UNIVERSAL ELECTRONICS INC
Form DEF 14A
April 30, 2010

Table of Contents

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

(AMENDMENT NO.___)

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
þ	Definitive Proxy Statement
o	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

Universal Electronics, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ	Fee not required.
o	Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
	(1) Title of each class of securities to which transaction

applies:

---

(2) Aggregate number of securities to which transaction applies:

---

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

---

o Fee paid previously with preliminary materials.o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

April 30, 2010

Dear Stockholder:

You are cordially invited to attend the 2010 Annual Meeting of Stockholders of Universal Electronics Inc., to be held on Tuesday, June 15, 2010 at 4:00 p.m., Pacific Daylight Time, at our corporate office, 6101 Gateway Drive, Cypress, California 90630. We urge you to be present in person or represented by proxy at this Meeting of Stockholders.

You will be asked to consider and vote upon the election of members of our Board of Directors, the ratification of the Board of Directors engagement of our independent registered public accountants for the year ending December 31, 2010, and the adoption and approval of our 2010 Stock Incentive Plan. Details of these proposals and a description of our general business, directors and management are set forth in the accompanying Proxy Statement. The Board of Directors unanimously recommends that stockholders vote to approve all of the proposals.

Whether or not you plan to attend the Annual Meeting in person, it is important that your shares are represented. Therefore, please promptly complete, sign, date and return the enclosed proxy card in the accompanying envelope, which requires no postage if mailed within the United States. You are, of course, welcome to attend the Annual Meeting and vote in person even if you previously returned your proxy card.

On behalf of the Board of Directors and management of Universal Electronics Inc., we thank you for all of your support.

Sincerely yours,

Paul D. Arling
Chairman and Chief Executive Officer

UNIVERSAL ELECTRONICS INC.
6101 Gateway Drive
Cypress, California 90630
714-820-1000
714-820-1010 Facsimile
www.uei.com

TABLE OF CONTENTS

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS	
PROXY STATEMENT	1
ABOUT THE MEETING AND VOTING	1
CORPORATE GOVERNANCE	3
Code of Conduct	3
Director Independence	4
Board Leadership	4
Board s Role in Risk Oversight	4
Board Structure and Committee Membership	5
Audit Committee	6
Compensation Committee	7
Corporate Governance and Nominating Committee	7
Communications with Directors	8
Communications about Accounting Matters	9
DIRECTOR COMPENSATION	9
Non-management Director Compensation Table	9
PROPOSALS TO BE VOTED ON	11
Proposal 1: Election of Directors	11
Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm	16
Proposal 3: Adoption and Approval of the Company s 2010 Stock Incentive Plan	18
COMPENSATION DISCUSSION AND ANALYSIS	25
Overview	25
Compensation Objectives	25
Implementing Our Objectives	26
Determining Compensation	27
Compensation Agreements	40
Potential Payouts upon Termination or Change in Control	41
Compensation Committee Report	43
Assessment of Risk Related to Compensation Programs	44
Summary Compensation Table	44
Grants of Plan-Based Awards in Fiscal 2009	46
Outstanding Equity Awards at Fiscal 2009 Year-End	47
Option Exercises and Stock Vested	48
RELATED PERSONS TRANSACTIONS	48
Review and Approval of Related Person Transactions	48
Stock Ownership by Directors, Executive Officers and Other Beneficial Owners	49
OTHER MATTERS	50
Section 16(a) Beneficial Ownership Reporting Compliance	50
Stockholder Proposals	50
Proxy Solicitation Costs and Potential Savings	51
Annual Report on Form 10-K	51
Other Business	51
APPENDIX A UNIVERSAL ELECTRONICS INC. BY-LAWS, ARTICLE IV	A-1
APPENDIX B AUDIT COMMITTEE REPORT	B-1
APPENDIX C 2010 STOCK INCENTIVE PLAN	C-1

Table of Contents

UNIVERSAL ELECTRONICS INC.
Corporate Headquarters:
6101 Gateway Drive
Cypress, California 90630

Notice of Annual Meeting of Stockholders
to be Held on Tuesday, June 15, 2010

The 2010 Annual Meeting of Stockholders of Universal Electronics Inc., a Delaware corporation (Universal, the Company, we, us or our), will be held on Tuesday, June 15, 2010 at 4:00 p.m., Pacific Daylight Time, at our corpo office, 6101 Gateway Drive, Cypress, California 90630.

The meeting will be conducted:

1. To consider and vote upon the following proposals (collectively, the Proposals), each of which is described in more detail in the accompanying Proxy Statement:

Proposal One: The election of Paul D. Arling as a Class I director to serve on the Board of Directors until the next Annual Meeting of Stockholders to be held in 2011 or until the election and qualification of his successor; and the election of Satjiv S. Chahil, William C. Mulligan, J.C. Sparkman, Gregory P. Stapleton, Carl E. Vogel, and Edward K. Zinser as Class II directors to serve on the Board of Directors until the Annual Meeting of Stockholders to be held in 2012 or until their respective successors are elected and qualified; and

Proposal Two: Ratification of the appointment of Grant Thornton LLP, an independent registered public accounting firm, as our auditors for the year ending December 31, 2010; and

Proposal Three: Adoption and approval of our 2010 Stock Incentive Plan.

2. To consider and act upon such other matters as may properly come before the meeting or any and all postponements or adjournments thereof.

All holders of record of shares of our common stock (NASDAQ: UEIC) at the close of business on April 16, 2010 are entitled to vote at the meeting and at any postponements or adjournments of the meeting. To ensure that your vote is recorded promptly, **please vote as soon as possible**, even if you plan to attend the meeting in person. If you have Internet access, **we encourage you to record your vote via the Internet** at www.edocumentreview.com/ueic. It is convenient, and it saves us postage and processing costs. In addition, when you vote via the Internet, your vote is recorded immediately, and there is no risk that postal delays will cause your vote to arrive late and therefore not be counted. If you do not vote via the Internet, please vote by telephone or by completing, signing, dating and returning the accompanying proxy card in the enclosed return envelope. Submitting your proxy by Internet, telephone or mail will not affect your right to vote in person if you decide to attend the annual meeting.

IF YOU PLAN TO ATTEND THE MEETING:

Registration and seating will begin at 3:30 p.m. (Pacific Daylight Time). Each stockholder will need to bring valid picture identification, such as a driver s license or passport, for admission to the meeting. Stockholders holding stock in brokerage accounts (street name holders) will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras, recording devices and other electronic devices will not be permitted at the meeting, and all cellular phones must be silenced during the meeting. We realize that many cellular phones have built-in digital cameras, and while these phones may be brought into the meeting,

the camera function may not be used at any time.

By Order of the Board of Directors,

Richard A. Firehammer, Jr.
Senior Vice President, General
Counsel and Secretary

April 30, 2010
Cypress, California

Table of Contents

UNIVERSAL ELECTRONICS INC.
6101 Gateway Drive
Cypress, California 90630

PROXY STATEMENT

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on Tuesday, June 15, 2010, at 4:00 p.m. (Pacific Daylight Time): The Proxy Statement and the Annual Report on Form 10-K are available at www.uei.com under the heading About Us , then Investor and then SEC Filings .

This proxy statement contains information concerning our annual meeting of stockholders to be held on Tuesday, June 15, 2010, beginning at 4:00 p.m. (Pacific Daylight Time) at our office, 6101 Gateway Drive, Cypress, California 90630 and at any adjournments or postponements of the meeting. Your proxy for the meeting is being solicited by our Board of Directors. This proxy statement and our annual report are being mailed to stockholders beginning on or about May 7, 2010.

ABOUT THE MEETING AND VOTING

What is the purpose of the annual meeting?

At our annual meeting, stockholders will act upon the matters outlined in the notice of meeting provided with this proxy statement, including: the election of directors; ratification of the appointment of our independent registered public accounting firm; adoption and approval of our 2010 Stock Incentive Plan; and such other business as may properly come before the meeting. In addition, management will respond to questions from stockholders, if any.

Who may attend the meeting?

Subject to space availability, all stockholders as of April 16, 2010, the record date, or their duly appointed proxies, may attend the meeting. If you plan to attend the meeting, please note that you will need to bring valid picture identification, such as a driver s license or passport. Cameras, recording devices and other electronic devices will not be permitted at the meeting, and all cellular phones must be silenced during the meeting. We realize that many cellular phones have built-in digital cameras, and while these phones may be brought into the meeting, the camera function may not be used at any time.

Please also note that if you hold your shares in street name (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date.

Who is entitled to vote at the meeting?

Only stockholders of record at the close of business on April 16, 2010, the record date, are entitled to receive notice of and to participate in the annual meeting. If you were a stockholder of record on that date, you will be entitled to vote all of the shares that you held on that date at the meeting, or any postponements or adjournments of the meeting. There were 13,660,284 shares of our common stock outstanding on the record date.

What are the voting rights of the holders of the company s common stock?

Each share of our common stock outstanding on the record date will be entitled to one vote on each matter considered at the meeting.

What is a quorum?

A quorum is the minimum number of our shares of common stock that must be represented at a duly called meeting in person or by proxy in order to conduct business legally at the meeting. For the annual meeting, the presence, in person or by proxy, of the holders of a majority of the shares entitled to vote will be considered a quorum. If you are a registered stockholder, you must deliver your proxy by Internet, telephone or mail, or attend the annual meeting in person and vote, in order to be counted in the determination of a quorum. If you are a street name stockholder, your broker or other nominee will vote your shares pursuant to your proxy directions, and such shares will count in the determination of a quorum. If you do not provide any directions to your broker or other nominee, your shares will still count for purposes of attaining a quorum, and your broker or other nominee may vote your shares in its discretion on proposals 1 and 2.

How do I vote?

If you are a registered stockholder, you may submit your proxy by Internet, telephone or mail by following the instructions included with your proxy card. The deadline for submitting your proxy by Internet or telephone is 1:00 a.m. Central Time on June 15, 2010. The designated proxy will vote according to your instructions. You may also attend the meeting and deliver a proxy card to be voted in the same manner, or you may personally vote by ballot.

If you are a street name stockholder, your properly signed and returned voting instruction card will be tabulated and voted by your broker or other nominee. Please check your voting instruction card or contact your broker or other nominee to determine whether you will be able to deliver your voting instructions by Internet or telephone. If you are a street name stockholder and you want to vote at the meeting, you will need to obtain a signed proxy from the broker or nominee that holds your shares, because the broker or nominee is the legal, registered owner of the shares.

If you are a member of a retirement or savings plan or other similar plan, you may submit your voting instructions by Internet, telephone or mail by following the instructions included with your voting instruction card. The deadline for submitting your voting instructions by Internet or telephone is 1:00 a.m. Central Time on June 15, 2010. The trustee or administrator of the plan will vote according to your instructions and the rules of the plan.

Can I change my vote after I return my proxy or voting instruction card?

If you are a registered stockholder, you may revoke or change your vote at any time before the proxy card is voted, by filing with our transfer agent, Computershare Trust Company, N.A. either by a written notice of revocation or a duly executed proxy bearing a later date. If you attend the meeting in person, you may ask the judge of elections to suspend your proxy holder s power to vote, and you may submit another proxy or vote by ballot. Your attendance at the meeting will not by itself revoke a previously granted proxy. Any written notice revoking a proxy should be sent to Computershare Trust Company, N.A., P.O. Box 43126, Providence, RI 02940.

If your shares are held in street name or you are a member of a retirement or savings plan or other similar plan, please check your voting instruction card or contact your broker, nominee, trustee or administrator to determine whether you will be able to revoke or change your vote.

Will my vote be confidential?

