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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(mark one)

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

For the Quarterly Period ended September 30, 2001

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

For the transition period from _______ to _______.

Commission File Number: 0-21044

UNIVERSAL ELECTRONICS INC.

(Exact name of Registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**33-0204817** **(I.R.S. Employer Identification No.)**
6101 Gateway Drive **Cypress, California** **(Address of principal executive offices)**	**90630** **(Zip Code)**

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

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

Yes X No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date —13,732,674 shares of Common Stock, par value $.01 per share, of the Registrant were outstanding at September 30, 2001.

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Item 1. Consolidated Financial Statements

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

	September 30, 2001	December 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 27,141	$20,809
Accounts receivable, net	31,604	38,140
Inventories	17,786	18,847
Prepaid expenses and other current assets	813	1,111
Deferred income taxes	2,666	2,666
Total current assets	80,010	81,573
Equipment, furniture and fixtures, net	4,151	3,926
Goodwill and other intangible assets, net	6,098	6,898
Other assets	714	727
Deferred income taxes	642	642
Total assets	$ 91,615	$93,766
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,449	$12,846
Accrued income taxes	1,380	3,617
Accrued compensation	1,887	3,037
Other accrued expenses	3,641	3,749
Total current liabilities	16,357	23,249
Note payable	116	163
Total liabilities	16,473	23,412
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value, 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock, $.01 par value, 50,000,000 shares authorized; 15,667,638 and 15,429,584 shares issued at September 30, 2001 and December 31, 2000, respectively	156	154
Paid-in capital	66,542	64,937
Accumulated other comprehensive loss	(943)	(706)
Retained earnings	20,344	12,688
Unamortized value of restricted stock grants	—	(29)
Common stock in treasury, 1,934,964 and 1,647,892 shares at September 30, 2001 and December 31, 2000, respectively	(10,957)	(6,690)
Total stockholders' equity	75,142	70,354
Total liabilities and stockholders' equity	$ 91,615	$93,766

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Net sales	$31,030	$34,979	$91,160	$85,935
Cost of sales	18,374	20,702	53,061	50,525
Gross profit	12,656	14,277	38,099	35,410
Selling, general and administrative expenses	8,467	8,639	26,212	24,944
Operating income	4,189	5,638	11,887	10,466
Interest income, net	(259)	(248)	(867)	(755)
Other income, net	(215)	(280)	(5)	(333)
Income before income taxes	4,663	6,166	12,759	11,554
Provision for income taxes	1,865	2,528	5,103	4,737
Net income	$ 2,798	$ 3,638	$ 7,656	$ 6,817
Earnings per share:				
Basic	$ 0.20	$ 0.26	$ 0.55	$ 0.50
Diluted	$ 0.19	$ 0.24	$ 0.53	$ 0.45
Weighted average common and common equivalent shares outstanding:				
Basic	13,868	13,759	13,870	13,731
Diluted	14,435	15,112	14,576	15,079

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

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

	Nine Months Ended September 30,	
	2001	2000
Cash provided by operating activities:		
Net income	$ 7,656	$ 6,817
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,092	3,135
Deferred income taxes	—	3,670
Other	348	279
Changes in operating assets and liabilities:		
Accounts receivable	6,135	(1,904)
Inventory	1,062	(6,779)
Prepaid expenses and other assets	305	603
Accounts payable and accrued expenses	(4,724)	985
Accrued income taxes	(1,991)	(1,178)
Net cash provided by operating activities	11,883	5,628
Cash used for investing activities:		
Acquisition of equipment, furniture and fixtures	(2,208)	(1,874)
Payments for businesses acquired	(99)	(1,461)
Other	(310)	(146)
Net cash used for investing activities	(2,617)	(3,481)
Cash provided by (used for) financing activities:		
Treasury stock purchased	(4,285)	—
Proceeds from stock options exercised	1,306	542
Other	(41)	(52)
Net cash provided by (used for) financing activities	(3,020)	490
Effect of exchange rate changes on cash	86	(356)
Net increase in cash and cash equivalents	6,332	2,281
Cash and cash equivalents at beginning of period	20,809	13,286
Cash and cash equivalents at end of period	$27,141	$15,567

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

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Adjustments

The accompanying consolidated financial statements include the accounts of the Company and all subsidiaries after elimination of all material intercompany accounts and transactions. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. These financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company's 2000 Form 10-K. The financial information presented in the accompanying statements reflects all adjustments that are, in the opinion of management, necessary for a fair presentation of the periods indicated. All such adjustments are of a normal recurring nature.

Inventories

Inventories consist of the following (in thousands):

	September 30, 2001	December 31, 2000
Components	$10,260	$10,079
Finished goods	7,526	8,768
	$17,786	$18,847

Earnings Per Share

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding and dilutive potential common shares, which includes the dilutive effect of stock options and restricted stock grants. Dilutive potential common shares for all periods presented are computed utilizing the treasury stock method. In the computation of diluted earnings per common share for the three-month and nine-month period ended September 30, 2001, approximately 595,000 and 492,000 stock options, respectively, with exercise prices greater than the average market price of the underlying common stock were excluded because their inclusion would have been antidilutive.

Earnings per share for the three and nine months ended September 30, 2001 and 2000 are calculated as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000
	(in 000's, except per share data)			
BASIC				
Net Income	$ 2,798	$ 3,638	$ 7,656	$ 6,817
Weighted-average common shares outstanding	13,868	13,759	13,870	13,731
Basic earnings per share	$ 0.20	$ 0.26	$ 0.55	$ 0.50
DILUTED				
Net Income	$ 2,798	$ 3,638	$ 7,656	$ 6,817
Weighted-average common shares outstanding for basic	13,868	13,759	13,870	13,731
Dilutive effect of stock options and restricted stock	567	1,353	706	1,348
Weighted-average common shares outstanding on a diluted basis	14,435	15,112	14,576	15,079
Diluted earnings per share	$ 0.19	$ 0.24	$ 0.53	$ 0.45

