from time to time, By-law, agreement, vote of stockholders or disinterested directors or otherwise.

Section 12.4 **Insurance.** The Corporation may purchase and maintain insurance on its own behalf and on behalf of any person who is or was a director, officer, employee, fiduciary, or agent of the Corporation or who is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, whether or not the Corporation would have the power to indemnify such person against such liability under this ARTICLE XII or under the General Corporation Law of the State of Delaware. The Corporation shall not be liable under this ARTICLE XII to make any payments of amounts otherwise indemnifiable hereunder if and to the extent that such indemnified person hereunder has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 12.5 **Expenses.** Expenses (including attorneys' fees) incurred by any person described in Section 12.1 of this ARTICLE XII in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation.

Section 12.6 **Employees and Agents.** Persons who are not covered by the foregoing provisions of this ARTICLE XII and who are or were employees or agents of the Corporation, or who are or were serving at the request of the Corporation as employees or agents of another corporation, partnership, joint venture, trust or other enterprise, may be indemnified to the extent authorized at any time or from time to time by the Board of Directors.

Section 12.7 **Contract Rights.** The provisions of this ARTICLE XII shall be deemed to be a contract right between the Corporation and each director or officer who serves in any such capacity at any time while this ARTICLE XII and the relevant provisions of the General Corporation Law of the State of Delaware or other applicable law are in effect, and any repeal or modification of any such law or this ARTICLE XII shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such state of facts.

Section 12.8 **Merger of Consolidation.** For purposes of this ARTICLE XII, references to the “Corporation” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this ARTICLE XII with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued.

Section 12.9 **Severability.** If any provision or provisions of this ARTICLE XII shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, Legality and enforceability of the remaining provisions of this ARTICLE XII (including without limitation, each portion of any Section of this ARTICLE XII containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this ARTICLE XII (including, without limitation, each portion of any Section of this ARTICLE XII containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

Section 12.10 **Definitions.** For purposes of this ARTICLE XII, (a) references to “other enterprises” shall include employee benefit plans; (b) references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; (c) references to “serving at the request of the Corporation” shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; (d) references to “liabilities” and “expenses” shall include without limitation, liabilities, losses, damages, judgments, fines, penalties, amounts paid in settlement, expenses, and attorneys’ fees and costs (including any fees and costs of any appellate proceedings); and (e) a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner not opposed to the best interests of the Corporation.

Section 12.11 **Certain Persons Not Entitled to Indemnification or Advancement of Expenses.** Notwithstanding any other provision of this ARTICLE XII, no person shall be entitled to indemnification or advancement of any costs, expenses or the like under this Article with respect to any proceeding, or any claim therein, brought or made by such person against the Corporation, except as otherwise specifically provided in the fourth sentence of Section 12.2 hereof.

Section 12.12 **Notices.** Any notice, request or other communication required or permitted to be given to the Corporation under this ARTICLE XII shall be in writing and either delivered in person or sent by telex, telegram or certified or registered mail, postage prepaid, return receipt requested, to the Secretary of the Corporation and shall be effective only upon receipt by the Secretary.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

Section 13.1 **Contracts.** The Board of Directors may authorize any officer or agent to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and the President may so authorize any officer or agent with respect to contracts or instruments in the usual and regular course of its business. Such authority may be general or confined to specific instances.

Section 13.2 Loans. No loan shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by the Board of Directors. Such authority may be general or confined to specific instances.

Section 13.3 Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, or notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or agent as shall from time to time be authorized by the Board of Directors.

Section 13.4 Deposits. The Board of Directors may select banks, trust companies or other depositories for the funds of the Corporation.

Section 13.5 Stock in Other Corporations. Shares of any other corporation which may from time to time be held by the Corporation may be represented and voted by the President, or by any proxy appointed in writing by or the President, or by any other person or persons thereunto authorized by the Board of Directors, at any meeting of stockholders of such corporation or by executing written consents with respect to such shares where stockholder action may be taken by written consent. Shares represented by certificates standing in the name of the Corporation may be endorsed for sale or transfer in the name of the Corporation by the President or by any other officer thereunto authorized by the Board of Directors. Shares belonging to the Corporation need not stand in the name of the Corporation, but may be held for the benefit of the Corporation in the name of any nominee designated for such purpose by the Board of Directors.

Section 13.6 Severability. If any provision of these By-laws, or its application of a provision to any person or circumstances, is held invalid, the remainder of these By-laws and the application of such provision to other persons or circumstances shall not be affected by such invalidity.

ARTICLE XIV

AMENDMENT

Except as provided in Section 3.16 hereof, these By-laws may be altered, amended or repealed and new by-laws may be adopted by the Board of Directors.

**SEVENTH AMENDMENT TO
AMENDED AND RESTATED CREDIT AGREEMENT**

This Seventh Amendment to Amended and Restated Credit Agreement (this "Amendment") dated as of April 14, 2017, is by and between UNIVERSAL ELECTRONICS INC., a corporation organized under the laws of the State of Delaware (the "Borrower"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association (the "Lender").

RECITALS

A. The Borrower and the Lender have entered into an Amended and Restated Credit Agreement dated as of October 2, 2012, as amended by the First Amendment to Amended and Restated Credit Agreement dated as of October 9, 2014, the Second Amendment to Amended and Restated Credit Agreement dated as of September 3, 2015, the Third Amendment to Amended and Restated Credit Agreement dated as of November 10, 2015, the Fourth Amendment to Amended and Restated Credit Agreement dated as of February 3, 2016, the Fifth Amendment to Amended and Restated Credit Agreement dated as of September 19, 2016 and the Sixth Amendment to Amended and Restated Credit Agreement dated as of January 18, 2017 (together, as amended, restated, supplemented, or otherwise modified prior to the date hereof, the "Credit Agreement").