It is our policy to maintain the confidentiality of proxy cards, ballots and voting tabulations that identify individual stockholders except as might be necessary to meet any applicable legal requirements and, in the case of any contested proxy solicitation, as might be necessary to allow proper parties to verify proxies presented by any person and the results of the voting.

What are the board s recommendations?

The board recommends that you vote:

For election of the nominated Class I and Class II directors (see proposal 1);

For ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the year ending December 31, 2010 (see proposal 2); and

For adoption and approval of our 2010 Stock Incentive Plan (see proposal 3).

What vote is required to approve each proposal?

Election of directors. Directors are elected by a plurality of votes cast. This means that the one Class I director receiving the most votes cast at the meeting will be elected to serve for the next year. In addition, six Class II directors receiving the most votes cast at the meeting will be elected to serve for the next two years. Only votes cast for are counted in determining whether a plurality has been cast in favor of a director. A properly executed proxy marked withhold authority with respect to the election of a director will not be voted with respect to the director. Votes to withhold authority, while included for purposes of attaining a quorum, will have no effect on the vote on this matter.

Other proposals. For each other proposal, the affirmative vote of a majority of the votes cast will be required for approval. Abstentions, while included for purposes of attaining a quorum, will have no effect on the outcome of the proposal.

Street name shares and broker non-votes. If you hold your shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some proposals if you do not provide voting instructions. Broker non-votes are shares that a broker or nominee does not vote because it has not received voting instructions and does not have discretionary authority to vote. For this meeting, if you do not give specific instructions, your broker or nominee may cast your vote in its discretion for proposal 1, the election of directors, and for proposal 2, the ratification of the appointment of the company s independent registered public accounting firm. Broker non-votes, if any, are included for purposes of attaining a quorum. On proposals where brokers do not have discretionary voting authority, including proposal 3, the adoption and approval of our 2010 Stock Incentive Plan, broker non-votes will have no effect on the outcome of a proposal.

CORPORATE GOVERNANCE

Where can I find information about the governance of the company?

The company has adopted corporate governance principles that, along with the charters of the board committees, provide the framework for the governance of the company. The corporate governance and nominating committee is responsible for annually reviewing the principles and recommending any proposed changes to the board for approval. A copy of our corporate governance principles is posted on our website at www.uei.com under the heading About Us , then Investor , then Corporate Governance, along with the charters of our board committees and other information about our governance practices. We will provide to any person without charge a copy of any of these documents upon written request to our secretary at Universal Electronics Inc, 6101 Gateway Drive, Cypress, California 90630.

Code of Conduct

Does the company have a code of conduct?

We have adopted a Code of Conduct that applies to all directors, officers and employees, including without limitation our principal executive officer, principal financial officer and principal accounting officer. Any person subject to the Code of Conduct must avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner, report all violations of the Code of Conduct and potential conflicts of interest and otherwise act with integrity and Universal s best interest. The Code of Conduct also includes procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Code of Conduct complies with the requirements of NASD and the Sarbanes-Oxley Act of 2002 and is posted on the Corporate Governance page of our website at www.uei.com. Any amendment to the Code of

Conduct or waiver of its provisions with respect to our principal executive officer, principal financial officer or principal accounting officer or any director will be promptly posted on our website www.uei.com.

Additionally, at the direction of the Board of Directors, management has established an Ethics Line to assist our employees in complying with their ethical and legal obligations and reporting suspected violations of applicable laws, policies or procedures. The Ethics Line is operated by Ethicspoint, an independent third party. Information about our Ethics Line may be found on the Corporate Governance page of our website at www.uei.com.

Director Independence

How does the Board determine which directors are considered independent?

The Board has adopted Director Independence Standards to assist in determining the independence of each director. In order for a director to be considered independent, the Board must affirmatively determine that the director has no material relationship with Universal. In each case, the Board broadly considers all relevant facts and circumstances, including the director s commercial, industrial, banking, consulting, legal, accounting, charitable and family relationships and such other criteria as the Board may determine from time to time. These Director Independence Standards are published on our Corporate Governance page at www.uei.com. The Board has determined that each of the six current Class II Directors, Messrs. Chahil, Mulligan, Sparkman, Stapleton, Vogel and Zinser meets these standards and thus is independent and, in addition, satisfies the independence requirements of the NASDAQ Stock Market. To our knowledge, none of the independent directors has any direct or indirect relationships with our company or its subsidiaries and affiliates, other than serving as a director.

All members of the Audit, Compensation and Corporate Governance and Nominating Committees must be independent as defined by the Board s Director Independence Standards. Members of the Audit Committee must also satisfy additional Securities and Exchange Commission (SEC) independence requirements, which provide that they may not accept, directly or indirectly, any consulting, advisory or other compensatory fees from Universal or any of its subsidiaries other than their director compensation.

Board Leadership

Who is the chairman of the board?

The Board s current leadership structure is characterized by:

- a combined Chairman of the Board and CEO;
- a robust Committee structure with oversight of various types of risks; and
- engaged independent Board members.

Mr. Arling has served as our Chairman and Chief Executive Officer since July 2001. The Board believes that combining the roles of CEO and Chairman contributes to an efficient and effective Board. The CEO, with his in-depth knowledge and understanding of the Company, is best able to chair regular Board meetings by bringing key business issues and stockholder interests to the Board s attention. In addition, the Board believes that combining these roles maximizes our CEO s effectiveness. Within the Company, the CEO is primarily responsible for effectively leading significant change, improving operational efficiency, driving growth, managing the Company s day-to-day business, managing the various risks facing the Company, and reinforcing the expectation for all employees of uncompromising honesty and integrity. Our Board believes that combining the roles of CEO and Chairman gives management clarity of leadership. Because of this, management knows that when the CEO is speaking, it is with the voice of the Board and not merely that of an Executive Officer. Coupled with our independent Directors, this combined structure provides independent oversight while avoiding unnecessary confusion regarding the Board s oversight responsibilities and the day-to-day management of business operations.

Board s Role in Risk Oversight

What is the Board s role in risk oversight?

The Board has delegated to the Audit Committee through its charter the primary responsibility for the oversight of risks facing the Company. The charter provides that the Audit Committee discuss with management

4

the Company s major risk exposures, including financial risk exposures, and the steps management has taken to monitor and control such exposures.

Our Internal Auditor (Auditor), whose appointment and performance is reviewed and evaluated by the Audit Committee and who has direct access to the Committee, is responsible for leading the formal risk assessment and management process within the Company. The Auditor, through consultation with the Company s senior management, periodically assesses the major risks facing the Company and works with those executives responsible for managing each specific risk. The Auditor periodically reviews with the Audit Committee the major risks facing the Company and the steps management has taken to monitor and mitigate those risks. The Auditor s risk management report, which is provided in advance of the meetings, is reviewed by the entire Audit Committee. The executive responsible for managing a particular risk may also report to the Audit Committee or full Board on how the risk is being managed and mitigated.

While the Board s primary oversight of risk is with the Audit Committee, the Board has delegated to other committees the oversight of risks within their areas of responsibility and expertise. For example, the Compensation Committee oversees the risks associated with the Company s compensation practices, including a periodic review of the Company s compensation policies and practices for its employees. The Corporate Governance and Nominating Committee oversees the risks associated with the Company s overall governance and its succession planning process to understand that the Company has a slate of future, qualified candidates for key management positions.

The Board believes that its oversight of risks, primarily through delegation to the Audit Committee, but also through delegation to other committees to oversee specific risks within their areas of responsibility and expertise, and the sharing of information with the full Board, is appropriate for a company of our size and complexity. The chair of each committee that oversees risk provides a summary of the matters discussed with the committee to the full Board following each committee meeting. The minutes of each committee meeting are also provided to all Board members. The Board also believes its oversight of risk is enhanced by its current leadership structure (discussed above) because the CEO, who is ultimately responsible for the Company s management of risk, also chairs regular Board meetings, and with his in-depth knowledge and understanding of the Company, is best able to bring key business issues and risks to the Board s attention.

Board Structure and Committee Membership

How is the board made up?

Our board presently consists of up to nine directors divided into two classes; a Class I Director is a director who is also an employee of Universal and is elected each year at the Annual Meeting of Stockholders to serve a one-year term and a Class II Director is a director who is not an employee and is generally elected every even-numbered year at the Annual Meeting of Stockholders to serve a two-year term.

We currently have seven directors; one is a Class I Director and six are Class II Directors. After this Annual Meeting of Stockholders, assuming all those nominated are elected, there will be seven members of the Board, one (1) Class I director, six (6) Class II directors and two (2) vacancies. We retain vacancies to accommodate additional qualified directors who come to the attention of the Board.

How often did the board meet during 2009?

The board formally met ten times and acted by unanimous written consent two times during 2009. Each director is expected to attend each meeting of the board and those committees on which he serves. No director attended less than 75% of the aggregate of all board meetings and meetings of committees on which the director served during 2009. We encourage each director to attend every annual meeting of stockholders; however, since attendance by our stockholders at these meetings has historically been via proxy and not in person, our outside directors have not regularly attended these meetings. At the 2009 Annual Meeting of Stockholders, no stockholders attended in person and one director, Mr. Arling, was present.

Table of Contents

What is the role of the primary board committees?

The board has three standing committees audit, compensation, and corporate governance and nominating. Each committee is composed entirely of independent directors, as determined by the board in accordance with applicable NASDAQ listing standards and the Board s Director Independence Standards. In addition, audit committee members meet additional heightened independence criteria applicable to audit committee members under applicable SEC independence requirements. Each of the committees operates under a written charter that has been approved by the board. The table below provides information about the current membership of the committees and the number of meetings held in 2009.

Name/Item	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee
Satjiv S. Chahil		X	X
William C. Mulligan	X		Chair
J.C. Sparkman		Chair	X
Gregory P. Stapleton		X	
Carl E. Vogel	X		
Edward K. Zinser	Chair		
Number of Meetings	4	5	2
Action by Unanimous Written Consent	1	0	1

Audit Committee

The Audit Committee is primarily concerned with the integrity of our financial statements, our compliance with legal and regulatory requirements, the independence and qualifications of the independent auditor and the performance of our internal audit function and independent auditor. The Audit Committee s functions include:

- monitoring the Company s major risk exposures, including financial risk, and the steps management has taken to control such exposures,
- meeting with our independent registered public accounting firm and management representatives,
- making recommendations to the Board regarding the appointment of the independent registered public accounting firm,
- approving the scope of audits and other services to be performed by the independent registered public accounting firm,
- establishing pre-approval policies and procedures for all audit, audit-related, tax and other fees to be paid to the independent registered public accounting firm,
- considering whether the performance of any professional service by the registered public accountants may impair their independence, and

reviewing the results of external audits, the accounting principles applied in financial reporting, and financial and operational controls.

The independent registered public accountants have unrestricted access to the Audit Committee, and the members of the Audit Committee have unrestricted access to the independent registered public accountants.

All of the audit committee members are financially literate. The board has determined that Mr. Zinser is qualified as an audit committee financial expert within the meaning of applicable SEC regulations and that Mr. Zinser acquired his expertise primarily through his experience as a Chief Financial Officer.