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities," effective for fiscal years beginning after June 15, 1999, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities on the balance sheet, measured at fair value. Gains and losses resulting from changes in the values of those derivatives would be accounted for as either components of earnings or accumulated other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting. Derivatives that are not hedges must be adjusted to fair value through earnings. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities — Deferral of the Effective Date of FASB Statement No. 133," which defers the effective date of SFAS 133 to fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities — an Amendment of FASB Statement No. 133," which amends the accounting and reporting standards of SFAS 133. The Company's adoption of these new accounting pronouncements in the first quarter of 2001 did not have a material effect on the Company's consolidated financial statements.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations, establishes specific criteria for recognizing intangible assets separately from goodwill and requires certain disclosures regarding reasons for a business combination and the allocation of the purchase price paid. SFAS No. 141 is effective for all business combinations initiated after June 30, 2001. SFAS No. 142 establishes that goodwill and certain intangible assets will no longer be amortized to earnings, but instead tested for impairment at least annually. Except for business combinations initiated after June 30, 2001, the Company is required to adopt the provisions of SFAS No. 141 and SFAS No. 142 on January 1, 2002. The Company is currently evaluating the impact of these pronouncements on the consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and applies to all long lived assets, including discontinued operations. This statement also amends Accounting Principles Board Opinion No. 30, "Reporting Results of Operations — Reporting the Effects of Disposal of a Segment of a Business." SFAS No. 144 develops one accounting model, based on the framework established in SFAS No. 121, for long-lived assets to be disposed of by sale as well as addresses the principle implementation issues. The Company is required to adopt the provisions of SFAS No. 144 no later than January 1, 2002. The Company does not expect the adoption of SFAS No. 144 to have a material impact on the company's results of operations or financial position.

Accounting Policy for Derivatives

The Company enters into foreign currency option-based arrangements, with contract terms normally lasting less than six months, to protect against the adverse effects that exchange-rate fluctuations may have on foreign-currency-denominated trade receivables. These derivatives do not qualify for hedge accounting, in accordance with SFAS 133, because they relate to existing assets denominated in a foreign currency. The gains and losses on both the derivatives and the foreign-currency-denominated trade receivables are recorded as transaction adjustments in current earnings.

Our currency exposures are primarily concentrated in the Euro and British Pound Sterling. At September 30, 2001, the Company had a number of foreign exchange contracts, which expire on various dates through December 2001, with an aggregate notional value of approximately $8.9 million. We do not enter into financial instruments for speculation or trading purposes. These financial exposures are monitored and managed by us as an integral part of our overall risk management program, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effect on our results.

Business Segments and Foreign Operations

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

The Company's operations and identifiable assets by geographic area in thousands are presented below:

	Nine Months Ended September 30,	
	2001	2000
Net Sales		
United States	$65,583	$54,119
Netherlands	8,413	15,717
United Kingdom	5,419	5,187
France	3,968	2,148
Germany	2,030	4,215
All Other	5,747	4,549
Total Net Sales	$91,160	$85,935

	September 30, 2001	December 31, 2000
Identifiable Assets		
United States	$ 6,510	$ 6,591
All Other Countries	4,453	4,960
Total Identifiable Assets	$10,963	$11,551

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

Reclassifications

Certain prior year amounts have been reclassified to conform to the current presentation.

Commitments and Contingent Liabilities

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

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

Results of Operations

Third Quarter 2001 versus 2000

Net sales for the 2001 third quarter were $31.0 million compared to $35.0 million for the same quarter last year. Net income for the 2001 third quarter was $2.8 million or $0.20 per share (basic) and $0.19 per share (diluted), compared to $3.6 million or $0.26 per share (basic) and $0.24 per share (diluted) for the same period last year.

Net sales in the Company's technology lines (subscription broadcasting, OEM and private label) were approximately 77.1% of net sales for the third quarter of 2001 compared to 82.7% for the third quarter of 2000. Net sales from the retail lines (*One For All*® international and direct import) accounted for approximately 22.9% of total third quarter 2001 net sales compared to 17.3% for the corresponding period in 2000.

Net sales in the Company's technology lines for the third quarter of 2001 decreased by approximately 17.4% from $29.0 million for the same period last year to $23.9 million in 2001. The decrease in technology sales is principally due to reduced orders from OEM customers in Europe as well as a decrease in shipments of cable products.

The Company's net sales for the 2001 third quarter from its retail lines were $7.1 million, an increase of 18.0% from net sales of $6.0 million in 2000 for the same quarter last year. The increase in retail sales is primarily the result of *One For All* international revenues, the largest component of the retail line. Higher demand from retailers in the UK, Latin America and Australia resulted in a 23.9% increase to $6.7 million in international retail revenues for the third quarter of 2001 from $5.4 million for the 2000 third quarter.

The Company's overall gross margin for the third quarter of 2001 remained consistent with the same period last year at 40.8%.

Selling, general and administrative expenses decreased 2.0% from the third quarter of 2000 to the third quarter of 2001. In dollars, the Company's selling, general and administrative expenses decreased approximately $172,000 during the third quarter of 2001 to $8.5 million from $8.6 million in 2000 principally due to reduced delivery and freight costs due to lower sales levels.

In the third quarter of 2001, the Company recorded $259,000 of interest income compared to $248,000 for the third quarter of 2000. This slight increase resulted from interest earned on higher average cash balances.

The Company recorded income tax expense of $1.9 million for the third quarter of 2001 compared to approximately $2.5 million for the same quarter of 2000. The decrease was due to reduced earnings during the third quarter of 2001 in addition to a change in the Company's effective tax rate from 41% during 2000 to 40% in 2001.

Nine Months 2001 versus 2000

Net sales for the nine months ended September 30, 2001 were $91.2 million, an increase of 6.1% over the net sales of $85.9 million for the same period last year. Net income for the first nine months of 2001 was $7.7 million or $0.55 per share (basic) and $0.53 per share (diluted), compared to $6.8 million or $0.50 per share (basic) and $0.45 per share (diluted) for the same period last year.

Net sales in the Company's technology lines (subscription broadcasting, OEM and private label) for the first nine months of 2001 increased 5.7% to $72.5 million from $68.6 million for the same period last year. This is principally due to increased shipments to U.S. OEMs and cable service providers.

Net sales from the Company's retail lines (*One For All*® international and direct import) for the first nine months of 2001 increased 7.4% to $18.7 million from $17.3 million for the same period last year primarily due to increased demand from international retailers.