C. The Borrower has requested that the Lender make certain amendments to the Credit Agreement and the Lender is 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 and the Lender 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. Section 1.1 of the Credit Agreement is amended by:

(a) Amending and restating the definition of "Revolving Commitment Amount" contained therein, to read in its entirety as follows:

"Revolving Commitment Amount": (i) for such period through and until April 30, 2017, \$105,000,000, (ii) for such period beginning May 1, 2017 and continuing until July 30, 2017, \$95,000,000 and (iii) for such period beginning August 1, 2017 and continuing thereafter, \$85,000,000, or such increased amount as agreed to between the Borrower and the Bank from time to time pursuant to Section 2.22 of this Agreement.

(b) Amending and restating the definition of "Consolidated EBITDA" contained therein, to read in its entirety as follows:

"Consolidated EBITDA": For any period of determination, on a consolidated basis for the Borrower and without duplication, the net income of the Borrower plus income taxes, plus Consolidated Interest Expense, plus depreciation expense, plus amortization expense, plus non-cash stock based compensation, plus extraordinary losses and minus extraordinary gains, all as determined in accordance with GAAP.

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 Lender this Amendment.

3.2 The Borrower shall have delivered to the Lender a certification by the Secretary or Assistant Secretary of the Borrower certifying as to (i) true and complete copies of the Borrower's Restated Certificate of Incorporation and Amended and Restated Bylaws attached thereto, (ii) resolutions of the Borrower's Board of

Directors authorizing the execution, delivery and performance of this Amendment, and (iii) the incumbency, names, titles, and signatures of each officer of the Borrower authorized to execute this Amendment and any other instrument or agreement executed by the Borrower in connection with this Amendment.

3.3 The Borrower shall have satisfied any other conditions as specified by the Lender, including payment of all unpaid legal fees and expenses incurred by the Lender 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 Lender.

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 Lender. 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 Lender. 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 Lender 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 Lender 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 Lender 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 Lender under that certain Borrower's Security Agreement dated as of October 2, 2012 and made by the Borrower in favor of the Lender, 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 and the Lender and their respective successors and assigns, and shall inure to the benefit of the Borrower and the Lender and the successors and assigns of the Lender.

Section 9. **Legal Expenses.** As provided in Section 8.2 of the Credit Agreement, the Borrower agrees to pay or reimburse the Lender, upon execution of this Amendment, for all reasonable out-of-pocket expenses paid or incurred by the Lender, including filing and recording costs and fees, charges and disbursements of outside counsel to the Lender 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 Lender 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.**

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.

/s/ Bryan M. Hackworth

Bryan M. Hackworth

Senior Vice President and Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION

/s/ Andrew Williams

Andrew Williams

Vice President

[Signature Page to Seventh Amendment to Amended and Restated Credit Agreement]

**EIGHTH AMENDMENT TO
AMENDED AND RESTATED CREDIT AGREEMENT**

This Eighth Amendment to Amended and Restated Credit Agreement (this "Amendment") dated as of May 5, 2017, is by and between UNIVERSAL ELECTRONICS INC., a corporation organized under the laws of the State of Delaware (the "Borrower"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association (the "Lender").

RECITALS

A. The Borrower and the Lender have entered into an Amended and Restated Credit Agreement dated as of October 2, 2012, as amended by the First Amendment to Amended and Restated Credit Agreement dated as of October 9, 2014, the Second Amendment to Amended and Restated Credit Agreement dated as of September 3, 2015, the Third Amendment to Amended and Restated Credit Agreement dated as of November 10, 2015, the Fourth Amendment to Amended and Restated Credit Agreement dated as of February 3, 2016, the Fifth Amendment to Amended and Restated Credit Agreement dated as of September 19, 2016, the Sixth Amendment to Amended and Restated Credit Agreement dated as of January 18, 2017 and the Seventh Amendment to Amended and Restated Credit Agreement dated as of April 14, 2017 (together, as amended, restated, supplemented, or otherwise modified prior to the date hereof, the "Credit Agreement").

C. The Borrower has requested that the Lender make certain amendments to the Credit Agreement and the Lender is 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 and the Lender 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. Section 1.1 of the Credit Agreement is amended by:

(a) Amending and restating the definition of "Revolving Commitment Amount" contained therein, to read in its entirety as follows:

"Revolving Commitment Amount": \$115,000,000, or such increased amount as agreed to between the Borrower and the Bank from time to time pursuant to Section 2.22 of this Agreement.

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 Lender this Amendment.

3.2 The Borrower shall have satisfied any other conditions as specified by the Lender, including payment of all unpaid legal fees and expenses incurred by the Lender 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 Lender.

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 Lender. 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 Lender. 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 Lender 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 Lender 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 Lender 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 Lender under that certain Borrower's Security Agreement dated as of October 2, 2012 and made by the Borrower in favor of the Lender, 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 and the Lender and their respective successors and assigns, and shall inure to the benefit of the Borrower and the Lender and the successors and assigns of the Lender.

Section 9. **Legal Expenses.** As provided in Section 8.2 of the Credit Agreement, the Borrower agrees to pay or reimburse the Lender, upon execution of this Amendment, for all reasonable out-of-pocket expenses paid or incurred by the Lender, including filing and recording costs and fees, charges and disbursements of outside counsel to the Lender 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 Lender 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.**

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.

/s/ Bryan M. Hackworth

Bryan M. Hackworth

Senior Vice President and Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION

/s/ Andrew Williams

Andrew Williams

Vice President

[Signature Page to Eighth Amendment to Amended and Restated Credit Agreement]

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: May 9, 2017

/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: May 9, 2017

/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 March 31, 2017 (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: May 9, 2017

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

By: /s/ Bryan M. Hackworth
Chief Financial Officer

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