Table of Contents

Compensation Committee

The Compensation Committee assists the board in discharging its responsibilities relating to the compensation of the chief executive officer and other executive officers (including Named Executives as such term is defined below in the Compensation Discussion and Analysis under the heading *Compensation Objectives*). Among other things, the committee:

Reviews the corporate goals and objectives approved by the board relevant to the compensation of our chief executive officer and other executive officers, evaluates their performance in light of such goals and objectives and, based on its evaluations and appropriate recommendations, reviews and approves the compensation of our chief executive officer and other executive officers, each on an annual basis;

Assists the board in developing and evaluating potential candidates for executive positions and in overseeing the development of executive succession plans;

Reviews and discusses with management the Compensation Discussion and Analysis required by SEC rules, recommends to the board whether the Compensation Discussion and Analysis should be included in the company s annual report and proxy statement and prepares the compensation committee report required by SEC rules for inclusion in the company s annual report and proxy statement;

Reviews periodically compensation for non-management directors of the company and recommends changes to the board as appropriate;

Reviews and approves compensation packages for new executive officers and severance packages for executive officers whose employment terminates with the company;

Reviews and makes recommendations to the board with respect to the adoption or amendment of incentive and other stock-based compensation plans;

Administers the company s stock incentive plans; and

Assesses the independence of any outside compensation consultant of the company.

Compensation Committee Interlocks and Insider Participation

During 2009, none of the members of the Compensation Committee had any business or financial relationship with Universal requiring disclosure in this Proxy Statement.

Corporate Governance and Nominating Committee

The corporate governance and nominating committee assists the board in identifying qualified individuals to become board and committee members, considers matters of corporate governance and assists the board in evaluating the board s effectiveness. Among other things, the committee:

Develops and recommends to the board criteria for board membership;

Identifies, reviews the qualifications of and recruits candidates for election to the board and to fill vacancies or new positions on the board as directed by the board;

Reviews candidates recommended by the company s stockholders, if any, for election to the board;

Reviews annually our corporate governance principles and recommends changes to the board as appropriate;

Recommends to the board changes to our Code of Conduct;

Reviews and makes recommendations to the board with respect to the board s and each committee s size, structure, composition and functions; and

Oversees the process for evaluating the board and its committees.

The committee will consider director candidates recommended by our stockholders. Stockholders recommending candidates for consideration by the corporate governance and nominating committee should send their recommendations to our secretary at Universal Electronics Inc. 6101 Gateway Drive, Cypress, California 90630. The recommendation must include the candidate s name, biographical data and qualifications.

Any such recommendation should be accompanied by:

- a written statement from the candidate of his or her consent to be named as a candidate and, if nominated and elected, to serve as a director;
- a completed written questionnaire in form and substance to be provided by the secretary, covering matters including the background and qualifications of the candidate to serve on the board; and
- a written representation and agreement in form and substance to be provided by the secretary, regarding any agreement, arrangement or understanding to which the candidate is a party relating to any voting commitment or assurance made by the candidate, and certain other matters as more particularly described in our bylaws.

The board endeavors to have members representing diverse experience at policymaking levels in business, finance and technology and other areas that are relevant to the company s global activities. The selection criteria for director candidates include the following:

- Each director should be an individual of the highest personal and professional ethics, character, integrity and values.
- Each director should possess the appropriate characteristics, skills, and experience to make a significant contribution to the Board.
- Each director should have an inquisitive and objective perspective, practical wisdom and mature judgment.
- Each director should be committed to representing the interests of the company s stockholders and demonstrate a commitment to long-term service on the Board.

The committee evaluates director candidates recommended by stockholders based on the same criteria used to evaluate candidates from other sources. The Corporate Governance and Nominating Committee may employ professional search firms (for which we would pay a fee) to assist in identifying potential Board members with the desired skills and disciplines.

Diversity

The Board of Directors values diversity as a factor in selecting nominees to serve on the Board, and believes that diversity in its composition may provide significant benefit to the Board and the Company. Although there is no specific policy on diversity on our board, the Corporate Governance and Nominating Committee, when considering a particular nominee for selection as a director, will include such factors as diverse experience, gender, race, national origin, functional background, executive or professional experience, and international experience.

Communications with Directors

How can stockholders communicate with the Board?

The Board has adopted a process by which stockholders and other interested parties may communicate with the Board, certain committee chairs or the non-management directors as a group by e-mail or regular mail. That process is described on the Corporate Governance page of our website at www.uei.com. Any communication by regular mail should be sent to Universal Electronics Inc., 6101 Gateway Drive, Cypress, California 90630, to the attention, as applicable, of the (i) Chair, Board of Directors; (ii) Chair, Audit Committee; (iii) Chair, Compensation Committee; (iv) Chair, Corporate Governance and Nominating Committee; or (v) the Non-Management Directors.

Table of Contents

Communications about Accounting Matters

How can individuals report concerns relating to accounting, internal control or auditing matters?

Concerns relating to accounting, internal control or auditing matters may be submitted by writing to Chair, Audit Committee, Universal Electronics Inc., 6101 Gateway Drive, Cypress, California 90630. All correspondence will be handled in accordance with procedures established by the audit committee with respect to these matters.

Additionally, at the direction of the Board of Directors, management has established an Ethics Line to assist our employees in complying with their ethical and legal obligations and reporting suspected violations of applicable laws, policies or procedures. The Ethics Line is operated by Ethicspoint, an independent third party. Information about our Ethics Line may be found on the Corporate Governance page of our website at www.uei.com.

DIRECTOR COMPENSATION

How are non-management directors compensated?

In June 2004, our stockholders adopted the 2004 Directors Compensation Plan, pursuant to which each Class II Director is to receive an annual cash retainer equal to $25,000 (or $6,250 quarterly), a fee of $1,500 for each board meeting attended in excess of four each fiscal year, a fee of $1,000 for each committee meeting attended, an annual fee of $10,000 for each committee chaired, and an annual award of 5,000 shares of our Common Stock, which vest ratably each quarter during the year awarded. During 2009, Mr. Vogel was granted 20,000 stock options with a grant price of $20.55 per share.

In addition, during the fourth quarter of 2009, the Compensation Committee, in consultation with an independent compensation consultant (Towers Perrin), concluded that the 2004 Directors Compensation Plan remains in line with industry standards and thus recommended to the Board that no changes be made to the Plan for 2010. The Board accepted the Compensation Committee s recommendation in the first quarter of 2010.

Non-management Director Compensation Table

Name of Director	Year	Fees Earned or Paid in Cash[(1)] ($)	Stock Awards[(2)] ($)	Option Awards[(3)] ($)	Total Compensation ($)
Mr. Chahil	2009	37,000	103,525		140,525
Mr. Mulligan	2009	51,500	103,525		155,025
Mr. Sparkman	2009	56,500	103,525		160,025
Mr. Stapleton	2009	39,500	103,525		143,025
Mr. Vogel[(4)]	2009	4,167	68,493	185,600	258,260
Mr. Zinser	2009	49,500	103,525		153,025

(1) This column represents the cash compensation earned in 2009 for Board and committee service. See the Additional Information about Fees Earned or Paid in Cash in Fiscal 2009 table below.

(2) This column represents the grant date fair value of awards granted to Class II Directors as part of their compensation. The fair value of the stock awards is calculated using the high and low trades of our stock on the grant date. See the Additional Information about Non-Management Director Equity Awards for further information related to stock awards granted in 2009.

(3) This column represents the grant date fair value of stock options granted during 2009. Please see the Additional Information about Non-Management Director Equity Awards for further information related to option awards granted in 2009.

(4) Mr. Vogel joined the Board of Directors on October 30, 2009.

Mr. Arling, who is an officer and the Company s only Class I Director, received no additional compensation for his service as a director during 2009. However, all directors are reimbursed for travel expenses and other out-of-pocket costs incurred to attend meetings.

Table of Contents

Additional Information about Fees Earned or Paid in Cash in Fiscal 2009

The following table provides additional information about fees earned or paid in cash to non-management directors in fiscal 2009:

Name of Director	Year	Annual Retainers ($)	Committee Chair Fees[(1)] ($)	Committee Meeting Attendance Fees[(2)] ($)	Additional BOD Meeting Attendance Fees[(3)] ($)	Total ($)
Mr. Chahil	2009	25,000		6,000	6,000	37,000
Mr. Mulligan	2009	25,000	10,000	6,000	10,500	51,500
Mr. Sparkman	2009	25,000	10,000	11,000	10,500	56,500
Mr. Stapleton	2009	25,000		4,000	10,500	39,500
Mr. Vogel[(4)]	2009	4,167				4,167
Mr. Zinser	2009	25,000	10,000	4,000	10,500	49,500

(1) Mr. Mulligan, Mr. Sparkman, and Mr. Zinser are the chairmen of the Corporate Governance and Nominating Committee, Compensation Committee, and Audit Committee, respectively.

(2) Each committee member is paid $1,000 for the attendance of a committee meeting.

(3) Each board member is paid $1,500 for each board of directors meeting attended in excess of four.

(4) Mr. Vogel joined the Board of Directors on October 30, 2009.

Additional Information about Non-Management Director Equity Awards

The following table provides additional information about non-management director equity awards, including the stock awards and option awards made to non-management directors during fiscal 2009, the grant date fair value of each of those awards and the number of stock awards and option awards outstanding as of the end of fiscal 2009:

Name of Director	Stock Awards Granted During 2009 (#)	Option Awards Granted During 2009 (#)	Grant Date Fair Value of Stock and Option Awards Granted During 2009[(1)] ($)	Stock Awards Outstanding at Year End (#)	Option Awards Outstanding at Year End (#)
Mr. Chahil	5,000		103,525	2,500	20,000
Mr. Mulligan	5,000		103,525	2,500	45,257

Mr. Sparkman	5,000		103,525	2,500	20,000
Mr. Stapleton	5,000		103,525	2,500	20,000
Mr. Vogel[2]	3,333	20,000	254,093	2,500	20,000
Mr. Zinser	5,000		103,525	2,500	20,000

(1) Represents the grant date fair value of stock option and stock awards granted during 2009. For stock awards, that number is calculated by multiplying the fair market value of our common stock on the date of grant by the number of shares awarded. For option awards, that number is calculated by multiplying the Black-Scholes value determined as of the date of grant by the number of options awarded. For additional information regarding the assumptions used in calculating the grant date fair value, please refer to Note 15 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC.

(2) Mr. Vogel joined the Board of Directors on October 30, 2009 and as such he was granted 3,333 stock awards for the stub period October 30, 2009 through June 30, 2010.

PROPOSALS TO BE VOTED ON

PROPOSAL 1: ELECTION OF DIRECTORS

Which directors are nominated for election?

Paul D. Arling is nominated for election as a Class I Director to serve a one-year term expiring at our 2011 Annual Meeting of Stockholders. Satjiv S. Chahil, William C. Mulligan, J.C. Sparkman, Gregory P. Stapleton, Carl E. Vogel, and Edward K. Zinser are nominated for election as Class II Directors to serve a two-year term expiring at our 2012 Annual Meeting of Stockholders.

What are the directors backgrounds?

Paul D. Arling
Chairman and Chief Executive Officer
Director since 1996
Age: 47

Paul D. Arling is our Chairman and Chief Executive Officer. He joined us in May 1996 as Chief Financial Officer and was named to our Board of Directors in August 1996. He was appointed President and COO in September 1998, was promoted to Chief Executive Officer in October 2000 and appointed as Chairman in July 2001. From 1993 through May 1996, he served in various capacities at LESCO, Inc. (a manufacturer and distributor of professional turf care products). Prior to LESCO, he worked for Imperial Wall coverings (a manufacturer and distributor of wall covering products) as Director of Planning, and The Michael Allen Company (a strategic management consulting company) where he was employed as a management consultant. Mr. Arling earned a Bachelor of Science degree from the University of Pennsylvania and an MBA from the Wharton School of the University of Pennsylvania. At the 2009 Annual Meeting of Stockholders, Mr. Arling was reelected as Chairman of the Company to serve until the 2010 Annual Meeting of Stockholders.

As a result of his service as CEO of the Company for the past 9 years, Mr. Arling brings to the Board extensive leadership experience with, and knowledge of, the Company s business and strategy as well as a historical perspective on the Company s growth and operations.