Gross margins were comparable at 41.8% the first nine months of 2001 and 41.2% for the same period last year.

Selling, general and administrative expenses increased to $26.2 million in the first nine months of 2001, compared to $24.9 million in the first nine months of 2000. The increase was attributable to an increase in payroll costs due to hiring of additional technology development and sales personnel and increases in advertising, partially offset by reduced professional services.

Interest income increased to $867,000 for the first nine months of 2001 from $755,000 for the same period in 2000 due to interest earned on higher accumulated cash balances in 2001.

The Company recorded income tax expense of $5.1 million for the first nine months of 2001 compared to approximately $4.7 million for the same period of 2000. The increase was due to improved results in 2001, partially offset by a change in the Company's effective tax rate from 41% in the nine-month period ended September 30, 2000 to 40% for the same period ended September 30, 2001.

Liquidity and Capital Resources

The Company's principal sources of funds are its operations and bank credit facilities. Cash provided by operating activities was $11.9 million for the nine months ended September 30, 2001 compared to $5.6 million for the same period in 2000. The increase in cash flow is primarily due to a reduction in accounts receivable resulting from increased collections and a reduction in inventory levels.

On October 23, 1998, the Company entered into a $15 million revolving credit agreement with Bank of America National Trust and Savings Association ("B of A"), which was amended on September 19, 2000 (the "Agreement"). Under the Agreement with B of A, the Company can choose from several interest rate options at its discretion. The interest rate in effect as of September 30, 2001 using the Fixed Rate option as defined in the Agreement, which is intended to approximate B of A's cost of funds, plus an applicable margin, was 3.88%. The applicable margin varies with a range from 1.25% to 2.00% per annum depending on the Company's net income before interest, taxes, depreciation and amortization. At September 30, 2001, the applicable margin was 1.25 percent. During the quarter, the revolving credit facility, originally expiring on October 23, 2001 was extended to December 23, 2001. The agreement is collateralized by the Company's cash and cash equivalents, accounts receivable, inventory, equipment, and general intangibles of the Company. It is management's intention to extend the revolving credit facility beyond its current maturity. The Company pays a commitment fee of a maximum rate of 3/16 of 1% per year on the unused portion of the credit line. Under the terms of this Agreement, the Company's ability to pay cash dividends on its common stock is restricted and the

Company is subject to certain financial covenants and other restrictions that are standard for these types of agreements. However, the Company has authority under this credit facility to acquire up to 1,000,000 shares of its common stock in market purchases and, since the date of this Agreement, the Company has acquired approximately 410,600 shares of stock, at a cost of approximately $4,993,270, which it holds as treasury shares and are available for reissue by the Company. Amounts available for borrowing under this credit facility are reduced by the outstanding balance of the Company's import letters of credit. As of September 30, 2001, no amounts were outstanding under this credit facility. The Company had no outstanding import letters of credit as of September 30, 2001.

From July 1, 2001 through November 14, 2001, 301,600 shares of common stock were purchased by the Company on the open market at a cost of $4,428,770. There were no open market purchases of the Company's common stock in 2000. The Company holds shares purchased on the open market as treasury stock and they are available for reissue by the Company. Presently, except for using a small number of these treasury shares to compensate its outside board members, the Company has no plans to distribute these shares although the Company may change these plans if necessary to fulfill its on-going business objectives.

During the nine months ended September 30, 2001, the Company received proceeds of approximately $1,306,000 from the exercise of stock options granted to the Company's current and former employees, as compared to approximately $542,000 during the same period in 2000.

Capital expenditures in the first nine months of 2001 and 2000 were $2,208,000 and $1,874,000, respectively. These expenditures related primarily to the acquisition of product tooling.

On August 25, 2000, the Company acquired a remote control distributor in France for approximately $1.8 million, of which $1.5 million was paid during 2000, approximately $99,000 was paid during the first nine months of 2001 and the remaining amount will be paid in installments through the end of 2002.

It is the Company's policy to carefully monitor the state of its business, cash requirements and capital structure. The Company believes that funds generated from operations and available from its borrowing capacity will be sufficient to fund current business operations as well as anticipated growth at least through the end of 2001, however, there can be no assurances that this will occur.

RISK FACTORS

Forward Looking Statements

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

While management believes that the forward looking statements made in this report are based on reasonable assumptions, the actual outcome of such statements is subject to a number of risks and uncertainties, including the failure of the company's business lines to continue growing and expanding in the manner anticipated by the company's management, the failure of the company's customers to grow and expand as anticipated by the company's management, the effects of natural or other events beyond the company's control, the economic environment's effect on the company and our customers, the growth of, acceptance of and the demand for the company's products and technologies in various markets and geographical regions, including cable, satellite, consumer electronics, retail and interactive TV and Home automation, not materializing as believed by the company's management, the company's inability to add profitable complementary products which are accepted by the marketplace, the inability by the company to continue to maintain its operating costs at acceptable levels through its cost containment efforts, the continued strength of the company's balance sheet including the ability to obtain payments from our customers on a timely basis, the inability of the company to continue selling its products or licensing its technologies at higher or profitable margins throughout the remainder of 2001 and beyond, the failure of the various markets and industries to grow or emerge as rapidly or as successfully as believed by the company's management, the continued growth of the digital market, the inability of the company to obtain orders or maintain its order volume with its new and existing customers, the possible dilutive effect the company's stock option and stock warrant programs may have on the company's EPS and stock price, the inability of the company to continue to obtain adequate quantities of component parts or secure adequate factory production capacity on a timely basis, the impact of competitive pressures, including products and pricing, locating and finalizing acceptable acquisition targets and/or strategic partners, the availability of financing for acquisitions on terms acceptable to the Company, fluctuations in currency exchange rates, the consolidation of and new competition experienced by members in the cable industry, principally from satellite and other similar broadcast providers, general economic and stock market conditions and other risks which are otherwise set forth in this Quarterly Report on Form 10-Q and the Company's other filings with the Securities and Exchange Commission.