Satjiv S. Chahil
Director since 2002
Compensation Committee
Corporate Governance and Nominating Committee
Age: 59

Since January 2010, Mr. Chahil has been an Executive Advisor to Hewlett-Packard Company. From September 2005 through January 2010, Mr. Chahil was the Senior Vice President-Marketing of Hewlett Packard s Personal Systems Group. Prior to that, from June 2002 to August 2005, he was advisor to the Chairman of Palm, Inc. (a manufacturer and marketer of handheld computing and mobile and wireless Internet solutions). Mr. Chahil was also a director at PalmSource, Inc. from June 2002 to August 2004. From March 2001 to June 2002, he was Interim Chief Operating Officer of Palm Solutions (a division of Palm, Inc.). From March 2000 to June 2002, he was Chief Marketing Officer of Palm, Inc. From March 1999 to March 2000, he was Chief Marketing Officer of Newbridge Networks, Inc. (an ATM technology networks company). From May 1997 to March 2000, Mr. Chahil served as a consultant to Sony

Corporation. From 1988 to 1997, he was with Apple Computer holding various positions, his last being Senior Vice President Worldwide Marketing. Mr. Chahil earned a bachelor s degree in commerce from Punjab University in Chandigarh, India and a master s degree from the American (Thunderbird) Graduate School of International Management in Arizona. Mr. Chahil was a Class II director of the Company from 2002 until

June 2006 when he did not stand for re-election due to a change in his employment which precluded him from serving as a director of the Company. In August 2006, Mr. Chahil rejoined the Board because his employment no longer precluded him from serving as one of our directors. He also serves as a member of our Compensation and Corporate Governance and Nominating Committees. At the 2008 Annual Meeting of Stockholders, Mr. Chahil was reelected as a Class II Director of the Company to serve until the 2010 Annual Meeting of Stockholders.

Mr. Chahil provides our Board with proven leadership and business experience in the areas of digital convergence, new media and global marketing gained from serving in various executive management positions with multinational information technology, computing and wireless control companies and the extensive management and corporate governance experience gained from those roles.

William C. Mulligan
Director since 1992
Audit Committee
Corporate Governance and Nominating Committee (Chairman)
Age: 56

Mr. Mulligan has 25 years of experience in private equity, having joined Primus Capital Funds in 1985 from McKinsey & Company, Inc. Mr. Mulligan has served as a Managing Director of Primus since 1987. His previous experience includes positions at Deere and Company and First Chicago Corporation. Mr. Mulligan serves as director of several Primus portfolio companies, TFS Financial Corporation (a federally chartered stock holding company Nasdaq:TFSL), and Athersys, Inc. (a biopharmaceutical company Nasdaq:ATHX). Mr. Mulligan serves on the audit (chairman) and compensation committees of TFS and on the audit, compensation and nominations committees of Athersys. Mr. Mulligan is a trustee of The Cleveland Clinic Foundation and chairs the Advisory Board of CCF Innovations, which is responsible for commercializing technology developed at the Cleveland Clinic. Mr. Mulligan is also a trustee of Denison University and the Western Reserve Land Conservancy. Mr. Mulligan earned a Bachelor of Arts in economics from Denison University and an MBA from the University of Chicago. Mr. Mulligan has served as a member of our Board of Directors since 1992. He also serves as Chairman of our Corporate Governance and Nominating Committee and as a member of our Audit Committee. At the 2008 Annual Meeting of Stockholders, Mr. Mulligan was reelected as a Class II Director of the Company to serve until the 2010 Annual Meeting of Stockholders.

Mr. Mulligan provides our Board and our Corporate Governance and Nominating Committee, of which he is Chairman, with extensive knowledge in the fields of financial services, investment banking, and accounting, and his experience in legal and corporate governance areas and audit oversight gained from his membership on the boards and audit committees of other public companies.

J.C. Sparkman
Director since 1998
Compensation Committee (Chairman)
Corporate Governance and Nominating

Mr. Sparkman is a co-founder and served as the Chairman of the Board of Broadband Services, Inc., a provider of telecommunications equipment services, including procurement, forecasting, warehousing, installation and repair, to domestic and institutional customers, from September 1999

Committee	through December 2003. Prior to that, Mr. Sparkman served as Executive
Age: 77	Vice President and Chief Operating Officer of

Tele-Communications, Inc. (TCI) from 1987 until his retirement in 1995. He is a director of Shaw Communications, Inc., (NYSE:SJR) where he also serves on Shaw s Executive Committee and Human Resources and Compensation Committee. Mr. Sparkman is also a director of Liberty Global, Inc., (Nasdaq:LBTYA) where he also serves on Liberty Global s Compensation Committee and Nominating and Corporate Governance Committee. Mr. Sparkman has served as a member of our Board of Directors since 1998. He also serves as Chairman of our Compensation Committee and as a member of our Corporate Governance and Nominating Committee. At the 2008 Annual Meeting of Stockholders, Mr. Sparkman was reelected as a Class II Director of the Company to serve until the 2010 Annual Meeting of Stockholders.

Mr. Sparkman brings to the Board and our Compensation Committee, of which he is Chairman, operating, business and management experience gained from serving in various executive management positions for companies within the subscription broadcasting industry, extensive management and corporate governance experience gained from those roles and membership on the boards of those and other public companies.

Gregory P. Stapleton
Director since 2008
Compensation Committee
Age: 63

Gregory P. Stapleton is the founder and owner of Falcon One Enterprises, a private equity firm that invests in technology companies, since 2005. From 2000 to 2004, Mr. Stapleton was the President of Harman International and from 1998 to 2004, he was also the Chief Operating Officer. He was a director of Harman from 1997 to 2004. He served as President of Harman s Automotive OEM Group from 1987 to 1998. Prior to 1998, he served in various leadership positions at General Electric for 19 years. Mr. Stapleton earned a Bachelor of Science in aerospace engineering from Penn State University. He joined our Board of Directors in April 2008 to fill a vacancy. He also serves as a member of our Compensation Committee. At the 2008 Annual Meeting of Stockholders, Mr. Stapleton was elected as a Class II Director of the Company to serve until the 2010 Annual Meeting of Stockholders.

Mr. Stapleton provides the Board with extensive management experience, which includes his former role as President and COO of a multinational provider of premium audio and infotainment solutions, and his extensive management, finance and corporate governance experience gained from that role.

Carl E. Vogel
Director since 2009
Audit Committee
Age: 52

Since May 2009, Mr. Vogel has been a Partner of SCP Worldwide (a sports, media and entertainment company). From February 2008 until March 2009, Mr. Vogel served as Vice Chairman of and later senior advisor to each of DISH Network Corporation (formerly Echostar Communications Corporation, a satellite-delivered digital television services provider) and Echostar Corp. (a developer of set-top boxes and other electronic technology). Mr. Vogel remains a senior adviser and director of DISH Network Corporation. From May 2005 until February 2008, he was at Echostar Communication Corporation first joining as a director and later serving as its President and Vice Chairman. From 2001 until 2005, Mr. Vogel served as President and Chief Executive Officer and a director of Charter Communications Inc. (a publically-traded, broadband services company). Prior to joining Charter, from April 1998 to October 2001 Mr. Vogel worked as an executive officer in various capacities for the companies affiliated with Liberty Media Corporation. From 1994 until 1997, Mr. Vogel served in various executive officer capacities at Echostar, including serving as its President from 1995 until 1997. Mr. Vogel was a Director from April 2000 to September 18, 2000, as well as Chairman and Chief Executive Officer from August 22, 2000 to September 18, 2000, of ICG Communications, Inc. (a telecommunications company) and certain of its subsidiaries which filed voluntary petitions for Chapter 11 protection with the U.S. Bankruptcy Court for the District of Delaware on November 14, 2000. Mr. Vogel is a member of the Board of Directors of Shaw Communications, Inc. (NYSE:SJR) and Nextwave Wireless, Inc. (Nasdaq:WAVE), Ascent Media Corporation (Nasdaq:ASCMA.A), and other privately-held companies. Mr. Vogel serves on the audit committee of Shaw, the audit committee (chairman) of Nextwave, and the executive committee (chairman) of Ascent. Mr. Vogel earned his Bachelor of Science from St. Norbert College, located in DePere, WI with an emphasis in finance and accounting, and was a former active Certified Public Accountant. Mr. Vogel joined our Board of Directors in October 2009 to fill a vacancy. He also serves as a member of our Audit Committee.

As a result of his background as former Vice Chairman of DISH Network Corporation, Mr. Vogel brings to the Board demonstrated leadership capability and extensive knowledge of complex financial and operational issues facing large subscription broadcasting companies, as well as extensive management and corporate governance experience gained from that role and from membership on the boards of that company and other public and privately-held companies.

Edward K. Zinser
Director since 2006
Audit Committee (Chairman)
Age: 52

Since January 2008, Mr. Zinser has served as Chief Financial Officer of Boingo Wireless. From April 2004 to November 2007, Mr. Zinser served as Executive Vice President and Chief Financial Officer of THQ, Inc. Prior to joining THQ, from May 2001 to February 2004, Mr. Zinser served as Executive Vice President and Chief Financial Officer of Vivendi Universal Games, a developer, publisher and distributor of interactive software products. From June 1999 to March 2001, he was at USA Networks where he was initially Senior Vice President and Chief Financial Officer of Internet Shopping Network, the e-commerce division. In June 2000, he became President and Chief Operating Officer of Styleclick, Inc., a public e-commerce services provider that was created through the acquisition of Styleclick.com. From June 1998 until May 1999 Mr. Zinser was the Executive Vice President and Chief Financial Officer of Chromium Graphics, Inc. a private equity backed manufacturer and marketer of print products. From June 1993 to May 1998, Mr. Zinser served as Vice President and Chief Financial Officer/Chief Operating Officer of Disney Publishing, a division of The Walt Disney Company. Mr. Zinser s experience also includes positions at leading consumer products companies such as The Franklin Mint, Pepsi-Cola and Campbell Soup. Mr. Zinser earned a Bachelor of Science in business management from

Fairfield University and an MBA in finance from the University of Chicago. Mr. Zinser has served as a member of our Board of Directors since 2006. He also serves as Chairman of our Audit Committee. At the 2008 Annual Meeting of Stockholders, Mr. Zinser was reelected as a Class II Director of the Company to serve until the 2010 Annual Meeting of Stockholders.

Mr. Zinser provides our Board and our Audit Committee, of which he is Chairman, with extensive knowledge in the fields of finance and accounting, his knowledge of investment banking, and his legal, corporate governance, and audit oversight experience gained from his membership on the boards and audit committees of other public companies.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE NOMINEES.

Table of Contents

PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors, acting on the recommendation of its Audit Committee, has appointed Grant Thornton LLP (GT), a firm of independent registered public accountants, as auditors, to examine and report to the Board and to our stockholders on our consolidated financial statements and our subsidiaries for 2010. GT has served as the independent registered public accounting firm of the company since 2005.

Although ratification of the appointment of GT is not legally required, the Board is submitting it to the stockholders as a matter of good corporate governance. If the stockholders do not ratify the appointment, the audit committee will consider the selection of another independent registered public accounting firm in future years.

Representatives of GT will be present at the Annual Meeting to make a statement, if they so desire, and will be available to respond to appropriate questions.

We engaged GT as our independent registered public accounting firm for the fiscal year ending December 31, 2009. The decision to engage GT was approved by the Board of Directors, upon the recommendation of the Audit Committee and ratification by our stockholders.