Dependence Upon Key Suppliers

Most of the components used in the Company's products are available from multiple sources; however, the Company has elected to purchase integrated circuit components used in the Company's products, principally its wireless control products, and certain other components used in the Company's products, from two main sources, each of which provide in excess of ten percent (10%) of the Company's microprocessors for use in its products. The Company has developed alternative sources of supply for these components. However, there can be no assurance that the Company will be able to continue to obtain these components on a timely basis.

The Company generally maintains inventories of its integrated chips, which could be used in part to mitigate, but not eliminate, delays resulting from supply interruptions. An extended interruption, shortage or termination in the supply of any of the components used in the Company's products, or a reduction in their quality or reliability, or a significant increase in prices of components, would have an adverse effect on the Company's business and results of operations.

Dependence on Foreign Manufacturing

Third-party manufacturers located in foreign countries manufacture a majority of the Company's wireless controls. The Company's arrangements with its foreign manufacturers are subject to the risks of doing business abroad, such as import duties, trade restrictions, work stoppages, availability of production capacity, political instability and other factors which could have a material adverse effect on the Company's business and results of operations. The Company believes that the loss of any one or more of its manufacturers would not have a long-term material adverse effect on the Company's business and results of operations because numerous other manufacturers are available to fulfill the Company's requirements, however, the loss of any of the Company's major manufacturers could adversely affect the Company's business until alternative manufacturing arrangements are secured.

Potential Fluctuations in Quarterly Results

The Company's quarterly financial results may vary significantly depending primarily upon factors such as the timing of significant orders, the timing of new product offerings by the Company and its competitors and product presentations and the loss or acquisition of any significant customers. Historically the Company's business has been influenced by the retail sales cycle, with increased sales in the last half of the year and the largest proportion of sales occurring in the last quarter. However, the growth in our subscription broadcasting and OEM lines has outpaced the growth in our retail lines and consequently, the retail seasonality has and will continue to have much less of an effect on our revenue. However, factors such as quarterly variations in financial results could adversely affect the market price of the Common Stock and cause it to fluctuate substantially. In addition, the Company (i) may from time to time increase its operating expenses to fund greater levels of research and development, increase its sales and marketing activities, develop new distribution channels, improve its operational and financial systems and broaden its customer support capabilities and (ii) may incur significant operating expenses associated with any new acquisitions. To the extent that such expenses precede or are not subsequently followed by increased revenues, the Company's business, operating results and financial condition will be materially adversely affected.

In addition, the Company may experience significant fluctuations in future quarterly operating results that may be caused by many factors, including demand for the Company's products, introduction or enhancement of products by the Company and its competitors, the loss or acquisition of any significant customers, market acceptance of new products, price reductions by the Company or its competitors, mix of distribution channels through which products are sold, level of product returns, mix of customers and products sold, component pricing, mix of international and domestic revenues, and general economic conditions. In addition, as a strategic response to changes in the competitive environment, the Company may from time to time make certain pricing or marketing decisions or acquisitions that could have a material adverse effect on the Company's business, results of operations or financial condition. As a result, the Company believes that period-to-period comparisons of its results of operations are not necessarily meaningful and should not be relied upon as any indication of future performance. Due to all of the foregoing factors, it is likely that in some future quarters the Company's operating results will be below the expectations of public market analysts and investors. In such event, the price of the Company's common stock would likely be materially adversely affected.

Dependence on Consumer Preference

The Company is susceptible to fluctuations in its business based upon consumer demand for its products. The Company believes that its success depends in substantial part on its ability to anticipate, gauge and respond to such fluctuations in consumer demand. However, it is impossible to predict with complete accuracy the occurrence and effect of any such event that will cause such fluctuations in consumer demand for the Company's products. Moreover, the Company cautions that any increases in sales or growth in revenue or increases in its gross margins that it achieves may be transitory and should by no means be construed to mean that such increases or growth will continue.

Dependence Upon Timely Product Introduction

The Company's ability to remain competitive in the wireless control products market will depend in part upon its ability to successfully identify new product opportunities and to develop and introduce new products and enhancements on a timely and cost effective basis. There can be no assurance that the Company will be successful in developing and marketing new products or in enhancing its existing products, or that such new or enhanced products will achieve consumer acceptance, and if acquired, will sustain that acceptance, that products developed by others will not render the Company's products non-competitive or obsolete or that the Company will be able to obtain or maintain the rights to use proprietary technologies developed by others which are incorporated in the Company's products. Any failure by the Company to anticipate or respond adequately to technological developments and customer requirements, or any significant delays in product development or introduction, could have a material adverse effect on the Company's financial condition and results of operations.

In addition, the introduction of new products, which the Company may introduce in the future, may require the expenditure of a significant amount of funds for research and development, tooling, manufacturing processes, inventory and marketing. In order to achieve high volume production of any new product, the Company may have to make substantial investments in inventory and expand its production capabilities.

Dependence on Major Customers

The Company's performance is affected by the economic strength and weakness of its worldwide customers. The Company sells its wireless control products and proprietary technologies to private label customers, original equipment manufacturers ("OEMs"), and companies involved in the subscription broadcasting industry. The Company also supplies its products to its wholly owned, non-U.S. subsidiaries and to independent foreign distributors, who in turn distribute the Company's products worldwide, with Europe, Australia, New Zealand, Mexico and selected countries in Asia and Latin America currently representing the Company's principal foreign markets. During 2000, the Company had three customers that acquired more than ten percent of the Company's products and the loss of any of these customers or any of the Company's other key customers either in the United States or abroad due to the financial weakness or bankruptcy of any such customer or the inability of the Company to obtain orders or maintain its order volume with its major customers may have an adverse effect on the Company's financial condition or results of operations.

Competition

The wireless control industry is characterized by intense competition based primarily on product availability, price, speed of delivery, ability to tailor specific solutions to customer needs, quality and depth of product lines. The Company's competition is fragmented across its product lines, and accordingly, the Company does not compete with any one company across all product lines. The Company competes with a variety of entities, some of which have greater financial and other resources than the Company. The Company's ability to remain competitive in this industry depends in part on its ability to successfully identify new product opportunities and develop and introduce new products and enhancements on a timely and cost effective basis as well as its ability to identify and enter into strategic alliances with entities doing business within the industries the Company serves. There can be no assurances that the Company and its product offerings will be and/or remain competitive or that any strategic alliances, if any, which the Company enters into will achieve the type, extent and amount of success or business that the Company expects or hopes to achieve.

Potential for Litigation

As is typical in the Company's industry and the nature and kind of business in which the Company is engaged, from time to time, various claims, charges and litigation are asserted or commenced by third parties against the Company or by the Company against third parties arising from or related to product liability, infringement of patent or other intellectual property rights, breach of warranty, contractual relations, or employee relations. The amounts claimed may be substantial but may not bear any reasonable relationship to the merits of the claims or the extent of any real risk of court awards. In the fourth quarter of 2000, the Company filed lawsuits against four separate companies, one of which has been settled, claiming that each of the four companies is infringing certain of the Company's patents. In these actions, the Company is seeking money damages and injunctive relief. While it is the opinion of management that the Company's products do not infringe any third parties' patent or other intellectual property rights, the costs associated with defending or pursuing any such claims or litigation, including the four matters discussed in this Quarterly Report on Form 10-Q, could be substantial and amounts awarded as final judgments, if any, in any such potential or pending litigation, could have a significant and material adverse effect on the Company's financial condition or results of operations.

General Economic Conditions

General economic conditions, both domestic and foreign, have an impact on the Company's business and financial results. From time to time the markets in which the Company sells its products experience weak economic conditions that may negatively affect the sales of the Company's products due to, among other things, some of the Company's customers canceling or delaying their purchases of the Company's products. To the extent that general economic conditions affect the demand for products sold by the Company, such conditions could have an adverse effect on the Company's business.

Effects on the Company Due to International Operations

By operating its business in countries outside of the United States, the Company is exposed to fluctuations in foreign currency exchange rates, exchange ratios, nationalization or expropriation of assets, import/export controls, political instability, variations in the protection of intellectual property rights, limitations on foreign investments and restrictions on the ability to convert currency. These risks are inherent in conducting operations in geographically distant locations, with customers speaking different languages and having different cultural approaches to the conduct of business, any one of which alone or collectively, may have an adverse effect on the Company's international operations, and consequently on the Company's business, operating results and financial condition. While the Company will continue to work toward minimizing any adverse effects of conducting its business abroad, no assurance can be made that the Company will be successful in minimizing any such effects.

OUTLOOK

The Company's focus in 2001 is to continue to seek ways to increase its customer base worldwide, particularly in the areas of subscription broadcasting, OEM, and its *One For All* international retail product lines. In addition, the Company will increase its focus on diversifying product lines and creating new applications for its proprietary and/or patented technologies in the consumer electronics/OEM market, and computer/internet/home control markets.

The Company will also continue in 2001 to control its overall cost of doing business. Management believes that through product design changes and its purchasing efforts, improvements in the Company's gross margins and efficiencies in its selling, general and administrative expenses can be accomplished, although there can be no assurances that there will be any improvements to the Company's gross margin or that the Company will achieve any cost savings through these efforts and, if obtained, that any such improvements or savings will be significant or maintained.

In addition, during 2001, management will continue to pursue its overall strategy of seeking out ways to operate all aspects of the Company more profitably. This strategy will include looking at acceptable acquisition targets and strategic partnership opportunities and the divestiture of portions of the Company's business or assets. The Company cautions, however, that no assurances can be made that any suitable acquisition targets or partnership opportunities or divestitures will be identified and, if identified, that a transaction can be consummated. Moreover, if consummated, no assurances can be made that any such transaction will profitably add to the Company's operations.

While management believes that the forward looking statements made in this report are based on reasonable assumptions, the actual outcome of such statements is subject to a number of risks and uncertainties, including continued acceptance of the Company's technology and products, the impact of competitive pressures, including products and pricing, locating and finalizing acceptable acquisition targets and/or strategic partners, the availability of financing for acquisitions on terms acceptable to the

Company, fluctuations in currency exchange rates, the consolidation of and new competition experienced by members in the cable industry, principally from satellite and other similar broadcast providers, general economic and stock market conditions and other risks which are otherwise set forth in this Quarterly Report on Form 10-Q and the Company's other filings with the Securities and Exchange Commission.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to various market risks, including interest rate and foreign currency exchange rate fluctuations. The Company has established policies, procedures and internal processes governing its management of market risks and the use of financial instruments to manage its exposure to such risks. The interest payable under the Company's revolving credit agreement with its bank is variable and generally based on either the bank's cost of funds, or the IBOR rate, and is affected by changes in market interest rates. At September 30, 2001, the Company had no borrowings on its credit line. The interest rate in effect on the credit line using the bank's cost of funds rate as the base as of September 30, 2001 was 3.88%. The Company has wholly owned subsidiaries in the Netherlands, United Kingdom, Germany, France, Argentina and Spain. Sales from these operations are typically denominated in local currencies including Euros, Dutch Guilders, British Pounds, German Marks, French Francs, Argentine Pesos and Spanish Pesetas thereby creating exposures to changes in exchange rates. Changes in the local currencies/U.S. Dollars exchange rate may positively or negatively affect the Company's sales, gross margins and retained earnings. The Company, from time to time, enters into foreign currency exchange agreements to manage its exposure arising from fluctuating exchange rates that affect cash flows. The Company had a number of foreign exchange contracts outstanding at September 30, 2001 with an aggregate notional value of approximately $8.9 million. The Company does not enter into any derivative transactions for speculative purposes. The sensitivity of earnings and cash flows to variability in exchange rates is assessed by applying an approximate range of potential rate fluctuations to the Company's assets, obligations and projected results of operations denominated in foreign currencies. Based on the Company's overall foreign currency rate exposure at September 30, 2001, the Company believes that movements in foreign currency rates should not materially affect the financial position of the Company, although no assurance can be made that any such foreign currency rate movements in the future will not have a material effect.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(A) Exhibits pursuant to Item 601 of Regulation S-K

10.45	Extension of Revolving Loan and Security Agreement dated October 23, 2001 by and between Universal Electronics Inc. and Bank of America, N.A.
10.46	Termination Agreement dated August 1, 2001 by and between Universal Electronics Inc. and Camille K. Jayne
10.47	Consulting Agreement dated August 1, 2001 by and between Universal Electronics Inc. and Camille K. Jayne

(B) Reports on Form 8-K

There were no reports on Forms 8-K filed during the quarter ended September 30, 2001.