Fees Paid to Independent Registered Public Auditing Firm

Aggregate fees for professional services delivered by GT for the years ended December 31, 2009 and 2008 were as follows:

	For the Year Ended	
Type of Fees	**12/31/2009(1)**	**12/31/2008(1)**
Audit Fees(2)	$ 959,160	$ 1,088,965
Audit-Related Fees(3)	33,500	22,070
Tax Fees(4)	46,440	
All Other Fees		
	$ 1,039,100	$ 1,111,035

(1) Fees billed in foreign currencies are converted using the average exchange rate over the period.

(2) *Audit Fees* consist of fees for professional services provided in connection with the integrated audit of our financial statements, review of our quarterly financial statements and audit services related to other statutory and regulatory filings. The Audit Fees for services provided related to our other statutory and regulatory filings were $104 thousand for the years ended 2009 and 2008.

(3) *Audit-Related Fees* consist of the aggregate fees billed by GT for due diligence projects.

(4) *Tax Fees* consist of the aggregate fees billed by GT related to tax planning projects.

Audit Committee Pre-Approval Policy for Audit and Non-Audit Services of Independent Registered Public Accounting Firm

The audit committee s policy requires that it pre-approve all audit and non-audit services to be performed by the company s independent registered public accounting firm. Unless a service falls within a category of services that the audit committee has pre-approved, an engagement to provide the service requires pre-approval by the audit committee. Also, proposed services exceeding pre-approved cost levels require additional pre-approval.

Consistent with the rules established by the SEC, proposed services to be provided by the company s independent registered public accounting firm are evaluated by grouping the service fees under one of the following four categories: *Audit Services, Audit-Related Services* , *Tax Services* and *All Other Services*. All proposed services are discussed and approved by the audit committee. In order to render approval, the audit committee has available a schedule of services and fees approved by category for the current year for reference, and specific details are provided. The audit committee does not pre-approve services related only to the broad categories noted above.

Table of Contents

The audit committee has delegated pre-approval authority to its chairman for cases where services must be expedited. The company s management provides the audit committee with reports of all pre-approved services and related fees by category incurred during the current fiscal year, with forecasts of additional services anticipated during the year.

All of the services related to fees disclosed above were pre-approved by the audit committee.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE *FOR* RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDED DECEMBER 31, 2010.

PROPOSAL 3: ADOPTION AND APPROVAL OF THE COMPANY S 2010 STOCK INCENTIVE PLAN

Overview

On April 27, 2010, the board unanimously adopted and approved the company s 2010 Stock Incentive Plan (2010 Plan), and is submitting the 2010 Plan to stockholders for their adoption and approval at the Annual Meeting. The board believes the company s interests are best advanced by stimulating the efforts of employees, officers, and non-employee directors, in each case who are selected to be participants, by heightening the desire of such persons to continue working toward and contributing to the success and progress of the company. The 2010 Plan allows grants of incentive and nonqualified stock options, stock appreciation rights, restricted stock and restricted stock units, any of which may be performance-based, and for incentive bonuses. The board has adopted and approved the 2010 Plan to permit the company to continue to use stock-based compensation to align stockholder and participant interests to the company. The company s stock-based compensation program is currently operated under the company s 2002 Stock Incentive Plan, 2003 Stock Incentive Plan, and 2006 Stock Incentive Plan (collectively, the Prior Plans). As of April 1, 2010, only 103,777 shares were available for future grants under the Prior Plans.

Why You Should Vote For the 2010 Plan

The board recommends that the company s stockholders approve the 2010 Plan because it believes the company s ability to grant equity-based awards continues to be crucial in allowing the company to effectively compete for and appropriately motivate and reward key talent. It is in the long-term interest of both the company and its stockholders to strengthen the company s ability to attract, motivate and retain employees, officers, and non-employee directors and to provide additional incentive for those persons through stock ownership and other incentives to improve financial performance, increase profits and strengthen the mutuality of interest between those persons and the company s stockholders.

Promotion of Good Corporate Governance Practices

The board believes the use of stock-based incentive awards promotes best practices in corporate governance by maximizing stockholder value. By providing participants in the 2010 Plan with a stake in the company s success, the interests of the participants are aligned with those of the company s stockholders. Specific features of the 2010 Plan that are consistent with good corporate governance practices include, but are not limited to:

- options and stock appreciation rights may not be granted with exercise prices lower than the fair market value of the underlying shares on the grant date;
- there may be no repricing of options or stock appreciation rights without stockholder approval, either by canceling the award in exchange for cash or a replacement award at a lower price or by reducing the exercise price of the award, other than in connection with a change in the company s capitalization; and
- awards generally may not be transferred except by will or the laws of descent and distribution or, if approved by the Committee, to certain family members, family trusts, or family partnerships pursuant to a gift or domestic relations order.

Key Data

The following table includes information regarding all of the company s outstanding equity awards and shares available for future awards under the company s equity plans as of April 1, 2010 (and without giving effect to this proposal 3):

Total shares underlying all outstanding options	1,762,085
Weighted average exercise price of outstanding options	$ 18.74
Weighted average remaining contractual life of outstanding options	5.49 years
Total shares underlying all outstanding and unvested restricted stock awards	275,815
Shares available for future awards that may be issued under Prior Plans	103,777

Section 162(m) of the Code

The board believes that it is in the best interests of the company and its stockholders to continue to provide for an equity incentive plan under which compensation awards made to the company s executive officers may qualify for deductibility by the company for federal income tax purposes. Accordingly, the 2010 Plan has been structured in a manner such that awards granted under it may satisfy the requirements for performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code of 1986 (the Code). In general, under Section 162(m), in order for the company to be able to deduct compensation in excess of $1,000,000 paid in any one year to the company s chief executive officer or any of the company s four other most highly compensated executive officers (other than the company s chief financial officer), such compensation must qualify as performance-based. One of the requirements of performance-based compensation for purposes of Section 162(m) is that the material terms of the performance goals under which compensation may be paid be disclosed to and approved by the company s stockholders. For purposes of Section 162(m), the material terms include (i) the employees eligible to receive compensation, (ii) a description of the business criteria on which the performance goal is based and (iii) the maximum amount of compensation that may be paid to an employee under the performance goal. With respect to the various types of awards under the 2010 Plan, each of these aspects is discussed below, and stockholder approval of the 2010 Plan will be deemed to constitute approval of each of these aspects of the 2010 Plan for purposes of the approval requirements of Section 162(m).

Plan Summary

The following summary of the material terms of the 2010 Plan are qualified in their entirety by reference to the complete statement of the 2010 Plan, which is set forth in Appendix C to this Proxy Statement.

Administration

The 2010 Plan will be administered by the Compensation Committee of the Board of Directors. Subject to the express provisions of the 2010 Plan, the Committee is authorized and empowered to do all things that it determines to be necessary or appropriate in connection with the administration of the 2010 Plan. In addition, the compensation committee may delegate any or all aspects of the day-to-day administration of the 2010 Plan to one or more officers or employees of the company or any subsidiary, and/or to one or more agents.

Participants

Any person who is a non-employee director or an employee of the company or of any subsidiary will be eligible for the grant of awards under the 2010 Plan. Options intending to qualify as incentive stock options (ISOs) within the meaning of Section 422 of the Code may only be granted to employees of the company or any subsidiary. Approximately 555 employees and 6 non-employee directors currently qualify to participate in the 2010 Plan.

Shares Subject to the Plan and to Awards

The aggregate number of shares of the company s common stock issuable pursuant to the 2010 Plan may not exceed 1,000,000, subject to adjustment upon a change in the company s capitalization. As noted above, as of

April 1, 2010, 103,777 shares remained available for issuance under future awards that may be granted under the Prior Plans.

The aggregate number of shares issued under the 2010 Plan at any time will equal the number of shares issued upon exercise or settlement of an award. Shares subject to awards that expire, terminate or are unexercised, or forfeited will again be available for issuance under the 2010 Plan.

Option Awards

The Committee will establish the exercise price per share under each option, which, other than in the event of options granted in connection with a merger or other acquisition, will not be less than the fair market value of a share on the date the option is granted. The Committee will establish the term of each option, which in no case may exceed a period of ten (10) years from the date of grant. Options granted under the 2010 Plan may either be ISOs or options which are not intended to qualify as ISO s, or nonqualified stock options (NQSOs). The 2010 Plan prohibits repricing stock options without stockholder approval.

Stock Appreciation Rights

A stock appreciation right provides the right to the monetary equivalent of the increase in value of a specified number of the shares over a specified period of time after the right is granted. Stock appreciation rights may be granted to participants either in tandem with or as a component of other awards granted under the 2010 Plan (tandem SARs) or not in conjunction with other awards (freestanding SARs). All freestanding SARs will be granted subject to the same terms and conditions applicable to options as set forth above and in the 2010 Plan and all tandem SARs will have the same exercise price, vesting, exercisability, forfeiture and termination provisions as the award to which they relate. The 2010 Plan prohibits repricing stock appreciation rights without stockholder approval.

Restricted Stock and Restricted Stock Units

Restricted stock is an award or issuance of shares the grant, issuance, retention, vesting and/or transferability of which is subject during specified periods of time to conditions (including continued employment or performance conditions) and terms as the Committee deems appropriate. Restricted stock units are awards denominated in units of shares under which the issuance of shares is subject to conditions (including continued employment or performance conditions) and terms as the Committee deems appropriate. Participants will have no voting rights with respect to shares underlying restricted stock and restricted stock units unless and until such shares are reflected as issued and outstanding shares on the company s stock ledger. Participants in whose name restricted stock is granted will be entitled to receive all dividends and other distributions paid with respect to those shares, unless determined otherwise by the Committee. Shares underlying restricted stock units will be entitled to dividends or dividend equivalents only to the extent provided by the Committee.

Qualifying Performance Criteria

The Committee may establish performance criteria and level of achievement versus such criteria that will determine the number of shares to be granted, retained, vested, issued or issuable under or in settlement of or the amount payable pursuant to an award, which criteria may be based on qualifying performance criteria (as described below) or other standards of financial performance and/or personal performance evaluations. In addition, the Committee may specify that an award or a portion of an award is intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Code, provided that the performance criteria for such award or portion of an award that is intended by the Committee to satisfy the requirements for performance-based compensation under Section 162(m) of the Code will be a measure based on one or more qualifying performance criteria selected by the Committee and specified at the time the award is granted. The Committee will certify the extent to which any qualifying performance criteria has been satisfied, and the amount payable as a result thereof, prior to payment, settlement or vesting of any award that is intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Code. Notwithstanding satisfaction of any performance goals, the number of shares issued under or the amount paid under an award may be reduced, but

20

Table of Contents

not increased, by the Committee on the basis of such further considerations as the Committee in its sole discretion may determine.

For purposes of the 2010 Plan, the term qualifying performance criteria means any one or more of the following performance criteria, or derivations of such performance criteria, either individually, alternatively or in any combination, applied to either the company as a whole or to a business unit or subsidiary, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years results or to a designated comparison group, in each case as specified by the Committee: (i) net sales; (ii) earnings from operations, earnings before or after taxes, earnings before or after interest, depreciation, amortization, or extraordinary or special items; (iii) net income or net income per common share (basic or diluted); (iv) return on assets (gross or net), return on investment, return on capital, or return on equity; (v) cash flow, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital; (vi) interest expense after taxes; (vii) economic value added or created; (viii) operating margin or profit margin; (ix) stock price or total stockholder return; (x) average cash balance or cash position; and (xi) strategic business criteria, consisting of one or more objectives based on meeting specified product development, strategic partnering, licensing, research and development, market penetration, geographic business expansion goals, cost targets, customer satisfaction, employee satisfaction, management of employment practices and employee benefits, supervision of litigation and information technology, and goals relating to acquisitions or divestitures of subsidiaries, affiliates or joint ventures.

To the extent consistent with Section 162(m) of the Code, the Committee (i) may appropriately adjust any evaluation of performance under a qualifying performance criteria to eliminate the effects of charges for restructurings, discontinued operations, extraordinary items and all items of gain, loss or expense determined to be extraordinary or unusual in nature or related to the disposal of a segment of a business or related to a change in accounting principle all as determined in accordance with standards established by opinion No. 30 of the Accounting Principles Board (APA Opinion No. 30) or other applicable or successor accounting provisions, as well as the cumulative effect of accounting changes, in each case as determined in accordance with generally accepted accounting principles or identified in the company s financial statements or notes to the financial statements, and (ii) may appropriately adjust any evaluation of performance under a qualifying performance criteria to exclude any of the following events that occurs during a performance period: (a) asset write-downs, (b) litigation, claims, judgments or settlements, (c) the effect of changes in tax law or other such laws or provisions affecting reported results, (d) accruals for reorganization and restructuring programs and (e) accruals of any amounts for payment under the 2010 Plan or any other compensation arrangement maintained by the company.

Settlement of Awards

Awards, may be settled in shares, cash or a combination thereof, as determined by the Committee.

Amendment and Termination

The board may amend, alter or discontinue the 2010 Plan and the Committee may amend, or alter any agreement or other document evidencing an award made under the 2010 Plan, except no such amendment may, without the approval of the stockholders of the company (other than in respect of a change in the company s capitalization): increase the maximum number of shares for which awards may be granted under the 2010 Plan; reduce the exercise price of outstanding options; extend the term of the 2010 Plan; change the class of persons eligible to be participants; otherwise amend the 2010 Plan in any manner requiring stockholder approval by law or under the NASDAQ Global Select Market listing requirements.

No amendment or alteration to the 2010 Plan or an award or award agreement may be made which would impair the rights of the holder of an award, without such holder s consent.

Change in Control

Unless otherwise expressly provided in an award agreement or another contract, including an employment agreement, or under the terms of a transaction constituting a change in control, the Committee may provide for the acceleration of the vesting and, if applicable, exercisability of any outstanding award, or the lapsing of any conditions of restrictions on or the time for payment in respect of any outstanding award, upon termination of the participant s employment following a change in control. In addition, unless otherwise expressly provided in an award agreement or another contract, including an employment agreement, or under the terms of a transaction constituting a change in control, the Committee may provide that any or all of the following will occur in connection with a change in control: (i) the substitution for the shares subject to any outstanding award, stock or other securities of the surviving corporation or any successor corporation to the company, in which event the aggregate purchase or exercise price, if any, of such award will remain the same, (ii) the conversion of any outstanding award into a right to receive cash or other property upon or following the consummation of the change in control in an amount equal to the value of the consideration to be received by holders of shares in connection with such transaction for one share, less the per share purchase or exercise price of such award, if any, multiplied by the number of shares subject to such award, and/or (iii) the cancellation of any outstanding and unexercised awards upon or following the consummation of the change in control.

Adjustments

In the event that any dividend or other distribution (whether in the form of cash, shares, other securities or other property), stock split or a combination or consolidation of the outstanding shares into a lesser number of shares, is declared with respect to the shares, the authorization limits provided in the 2010 Plan may be increased or decreased proportionately, and the shares then subject to each award may be increased or decreased proportionately without any change in the aggregate purchase price of those shares. In the event the shares will be changed into or exchanged for a different number or class of shares of stock or securities of the company or of another corporation, whether through recapitalization, reorganization, reclassification, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares or other securities of the company, issuance of warrants or other rights to purchase shares or other securities of the company, or any other similar corporate transaction or event affects the shares such that an equitable adjustment would be required in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the 2010 Plan, then the authorization limits provided in the 2010 Plan may be adjusted proportionately, and an equitable adjustment may be made to each share subject to an award such that no dilution or enlargement of the benefits or potential benefits occurs.

Transferability

Awards may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated by a participant other than by will or the laws of descent and distribution, and during a participant s lifetime, each option or stock appreciation right may be exercisable only by the participant or his or her legal guardian, and thereafter, a option may be exercised for a one-year period (or such shorter or longer period at the discretion of the Committee). Notwithstanding the foregoing, to the extent permitted by the Committee, the person to whom an award is initially granted may make certain limited transfers to certain family members, family trusts, or family partnerships.

No Right to Company Employment

Nothing in the 2010 Plan or an award agreement will interfere with or limit in any way the right of the company, its subsidiaries and/or its affiliates to terminate any participant s employment, service on the board or service for the company at any time or for any reason not prohibited by law, nor will the 2010 Plan or an award itself confer upon any participant any right to continue his or her employment or service for any specified period of time. Neither an award nor any benefits arising under the 2010 Plan will constitute an employment contract with the company, any subsidiary and/or its affiliates.

Compliance with Law

The 2010 Plan, the grant, issuance, vesting, exercise and settlement of awards thereunder, and the obligation of the company to sell, issue or deliver shares under such awards, will be subject to all applicable foreign, federal, state and local laws, rules and regulations, stock exchange rules and regulations, and to such approvals by any governmental or regulatory agency as may be required. The company will not be required to issue or deliver any certificates for shares prior to the completion of any registration or qualification of such shares under any

Table of Contents

federal or state law or issuance of any ruling or regulation of any government body which the company will, in its sole discretion, determine to be necessary or advisable.

Effective Date and Termination of the 2010 Plan

The 2010 Plan will become effective on June 15, 2010, subject to approval by the company s stockholders. The 2010 Plan will remain available for the grant of awards until the tenth (10th) anniversary of the effective date.

Federal Income Tax Treatment

The following discussion of the federal income tax consequences of the 2010 Plan is intended to be a summary of applicable federal law as currently in effect. It should not be taken as tax advice by 2010 Plan participants, who are urged to consult their individual tax advisors.

Stock Options

ISOs and NQSOs are treated differently for federal income tax purposes. ISOs are intended to comply with the requirements of Section 422 of the Code. NQSOs do not comply with such requirements.

An optionee is not taxed on the grant or exercise of an ISO. The difference between the exercise price and the fair market value of the shares on the exercise date will, however, be a preference item for purposes of the alternative minimum tax. If an optionee holds the shares acquired upon exercise of an ISO for at least two years following the option grant date and at least one year following exercise, the optionee s gain, if any, upon a subsequent disposition of such shares is long term capital gain. The measure of the gain is the difference between the proceeds received on disposition and the optionee s basis in the shares (which generally equals the exercise price). If an optionee disposes of stock acquired pursuant to exercise of an ISO before satisfying these holding periods, the optionee will recognize both ordinary income and capital gain in the year of disposition. The company is not entitled to an income tax deduction on the grant or exercise of an ISO or on the optionee s disposition of the shares after satisfying the holding period requirement described above. If the holding periods are not satisfied, the company will be entitled to a deduction in the year the optionee disposes of the shares in an amount equal to the ordinary income recognized by the optionee.

In order for an option to qualify for ISO tax treatment, the grant of the option must satisfy various other conditions more fully described in the Code. The company does not guarantee that any option will qualify for ISO tax treatment even if the option is intended to qualify for such treatment. In the event an option intended to be an ISO fails to so qualify, it will be taxed as an NQSO described below.

An optionee is not taxed on the grant of an NQSO. On exercise, the optionee recognizes ordinary income equal to the difference between the exercise price and the fair market value of the shares acquired on the date of exercise. The company is entitled to an income tax deduction in the year of exercise in the amount recognized by the optionee as ordinary income. The optionee s gain (or loss) on subsequent disposition of the shares is long term capital gain (or loss) if the shares are held for at least one year following exercise. The company does not receive a deduction for this gain.

Stock Appreciation Rights

An optionee is not taxed on the grant of a stock appreciation right. On exercise, the optionee recognizes ordinary income equal to the cash or the fair market value of any shares received. The company is entitled to an income tax deduction in the year of exercise in the amount recognized by the optionee as ordinary income.

Restricted Stock and Restricted Stock Units

Grantees of restricted stock or restricted stock units do not recognize income at the time of the grant. When the award vests or is paid, grantees generally recognize ordinary income in an amount equal to the fair market value of the stock or units at such time, and the company will receive a corresponding deduction. However, no later than 30 days after a participant receives an award of restricted stock, the participant may elect to recognize taxable ordinary income in an amount equal to the fair market value of the shares at the time of receipt. Provided that the

Table of Contents

election is made in a timely manner, when the restrictions on the shares lapse, the participant will not recognize any additional income. If the participant forfeits the shares to the company (e.g., upon the participant s termination prior to vesting), the participant may not claim a deduction with respect to the income recognized as a result of the election. Dividends paid with respect to unvested shares of restricted stock generally will be taxable as ordinary income to the participant at the time the dividends are received.

Company Deduction and Section 162(m)

For the individual serving as the chief executive officer of the company at the end of the taxable year and for the individuals serving as officers of the company or a subsidiary at the end of such year who are among the three highest compensated officers (other than the chief executive officer and chief financial officer) for proxy reporting purposes, Section 162(m) limits the amount of compensation otherwise deductible by the company and its subsidiaries for such year to $1,000,000 for each such individual except to the extent that such compensation is performance-based compensation. The company expects that NQSOs, ISOs and stock appreciation rights should qualify as performance-based compensation. The compensation committee may establish performance conditions and other terms with respect to grants of restricted stock, restricted stock units and incentive compensation awards in order to qualify such grants as performance-based compensation for purposes of Section 162(m).

New Plan Benefits

The benefits that will be awarded or paid under the 2010 Plan are not currently determinable. Such awards are within the discretion of the compensation committee, and the compensation committee has not determined future awards or who might receive them. Information about awards granted in prior fiscal years under the company s prior plans to the company s named executive officers may be found in the table under the heading Stock-Based Compensation in the Compensation Discussion and Analysis section of this proxy statement. As of April 1, 2010, the closing price of a share of the company s common stock was $22.32.

Vote Required and Board Recommendation

The affirmative vote of a majority of the votes cast is required for the adoption and approval of the company s 2010 Stock Incentive Plan.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR ADOPTION AND APPROVAL OF THE COMPANY S 2010 STOCK INCENTIVE PLAN.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

Overview

The goal of our executive officer compensation program is the same as our goal for operating the Company to create long-term value for our stockholders. Toward this goal, our compensation programs for our executives (including, the Named Executives (as defined below)) have been and will be designed to reward them for sustained financial and operating performance and leadership excellence, to align their interests with those of our stockholders and to encourage them to remain with the Company for long and productive careers. Most of our compensation elements simultaneously fulfill one or more of our performance, alignment and retention objectives. These elements have consisted of base salary, annual bonus incentive, stock-based compensation and an Executive Long-Term Incentive Plan that was driven by the achievement of objective financial performance criteria. In deciding on the type and amount of compensation for each executive, we focus on both current pay and the opportunity for future compensation. We combine the compensation elements for each executive in a manner we believe optimizes the executive s contribution to the Company.

Terms

This Compensation Discussion and Analysis uses the following terms when discussing executive compensation of the Company:

Peer Group the comparator group of 15 companies, as described in the Use of Benchmarking Data section of this Compensation Discussion and Analysis.

Target Annual Bonus Incentive Opportunity the target value of the annual bonus incentive for a given period.

Target Long-Term Incentive Opportunity the sum of the grant date fair value of stock-based compensation awards and the target value of the Executive Long-Term Incentive Plan, if applicable, for a given period.

Target Total Direct Compensation Opportunity calculated as the sum of base salary, target annual cash bonus incentive opportunity, and target long-term incentive opportunity for a given period.