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SIGNATURE

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

(Registrant) Universal Electronics Inc.

Date: November 13, 2001

\s\ Mark Belzowski

Mark Belzowski
Vice President, Chief Financial Officer and Treasurer

EXHIBIT 10.45

October 23, 2001

Universal Electronics, Inc.
6101 Gateway Drive
Cypress, California 90630

Re: Extension of Bank of America Financing

Ladies and Gentlemen

Reference is hereby made to that certain Revolving Loan and Security Agreement dated as of October 2, 1998 (the "Loan Agreement") between Universal Electronics, Inc. (the "Borrower") and Bank of America National Trust and Savings Association, now known as Bank of America, N.A. (the "Bank") as amended: Capitalized terms contained in this letter agreement shall have the respective meanings herein as such terms have in the Loan Agreement.

The Borrower has requested the Bank to extend the Termination Date under the Loan Agreement from October 23, 2001 to December 23, 2001. The Bank hereby agrees to so extend the Termination Date to December 23, 2001, subject to the terms of this letter agreement.

As an inducement to the Bank to so extend the Termination Date, the Borrower hereby represents and warrants to the Bank that after giving effect to this letter agreement, neither an Event of Default nor an Unmatured Event of Default has occurred and is continuing. The Borrower hereby makes to the Bank each of the representations and warranties set forth in the Loan Agreement on, and as of, the date hereof, other than such representations and warranties which, by their terms, relate to a specific date, which are so made of such date.

The Borrower hereby agrees to pay all costs and expenses of the Bank incurred in connection with the negotiation and delivery of this letter agreement, including reasonable costs and expenses of counsel to the Bank.

Except as amended hereby, all terms and conditions of the Loan Agreement shall remain in effect.

Please confirm your agreement with the terms hereof by executing one copy of this letter agreement and returning such copy to the Bank.

Yours truly,

BANK OF AMERICA, N.A.

By: /s/ Cynthia Goodfellow

Title: Vice President

Accepted and Agreed
As of October 23, 2001

UNIVERSAL ELECTRONICS, INC.

By: /s/ Mark Belzowski

Title: CFO

EXHIBIT 10.46

AGREEMENT

THIS AGREEMENT is entered into this 1st day of August 2001 by and between Universal Electronics Inc., a Delaware corporation ("UEI") and Camille Jayne, a California resident ("Jayne").

WHEREAS, UEI and Jayne are each parties to that certain Executive Officer Employment Agreement dated August , 2000 (the "Employment Agreement") by which Jayne is employed by UEI as its Executive Chairman of the Board; and

WHEREAS, that parties wish to mutually terminate Jayne's employment with UEI.

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

1. Effective immediately, Jayne's employment with UEI is terminated by the mutual consent of both Jayne and UEI.

2. The parties each agree that effective immediately, the Employment Agreement is hereby terminated in its entirety and neither party will have any rights or obligations with respect thereto. However, UEI shall reimburse Jayne for all COBRA benefits paid by or for the benefit of Jayne commencing August 1, 2001 through February 1, 2003; such reimbursements shall be made monthly. Further, any incentive compensation (i.e. 401(k), Profit Sharing Plan Benefits or Salaried Employee Cash Incentive Programs) accrued through August 1, 2001 in accordance with UEI's incentive compensation plans and any annual Bonus accrued through December 31, 2001 in accordance with UEI's annual Bonus plan shall be paid or transferred to Jayne at the normal time for such payments or transfers.

3. Other than as set forth herein, nothing herein shall effect in any way, Jayne's membership to UEI's Board of Directors which membership shall be governed by UEI's Amended and Restated Certificate of Incorporation, Amended and Restated By-Laws and the General Corporation Law of the State of Delaware, except that so long as Jayne receives compensation, directly or indirectly, in any form from UEI she shall not be entitled to receive a fee for serving as a director of UEI.

4. Nothing herein shall effect in any way any rights and obligations of the parties pursuant to any Stock Option Agreements between the parties, which agreements shall remain in full force and effect in accordance with their terms, provided, however (and in order to avoid any ambiguity), that when and if Jayne is no longer a Board Member of UEI, because she has not been nominated or elected or re-elected, or appointed or reappointed to the Board of Directors, she shall become immediately vested in all stock options granted to her under all UEI Stock Option Plans without further action by the parties hereto, and to the extent not previously exercised, such options shall be exercisable at any time prior to the expirations of the particular option period in whole or in part with respect to all remaining shares of stock that are subject thereto.

5. This Agreement shall be governed by the law of the state of California without regard to that state's choice of laws provisions.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

UNIVERSAL ELECTRONICS INC.

/s/ CAMILLE JAYNE 7-17-01	/s/ PAUL D. ARLING
Camille Jayne	Paul D. Arling, Chief Executive Officer

EXHIBIT 10.47

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement") is made and entered into as of this 1st day of August, 2001 ("Effective Date") by and between Jayne & Associates, a California corporation ("Consultant"), and Universal Electronics Inc., a Delaware Corporation ("UEI").

RECITALS

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

(B) Consultant's President and Chief Executive Officer, Camille Jayne ("C.J.") was UEI's former Executive Chairman of the Board and is a current member of UEI's Board of Directors and has expertise in and has intimate knowledge of UEI's Business.

(C) UEI and Consultant desire to agree on the availability of Consultant to UEI for the rendition of consulting services by Consultant to UEI from and after the Effective Date on the terms and conditions herein contained. It is not the intention of the parties to restrict the activities of Consultant or C.J. in any of its endeavors or enterprises as long as such activities are not directly competitive with the UEI Business.

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

1. INCORPORATION. The recitals set forth above and any Exhibits hereto are incorporated herein by this reference.

2. DEFINITIONS.

(a) "Invention" shall mean any invention, discovery or improvement (including, without limitation, any technology, test, concept, idea, operation, product, process, method, formula, computer program or flowchart or software or firmware, data bases, technique or improvement thereof), related to a service or product of UEI being sold, developed or considered and whether or not patentable, and all know-how related thereto.