Compensation Objectives

Performance Our five executives who are identified in the Summary Compensation Table below (whom we refer to as our Named Executives) have a combined total of approximately 54 years with Universal, during which they have held different positions and have been promoted to increasing levels of responsibility. The compensation of each Named Executive reflects his management experience, continued high performance and exceptional career of service to the Company over a long period of time. Key elements of compensation that depend upon the Named Executives performance include:

- an annual bonus incentive that is based on an assessment of performance against pre-determined quantitative and qualitative measures within the context of our overall performance;

- stock-based compensation in the form of stock options, restricted stock, stock appreciation rights and/or phantom stock awards subject to vesting schedules that require continued service with us; and an Executive Long-Term Incentive Plan (ELTIP) that was contingent upon achieving two specific Company level financial goals over 2007 and 2008, and continued service of four years.

Alignment We seek to align the interests of our executives with those of our investors by evaluating executive performance on the basis of key financial measurements, which we believe closely correlate to long-term stockholder value, including net sales, organic growth, operating profit, earnings per share, operating margins, cash flow from operating activities and total stockholder return. The key elements of compensation that align the interests of the executives with stockholders include:

stock-based compensation, which links a significant portion of compensation to long-term stockholder value as the total amount realized corresponds to stock price appreciation;

the ELTIP was fully at risk based on the growth of U.S. GAAP diluted earnings per share and net revenue, which are key performance measurements that drive long-term stockholder value; and

the annual bonus incentive supports the achievement of long-term stockholder value by providing our executives incentive to implement the necessary short-term steps to reach our long-term objectives.

Retention Our executives are often presented with other professional opportunities, including those at potentially higher compensation levels. We attempt to retain our executives by using continued service as a determinant of target total direct compensation opportunity. Key elements of compensation that require continued service to receive the maximum payout include:

extended vesting terms on elements of stock-based compensation, including restricted stock awards and stock options;

the ELTIP, which had an award been earned, would not have begun paying out until the third year of the plan, and then only a prorated portion of the award each quarter during the remaining two years of the plan. To receive the full amount awarded, the executive was required to have remained with the Company for the entire four-year retention incentive period; and

other discretionary programs utilized by the Compensation Committee from time to time to retain key employees, such as stay bonuses .

Implementing Our Objectives

Role of Compensation Committee and the CEO The primary responsibility of our Compensation Committee is to assist the Board of Directors with the following:

developing and evaluating potential candidates for executive positions, including the CEO;

overseeing the development of executive succession plans;

designing, developing and implementing a compensation program for the CEO; and

evaluating the performance and compensation of the CEO in light of the goals and objectives of the compensation program.

The Compensation Committee assesses the performance and determines the compensation of executives other than the CEO (including the Named Executives), based on initial recommendations from the CEO. No executive (including any Named Executive) has any role in the determination of his own compensation, other than discussing their individual performance objectives with the CEO and/or the Compensation Committee.

Role of Compensation Consultant During the fourth quarter of 2009, the Compensation Committee hired Towers Perrin, an independent compensation consulting firm to discuss the design of programs that affect or may affect executive officer and outside director compensation. Towers Perrin was selected as it had provided similar services to the Committee in the past. Our executives (including the Named Executives) did not participate in the selection of the independent compensation consulting firm. This firm provided the Compensation Committee with market data on compensation trends along with general views on specific compensation programs designed by management. Except for the foregoing, we do not receive any other services from this firm. In the future, the Compensation Committee or UEI may engage or seek the advice of other compensation consultants.

Use of Benchmarking Data

When making compensation decisions, the Compensation Committee begins by reviewing competitive market data to compare our executive pay levels to our peer group companies, however, the Compensation Committee does not use formulas or rigidly set the compensation of our executives based on this data alone. The latest review was performed utilizing an analysis of peer group data compiled during the fourth quarter of 2009 by an independent compensation consulting firm (Towers Perrin). The peer group analysis consisted of 15 companies that design and/or manufacture electronic equipment. The Committee believes that these companies are an appropriate peer group for comparison, as well as a group that is large and diverse enough so that any one company does not alter the overall analysis. The peer group was approved by the Compensation Committee and is identified below.

(In millions)

Company Name		**Revenue***
Multi-Fineline Electronix Inc.	$	764
TTM Technologies		582
Smart Modular Technologies (WWH) Inc.		441
Littelfuse		430
MTS Systems Corp.		429
Methode Electronics		429
Newport Corp.		367
Rofin-Sinar Technologies		350
CPI International Inc.		333
Universal Electronics Inc.		**318**
RadiSys Corp.		304
iRobot		299
Rogers Corp.		292
X-Rite Inc.		261
Mercury Computer System		189
FARO Technologies Inc.		148
Median Revenue		**350**
Median Market Capitalization		**391**

* Represents fiscal 2009 reported revenue.

Of the 18 peer group companies utilized in the last compensation study (2006), eight companies were retained, ten companies were dropped and seven were added to the 2009 compensation study. The ten companies were dropped due to their privatization or significant underperformance and anomalous executive compensation.

Determining Compensation

When making compensation decisions, the Compensation Committee begins by reviewing competitive market data obtained from a variety of sources to compare our executive pay levels to other companies. The Compensation Committee does not use formulas or rigidly set the compensation of our executives based on this data alone. After reviewing the market data the Compensation Committee examines our executive compensation structure to assess whether we are meeting our intent to recognize and reward the contributions of all our executives, in achieving our strategic and business goals, while aligning our compensation program with our guiding objectives. Once our executive compensation structure is examined, the Compensation Committee evaluates the performance of each executive. Throughout the process, the Compensation Committee considers input from our CEO and at the end of 2009 from an independent compensation consultant (Towers Perrin).

The performance rating of our executive officers (including our Named Executives) depends on various factors. This assessment has generally been subjective, not subject to formulas. The weight given to each factor may differ from year to year and may differ among individual executive officers in any given year. Executives are rated based on the following three criteria:

1. performance;

2. individual capability and maturity in their role; and

3. role criticality and the difficulty to replace the executive.

The performance of each executive is carefully evaluated against established goals while taking into consideration the business environment. Factors evaluated during this process include the following:

key financial measurements such as net sales, organic growth, operating profit, earnings per share, operating margins, cash flow from operating activities and total stockholder return;

strategic objectives such as acquisitions, dispositions or joint ventures, technological innovation and globalization;

promoting commercial excellence by launching new or continuously improving products or services, being a leading market player and attracting and retaining customers;

achieving specific operational goals for the Company, including improved productivity, efficiency and risk management;

achieving excellence in their organizational structure and among their employees;

supporting Company values by promoting a culture of unyielding integrity through compliance with laws and our ethics policies; and

scope and duration over which each executive has performed their responsibilities, experience, salary history and the executive s current salary.

The Compensation Committee s assessments for each of the three criteria are combined into an overall rating. The overall rating indicates the warranted placement of the individual executive in the lower, middle or upper third of the target total direct compensation opportunity range (annual base salary and target bonus incentive and target long-term incentive opportunity). This range is calculated utilizing the compensation observed in the benchmarking data for comparable positions. For an individual executive the midpoint of the range is anchored to the market 50th percentile, the low end of the range reflects the market 25th percentile, and the high end of the range reflects the market 75th percentile. This strategy is consistent with our primary intent of offering compensation that is contingent on the achievement of performance objectives yet competitive within the market place.

Within the portion of 2010 target total direct compensation opportunity representing performance-based pay, approximately 24% to 33% is tied to achievement of annual incentive goals and 67% to 76% is tied to performance over a longer period of time. This mix of short and long term incentives provides sufficient rewards in the short-term to motivate near-term performance, while at the same time providing significant incentives to keep our executives focused on longer-term corporate goals that drive stockholder value. This mix also mitigates the risk of Named Executives focusing solely on short-term or long-term goals and is consistent with the practice of our peer group companies.

Determination of CEO Compensation

Since 2000, Mr. Arling has been the Company s CEO. Over his thirteen year career with the Company, he has held a number of key positions, as described in his biography under *Proposal 1*. Under Mr. Arling s leadership, revenues have grown at a 15% compound annual growth rate (CAGR) since 2004, rising to $318 million in 2009 from $158 million in 2004, or 100% cumulative. During the same period, diluted earnings per share have also grown at a 10% CAGR, from $0.65 in 2004 to $1.05 in 2009, or 62% cumulative. Over $109 million of cash flow from operating activities has been generated since 2004.

Table of Contents

During 2009, we achieved solid financial results in a very challenging global economic environment. This performance was driven by our acquisition of new customers and the deepening of relationships with existing customers, resulting in the growth of our business both domestically and internationally. A key part of this growth is our ability to turn leading technologies into solutions for our customers in multiple industries. These changes not only contributed to our solid 2009 performance, but also positioned the company well for the future. Total stockholder return during 2009 was 43% compared to 24% for the S&P SmallCap 600 Index during that period.

At the beginning of each year, Mr. Arling, with the company s senior management team, develops the objectives that he believes need to be achieved for the Company to be successful. He then reviews these objectives with the Board for the corollary purpose of establishing how his performance will be assessed. These objectives are derived largely from the Company s financial and strategic planning sessions, during which, in-depth reviews by our senior management team of the Company s growth opportunities are analyzed and goals are established for the upcoming year. They include both quantitative financial measurements and qualitative strategic and operational considerations that help determine the factors that our CEO and the Board believe create long-term stockholder value. Mr. Arling reviews and discusses preliminary considerations as to the executive officers (including his own) compensation with the Compensation Committee. Mr. Arling does not participate in the final determination of his compensation.

The Compensation Committee does not base Mr. Arling s compensation on any specific quantitative or qualitative factors, but upon a subjective review of various performance indicators taken as a whole. This review is performed while considering the general state of the economy and the industries in which we operate. In determining Mr. Arling s compensation for 2010, the Compensation Committee considered his performance against his financial, strategic and operational goals for the prior year, as follows:

Financial Objectives and Goal Performance

	2009[1]	**2008**	**% Change**
GAAP Net Sales (in $ millions)	317.6	287.1	11%
GAAP Net Income (in $ millions)	14.7	15.8	(7)%
GAAP Diluted Earnings Per Share ($ per share)	1.05	1.09	(4)%
Cash and Cash Equivalents and Term Deposit (in $ millions)	78.3	75.2	4%
Days Sales Outstanding	68.2	68.4	0%
Net Inventory Turns	5.3	4.4	20%
Return on Average Assets (in %)	6.5	7.3	(11)%
Gross Margins (in %)	32.0	33.5	(4)%
Operating Margins (in %)	6.9	7.2	(4)%
Book Value Per Share ($ per share)	12.4	11.2	11%

(1) On February 18, 2009, we acquired certain patents, intellectual property and other assets related to the universal remote control business from Zilog (NASDAQ: ZILG) for approximately $9.5 million in cash. The acquisition was mildly accretive to our earnings in 2009, excluding acquisition costs of $1.1 million. We anticipate this acquisition will lead to growth in revenue and earnings going forward.

Table of Contents

Strategic and Operational Goals Assessment

Broad operating strength across the Company	Sales grew by 11% during a historically severe recession.
Sustain a strong balance sheet and high cash flow	Cash increased 4%, despite our acquisition of technology from Zilog Inc. for $9.5 million in cash.
Increase the Company s geographic penetration	Expanded our presence in India and other areas in Asia and solidified plans for significant future expansion opportunities.
Increase consumer category penetration	Introduced multiple innovative new products and increased expansion into consumer markets.
Increase Original Equipment Manufacturers (OEM) penetration	Expanded our role in the OEM category with specific new customers.

Determination of CFO and Other Named Executive Officers Compensation

In determining the compensation of Messrs. Hackworth, Bennett, Kopaskie and Firehammer, the Compensation Committee compared their achievements against their performance objectives, the overall performance of the Company and their contributions to that performance, as well as the performance of the functions that each leads, when relevant.