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

(c) "Consulting Services" shall mean the services as defined in Section 4.

(d) "Non-Solicitation Period" shall mean the time period during the Term of this Agreement.

(e) "Work Product" shall mean information and works of authorship fixed in any tangible medium that are created in the process of providing Consulting Services to UEI hereunder or to the UEI Business, including, but not limited to, Invention and Confidential Information.

3. TERM. This Agreement shall commence on the Effective Date and shall expire on February 1, 2004, unless sooner terminated in accordance with the terms hereof ("Term").

4. CONSULTING SERVICES. During the Term of this Agreement, Consultant shall make itself available to advise and consult with UEI as to the potential move of UEI's headquarters (the "Initial Project Assignment") and to perform those services with respect to such other areas as may be agreed upon by UEI and Consultant from time to time ("Consulting Services"). During the first six (6) months of the Term of this Agreement Consultant shall render the Consulting Services without regard to the number of hours, during the next twelve (12) months of this Agreement Consultant shall render the Consulting Services for a period of no less than thirty (30) hours per month and during the last twelve (12) months of this Agreement Consultant shall render the Consulting Services for a period of no less than twenty (20) hours and no more than thirty (30) hours per month. The Consulting Services may be rendered to UEI from time to time by telephone, letter or in person.

5. COMPENSATION. As full compensation for the availability of Consultant to render Consulting Services and for the performance of all other obligations set forth in subsection 7(b) and those subsections and Section listed in Section 12 herein, UEI shall pay to Consultant a fee in advance on the first day of each month during the term of this Agreement equal to (a) US$33,333.33 each month during the first six (6) months of this Agreement and (b) US$16,666.67 each month during the remaining twenty-four (24) months of this Agreement. The fee shall be paid each month as set forth herein so long as this Agreement has not been terminated according to its terms.

6. REIMBURSEMENT FOR BUSINESS EXPENSES. All reasonable travel, office, and other costs incurred by Consultant in connection with carrying out its Consulting Services hereunder shall be reimbursed by UEI so long as such expenses have been substantiated in accordance with reasonable commercial accounting practices; provided however, that Consultant will not incur any single expense in excess of US$1,000 without first obtaining UEI's approval.

7. RESTRICTIVE COVENANTS.

(a) Consultant shall be responsible for all corporate and/or individual taxes, fees, and licenses incurred in connection with rendering Consulting Services hereunder and as otherwise incurred in connection with conducting its business; and

(b) To protect the legitimate business interests of UEI from unfair competition by Consultant or any of its employees, Consultant during the Non-Solicitation Period, will not, directly or indirectly, (i) solicit or endeavor to entice away from UEI any person, firm, company or corporation that, on the date of this Agreement, was doing business with UEI and accounted for ten percent (10%) or more of UEI's gross revenue as determined by UEI's book and records and (ii) solicit for hire or hire as a result of such solicitation, any key employee of Employer, except that Consultant may hire any such key employee so long as such hiring was made as a result of a general solicitation of employment through typical solicitation means, such as advertisements and the like, or such solicitation was initiated by such key employee; and

(c) Consultant shall return to UEI either before or immediately upon the termination of this Agreement any and all written Confidential Information or Work Product, that constitutes, contains or relates to UEI's proprietary information, trade secrets and which relates to the UEI Business which is in Consultant's possession, custody and control, whether confidential or not, including any and all copies thereof which may have been made by or for Consultant. Consultant shall maintain no copies thereof after the termination of this Agreement.

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

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

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

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

9. PROPRIETARY RIGHTS.

(a) Consultant recognizes that UEI's organization, the UEI Business and UEI's relationships with customers, clients, perspective customers or clients and others having business dealings with UEI are and will be the sole property of UEI. UEI, however, likewise recognizes that Consultant may render services to customers, clients and prospective customers and clients of UEI that are not competitive with UEI, and that in those situations, such customers, clients and others having business dealings with Consultant will be the sole property of Consultant.

(b) Consultant understands that all technologies, processes and research that was or is developed by UEI, or Consultant rendering Consulting Services to UEI with respect to the UEI Business is the sole property of UEI. Therefore, subject to subsection 9(c) below with respect to all Inventions and Work Product made or conceived by Consultant, whether or not during the hours of its consulting services conducted hereunder or with the use of UEI facilities, materials or personnel, either solely or jointly with others, during the term of this Agreement, and without royalty or any other consideration, Consultant hereby assigns all Inventions and Work Product to UEI and agrees to do the following:

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

(ii) Consultant shall without charge to UEI, at the request and expense of UEI, execute, acknowledge, and deliver any and all papers, including patent applications, and copyright applications, assignments, and applications for reissue, and do all other lawful acts, including the giving of testimony in proceedings in which Inventions may be involved or concerned, that UEI may consider necessary or proper to secure to UEI the fullest right to the Inventions and to patents and to copyright registrations in the United States and/or foreign countries covering the same, and to bring about the full protection of the same. Consultant agrees to perform the above-specified acts whether or not this Agreement is in force at the time UEI requests Consultant's performance.

(iii) In the event UEI is unable for any reason whatsoever to secure Consultant's signature to any lawful and necessary documents required to apply for, or to prosecute, any United States or foreign applications for a patent or copyright registration, Consultant hereby irrevocably designates and appoints UEI and its duly authorized officers and agents as its agent and attorney in fact, to act for and, in its behalf, to execute and file any said application and to do all other lawfully-permitted acts to further the prosection and issuance of a patent or copyright registration based thereon. Consultant hereby waives and quitclaims to UEI any and all claims, of any nature whatsoever, that Consultant may now have or may hereafter have for infringement of any patent(s) or copyright registration(s) from any said application.

(c) The foregoing notwithstanding, this Section 9 shall not apply to any inventions of Consultant for which no equipment, supplies, facility, Confidential Information or trade secret information of UEI was used and that was developed on Consultant's own time, unless (i) the invention directly involves (1) the UEI Business or (2) UEI's actual or demonstrably anticipated research or development, or (ii) the invention results from any work performed by Consultant for UEI that relates directly to the UEI Business.

10. INDEMNITY.

(a) Consultant shall defend, indemnify and hold harmless UEI and its corporate affiliates from and against all losses, damages, expenses (including attorney's fees and costs), claims, suits and liabilities, whether based in contract or tort, to the extent that such losses, damages, expenses, claims, suits, and liabilities arise out of or in connection with (i) Consultant's negligent or intentional acts or omissions, or those of persons furnished by it, (ii) the failure of Consultant or any of its employees or contractors to fully comply with the terms of this Agreement, or (iii) assertions under Worker's Compensation or similar laws made by persons furnished by Consultant. UEI shall promptly notify Consultant of any written claim, loss, or demand for which Consultant is responsible under this Clause.

(b) UEI shall defend, indemnify and hold harmless Consultant and its corporate affiliates from and against all losses, damages, expenses (including attorney's fees and costs), claims, suits and liabilities, whether based in contract or tort, to the extent that such losses, damages, expenses, claims, suits, and liabilities arise out of or in connection with (i) UEI's negligent or intentional acts or omissions, or those of persons furnished by it, (ii) the failure of UEI or any of its employees or contractors to fully comply with the terms of this Agreement, or (iii) demands, assertions and claims of all third parties and vendors rendering services to UEI even though arranged or coordinated by Consultant for UEI as part of the Consulting Services provided hereunder, provided that Consultant shall not engage any third party or vendor in violation of Section 17, the doing so shall render this indemnification as set forth in this subsection 10(b)(iii) null and void.

11. TERMINATION.

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

(b) Notwithstanding the provisions of subsection 11(a) above, UEI shall have the right to terminate this Agreement by delivering to the Consultant written notice of termination in the event (i) of any attempted transfer or assignment by Consultant of (1) the entire Agreement or (2) any right or obligation of Consultant hereunder without the prior written consent of UEI, (ii) of the unavailability of Consultant as is required by Paragraph 4 herein, (iii) if Consultant violates any provision of this Agreement, or (iv) if C.J ceases being involved in the day to day activities of Consultant ("Termination Notice"). Consultant shall have ten (10) working days to cure any default or breach of this Agreement, which must be specified in the Termination Notice.

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

12. SURVIVAL. Subsections 7(a), 7(c), 9(b)(i), 9(b)(ii), 9(b)(iii) and 11(c) and Sections 8, 10, 13, 17, 23 and 26 shall survive the termination of this Agreement.

13. REMEDIES. Consultant acknowledges that the covenants and agreements that it has made in this Agreement are reasonable and are required for the reasonable protection of the UEI Business and its goodwill. UEI and its subsidiaries, successors and assigns will be entitled to seek specific performance by Consultant of Consultant's obligations hereunder and to seek to enjoin Consultant from engaging in any activity in violation hereof. UEI, Consultant and any of their respective subsidiaries, successors or assigns shall be entitled to recover all costs of successfully enforcing any provision of this Agreement, including reasonable attorneys' fees and costs of litigation and any interest.

14. PARTIAL INVALIDITY. The various covenants and provisions of this Agreement are intended to be severable and to constitute independent and distinct binding obligations of the parties hereto. Should any covenant or provision of this Agreement be determined to be unenforceable, in whole or in part, it shall not be deemed to affect or impair the validity of any other covenant or provision or part thereof. If the scope of any covenant, provision or part thereof contained in this Agreement is too broad to permit enforcement to its full extent, this covenant, provision or part thereof shall be enforced to the maximum extent permitted by law, and the parties hereto hereby agree that such scope may be judicially modified accordingly.

15. ASSIGNMENT. Consultant agrees that this Agreement may be assigned by UEI in its entirety to any entity controlled by, or under direct or indirect common control with, UEI and to any entity to whom UEI sells its business or assets, and that upon any such assignment, such assignee shall acquire all of UEI's rights and obligations under this Agreement, including without limitation the right of assignment set out in this Section 15 provided, that such successor specifically assumes the obligations of UEI in writing in form and substance reasonably satisfactory to Consultant. The rights and obligations of Consultant hereunder may not be assigned or delegated without the prior written consent of UEI.

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

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

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

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

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

(d) Neither Consultant nor any of its employees or agents shall make any representation that it, she or he is an agent or representative of UEI or is otherwise authorized to act for or on behalf of UEI and agrees not to create any obligation or to assume any responsibility for UEI or attempt to bind UEI in any manner whatsoever.

(e) Consultant shall indemnify and hold UEI harmless with respect to any taxes, penalties or interest claimed by any taxing authority for failure to withhold any income taxes from the payments to Consultant provided for under this Agreement.

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

If to Consultant:

Jayne & Associates
5 New Dawn
Irvine, CA 92620
Facsimile No.: (714) 734-7726
Telephone No.: (714) 734-7725

With a required copy to:

Robert L. Young
Law Offices of Robert L. Young
Two Walnut Creek Center
200 Pringle Avenue, Suite 340
Facsimile No.: (925) 196-3399
Telephone No.: (925) 906-9898

If to UEI:

Paul D. Arling
Chief Executive Officer
Universal Electronics Inc.
6101 Gateway Drive
Cypress, California 90630
Facsimile No.: (714) 820-1010
Telephone No.: (714) 820-1000

With a required copy to:

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

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

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

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

21. ENTIRE UNDERSTANDING. This Agreement and the agreements referred to herein constitute the entire understanding between the parties hereto with regard to the subject matter hereof and shall not be changed, altered, modified or discharged, except in writing consented to by all parties.

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

23. GOVERNING LAW. This Agreement shall be construed and enforced in accordance with the laws of the State of California, without regard to that state's conflict of laws provisions.

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

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

26. VENUE AND JURISDICTION. The parties agree that all actions arising directly or indirectly as a result or in consequence of this Agreement, shall be instituted and litigated only in state and local courts in California, or the federal courts for the Southern District of California, and each of the parties hereby consents to the exclusive jurisdiction and venue of any such court, and waives any objection based on forum nonconveniens.

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

CONSULTANT:	UEI:
JAYNE & ASSOCIATES	UNIVERSAL ELECTRONICS INC.
By: /s/ CAMILLE JAYNE 7-17-01	By: /s/ PAUL D. ARLING
Camille Jayne, President and Chief Executive Officer	Paul D. Arling, Chief Executive Officer