Annual Cash Compensation

Annual cash compensation for our Named Executives consists of base salary and our annual bonus incentive program.

Base Salary

Base salaries are reviewed approximately every twelve months, but are not automatically increased if the Compensation Committee believes that other elements of compensation are more appropriate in light of our stated objectives. In setting base salaries for the executives, the Compensation Committee considers input from our CEO and, at the end of 2009, from an independent compensation consultant (Towers Perrin), as well as the performance ratings of the executives.

The 2009 base salaries of our Named Executives as compared to the market 50th percentile of our peer group were the following:

(In thousands) **Name**	**2009 Base Salary**	**Base Salary Compared to the Peer Group 50th Percentile**
Paul Arling	$ 510	7 %
Bryan Hackworth	250	(14)%
Paul Bennett(1)	371	38 %
Mark Kopaskie	310	15 %

Richard Firehammer	250	(7)%

(1) Paul Bennett s salary was converted to U.S. dollars using 1.484 USD/EUR, the exchange rate as of November 12, 2009 which is the date Towers Perrin compiled the compensation study.

Base Salary of Our CEO Mr. Arling did not receive any base salary increase during 2010, 2009 or 2008. Mr. Arling s base salary increased 21% for 2007, from $420,000 to $510,300.

Base Salary of Named Executives Other Than Our CEO Mr. Hackworth s base salary increased 12% for 2010, from $250,000 to $280,000. Mr. Hackworth s base salary increased 4% for 2009, from $240,000 to $250,000. The Board of Directors promoted Mr. Hackworth to the position of Senior Vice President and Chief Financial Officer, effective April 2008. Prior to this promotion Mr. Hackworth was our Vice President and Chief Financial Officer. In connection

30

with his promotion to Senior Vice President, for 2008 Mr. Hackworth s base salary increased 14% from $210,000 to $240,000. For 2007, Mr. Hackworth s base salary increased by 5% from $200,000 to $210,000.

Mr. Bennett s base salary was not increased for 2010. Mr. Bennett s base salary increased 2% for 2009, from 245,000 to 250,000. For 2008, Mr. Bennett s base salary increased 2%, from 240,000 to 245,000. Mr. Bennett s salary increased 12% for 2007, from 213,480 to 240,000.

Mr. Kopaskie s base salary was not increased for 2010. Mr. Kopaskie s base salary increased 3% for 2009, from $300,000 to $310,000. For 2008, Mr. Kopaskie s base salary increased 11%, from $270,400 to $300,000. During 2007, Mr. Kopaskie s base salary was increased 4% from $260,000 to $270,400.

Mr. Firehammer s base salary increased 8% for 2010, from $250,000 to $270,000. Mr. Firehammer s base salary increased 4% for 2009 from $240,000 to $250,000. For 2008, Mr. Firehammer s base salary increased 2% from $235,000 to $240,000. Mr. Firehammer s base salary increased 4% for 2007, from $225,000 to $235,000.

Subsequent to the salary increases for 2010, the base salaries of our Named Executives as compared to the market 50th percentile of our peer group were the following:

(In thousands) **Name**	**2010 Base Salary**	**Base Salary Compared to the Peer Group 50th Percentile**
Paul Arling	$ 510	7 %
Bryan Hackworth	280	(3)%
Paul Bennett(1)	371	38 %
Mark Kopaskie	310	15 %
Richard Firehammer	270	(1)%

(1) Paul Bennett s salary was converted to U.S. dollars using 1.484 USD/EUR, the exchange rate as of November 12, 2009 which is the date Towers Perrin compiled the compensation study.

Annual Bonus Incentive

Annually, the CEO reviews, with the Compensation Committee, our full-year financial results. The Compensation Committee, with input from the CEO (regarding the Named Executives other than the CEO) uses discretion in determining the bonus, if any, for each individual executive. They evaluate the overall performance of the Company, the performance of the function that the executive leads and the performance rating of each executive. Based on the level at which their expectations were achieved, the Compensation Committee may pay each executive officer a bonus equal to a percentage of the executive s base salary. For the CEO, the percentage ranges between 10% and 120% of his base salary as of year-end. For the other executive officers, the percentage ranges between 10% and 100% of the executive s base salary as of year-end.

Following the completion of 2009, the preliminary award amount for each participant was equal to the product of (i) the executive s base salary and (ii) the percentage determined in accordance with the following matrix:

Name	Equal to or Greater Than $1.11 But Less Than $1.17	Diluted GAAP EPS Target Equal to or Greater Than $1.17 But Less Than $1.33	Equal to or Greater Than $1.33
Paul Arling	10%	60%	120%
Bryan Hackworth	10%	40%	80%
Paul Bennett	10%	50%	100%
Mark Kopaskie	10%	50%	100%
Rick Firehammer	10%	40%	80%

31

The 2009 target bonus opportunities (percentage of base salary) of our Named Executives as compared to the market 50th percentile of our peer group were the following:

Name	2009 Target Bonus Percentage	Target Bonus Percentage of the Peer Group 50th Percentile
Paul Arling	60%	80%
Bryan Hackworth	40%	57%
Paul Bennett	50%	65%
Mark Kopaskie	50%	65%
Richard Firehammer	40%	53%

Subsequent to the examination of our executive compensation structure during the fourth quarter of 2009, the Compensation Committee adjusted the percentages of base salary the Named Executives can earn under the Annual Bonus Incentive for 2010 to the following:

	Diluted GAAP EPS Equal to or Greater Than the:		
Name	Low	Target	Max
Paul Arling	5%	75%	150%
Bryan Hackworth	5%	55%	110%
Paul Bennett	5%	60%	120%
Mark Kopaskie	5%	65%	130%
Rick Firehammer	5%	55%	110%

The Compensation Committee may utilize its sole discretion to increase or reduce the amount of any participant s earned award to reflect the Compensation Committee s assessment of the participant s performance during the year. In certain circumstances, an additional bonus may be awarded if the Compensation Committee determines that an executive officer s individual performance warrants such award. We believe that the annual bonus rewards the executives who drive desired results and encourages them to sustain this performance.

In 2009, we achieved diluted GAAP EPS of $1.05, below the minimum diluted GAAP EPS required to obtain a payout as established by the Compensation Committee and is set forth in the matrix above. As such, annual cash bonuses were not awarded for fiscal 2009.

In 2008, we achieved diluted GAAP EPS of $1.09, below the minimum diluted GAAP EPS required to obtain a payout as established by the Compensation Committee. As such, annual cash bonuses were not awarded for fiscal 2008.

We surpassed our fiscal target diluted GAAP EPS goal in 2007, with $1.33 diluted GAAP EPS. However, our fourth quarter GAAP EPS guidance would not have been achieved had management bonuses been paid. In addition, we did not achieve our fourth quarter net sales guidance. In light of this assessment, annual cash bonuses were not awarded for fiscal 2007.

The salaries paid and the annual bonus incentives awarded to the Named Executives for 2009, 2008 and 2007 are shown in the Summary Compensation Table below.

Long-Term Incentive Compensation

Overview

Long-term incentive compensation has consisted of stock option grants, restricted stock awards, and our 2007 Executive Long-Term Incentive Plan (ELTIP). When determining the appropriate combination of stock-based and cash compensation, our goal is to weigh the cost of each with their potential benefits as a compensation tool. We consider the grant size and the appropriate combination of equity-based compensation and cash compensation when making award decisions. We believe that providing stock-based compensation grants and cash compensation effectively balances our objectives of focusing the Named Executives on delivering long-term value to our stockholders and providing value to the executives.

Table of Contents

Stock-Based Compensation

Our stock-based compensation program has been designed to recognize scope of responsibilities, reward demonstrated performance and leadership, motivate future superior performance, align the interests of the executive with those of our stockholders and retain the executives through the term of the awards. The Compensation Committee has also issued stock-based compensation to attract new executive officers. The amount and composition of the stock-based compensation granted is based upon our strategic, operational and overall financial performance and reflects the executives expected contributions to our future success.

Stock-based compensation grants may take place at various times throughout the year, but grant decisions are made without regard to anticipated earnings or other major announcements made by us. The grant price of stock options and restricted stock awards granted to our employees under our stock incentive plans is the average of the high and low trades of our stock on the grant date. We prohibit the re-pricing or backdating of stock options. Existing stock ownership levels are not a factor in award determination, as we do not want to discourage executives from holding our stock. None of our employees are subject to a minimum stock ownership level or are required to hold vested stock-based compensation for any minimum length of time.

Our stock options become exercisable ratably, on an annual or quarterly basis, over four years. Stock options have a maximum ten-year term. We believe that this vesting schedule aids us in retaining executives and motivating long-term performance. Under the terms of our stock incentive plans, unvested stock options are forfeited if the executive voluntarily leaves the Company. Stock options only have value to the extent the price of our stock on the date of exercise exceeds the grant price, and thus, we believe, are an effective compensation element only if the stock price increases over the term of the award.

Restricted stock awards granted to our Named Executives vest in various proportions over a three or four year time period. We determine the vesting schedule of each award after considering our performance, alignment, and retention objectives, as well as the financial impact of the award. Under the terms of our stock incentive plans, unvested restricted stock awards are forfeited if the executive voluntarily leaves the Company. Restricted stock awards provide executives the benefits of share price increases while still allowing the risks that other stockholders assume for share price declines.

2007 Stock-Based Compensation

2007 Restricted Stock Awards No employees were granted restricted stock awards during 2007.

2007 Stock Option Grants During 2007, the Compensation Committee granted certain executives and non-executives 311,750 stock options under various stock incentive plans. None of the Named Executives were granted any stock options during 2007.

2008 Stock-Based Compensation

2008 Restricted Stock Awards During 2008, the Compensation Committee granted our executives 115,926 restricted stock awards under the 2006 Stock Incentive Plan, including 56,121 restricted stock awards to our Named Executives. The restricted stock awards granted to Named Executives consisted of the following:

	Restricted Stock	Grant Price[1]	Restricted Stock

Named Executive	Grant Date	Awards Granted (Shares)	($)	Awards Granted ($)
Mr. Arling	1/29/2008	19,019	23.66	450,000(2)
	2/11/2008	4,557	21.95	100,000(2)
Mr. Hackworth	1/29/2008	7,608	23.66	180,000(2)
Mr. Bennett	1/29/2008	8,876	23.66	210,000(2)
Mr. Kopaskie	1/29/2008	10,566	23.66	250,000(2)
Mr. Firehammer	1/29/2008	5,495	23.66	130,000(2)

(1) The grant prices shown above are based on the average of the high and low trades of our stock on the grant date and have been rounded.

Table of Contents

(2) This grant is subject to a 3-year vesting period (8.33% each quarter).

2008 Stock Option Grants During 2008, the Compensation Committee granted certain executives and non-executives 40,500 stock options under various stock incentive plans. None of the Named Executives were granted any stock options during 2008.

2009 Stock-Based Compensation

2009 Restricted Stock Awards During 2009, the Compensation Committee granted certain executives and non-executives 298,170 restricted stock awards under the 2006 Stock Incentive Plan, including 117,646 restricted stock awards to our Named Executives. The restricted stock awards granted to Named Executives consisted of the following:

Named Executive	**Grant Date**	**Restricted Stock Awards Granted (Shares)**	**Grant Price(1) ($)**	**Restricted Stock Awards Granted ($)**
Mr. Arling	2/12/2009	25,021	11.99	300,000(2)
	3/10/2009	15,200	16.25	247,000(3)
Mr. Hackworth	2/12/2009	12,510	11.99	149,995(2)
	3/10/2009	5,900	16.25	95,875(3)
Mr. Bennett	2/12/2009	14,595	11.99	