UNIVERSAL ELECTRONICS INC
Form DEF 14A
April 26, 2006

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 26, 2006

Dear Stockholder:

You are cordially invited to attend the 2006 Annual Meeting of Stockholders of Universal Electronics Inc. to be held on Tuesday, June 13, 2006 at 4:00 p.m., Pacific Daylight Time, at the offices of the Company, 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 the Company s Board of Directors, the ratification of the Board of Directors engagement of the Company s independent registered public accountants for the year ending December 31, 2006, and the approval of the Universal Electronics Inc. 2006 Stock Incentive Plan. Details of these proposals and a description of the general business, directors and management of Universal Electronics 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 would like to 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

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 13, 2006

The 2006 Annual Meeting of Stockholders of Universal Electronics Inc., a Delaware corporation (Universal or the Company), will be held on Tuesday, June 13, 2006 at 4:00 p.m., Pacific Daylight Time, at the Company s offices, 6101 Gateway Drive, Cypress, California 90630. Doors to the meeting will be open at 3:30 p.m.

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 2007 or until the election and qualification of his successor, and the election of Bruce A. Henderson, William C. Mulligan and J.C. Sparkman as Class II directors to serve on the Board of Directors until the Annual Meeting of Stockholders to be held in 2008, or until their respective successors are elected and qualified;

   Proposal Two: Ratification of the appointment of Grant Thornton LLP, an independent registered public accounting firm, as the Company s auditors for the year ending December 31, 2006; and

   Proposal Three: Approval of the Universal Electronics, Inc. 2006 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.

Only stockholders of record at the close of business on April 14, 2006 will be entitled to notice of and to vote at the meeting or any adjournments or postponements thereof.

April 26, 2006

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

Each Stockholder is Requested to Execute and Promptly Return the Enclosed Proxy Card in the Enclosed Prepaid Envelope.

UNIVERSAL ELECTRONICS INC.
Proxy Statement
Annual Meeting of Stockholders
To be held on Tuesday June 13, 2006
Dated as of and Mailed on or about April 26, 2006

Introduction

This Proxy Statement (the Proxy Statement) is being furnished to stockholders of Universal Electronics Inc., a Delaware corporation (Universal or the Company), in connection with the solicitation of proxies by the Board of Directors of the Company (the Board or the Board of Directors) from holders of record of the Company s outstanding shares of common stock, par value $.01 per share (the Company Common Stock), as of the close of business on April 14, 2006 (the Annual Meeting Record Date) for use at the 2006 Annual Meeting of Stockholders of the Company (the Annual Meeting) to be held on Tuesday, June 13, 2006, at 4:00 p.m. (Pacific Daylight Time) at the Company s offices, 6101 Gateway Drive, Cypress, California 90630 and at any adjournments or postponements thereof. This Proxy Statement and the accompanying form of proxy are first being mailed to stockholders on or about April 26, 2006. The world headquarters and principal executive offices of the Company are located at 6101 Gateway Drive, Cypress, California 90630.

Voting Rights and Proxy Information

Only the holders of shares of Company Common Stock as of the close of business on the Annual Meeting Record Date will be entitled to notice of and to vote at the Annual Meeting or any adjournments or postponements thereof. Such holders of shares of Company Common Stock are entitled to one vote per share on any matter that may properly come before the Annual Meeting. The presence, either in person or by properly executed and delivered proxy, of the holders of a majority of the outstanding shares of Company Common Stock, as of the Annual Meeting Record Date, is necessary to constitute a quorum at the Annual Meeting and to permit action to be taken by the stockholders at such meeting. Under Delaware law, shares of Company Common Stock represented by proxies that reflect abstentions or broker non-votes (*i.e.*, shares held by a broker or nominee which are represented at the Annual Meeting, but with respect to which such broker or nominee is not empowered to vote on a particular proposal) will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

The affirmative vote of a plurality of shares of Company Common Stock present in person or represented by proxy at the Annual Meeting is required to elect any director nominated pursuant to *Proposal One*. One Class I director and three Class II directors will be elected at the Annual Meeting. Accordingly, the person who receives the largest number of votes cast for the Class I directorship will be elected, and the three persons who receive the largest number of votes cast for the three Class II directorships will be elected. Consequently, any shares not voted (whether by abstention, broker non-vote, or otherwise) as to *Proposal One* will have no impact on the election of directors, except to the extent that the failure to vote for one individual results in another individual receiving a larger number of votes. Thus, the withholding of a vote with respect to the election of a particular nominee for director will have the practical effect of a vote against that nominee.

Passage of *Proposal Two or Three* or any other question or matter properly brought before the Annual Meeting requires the approval of a majority of the shares of Company Common Stock present in person or represented by proxy at the Annual Meeting. An abstention with respect to any share will have the practical effect of a vote against *Proposal Two , Three* or any other question or matter properly brought before the Annual Meeting. A broker non-vote with respect to any share will not affect the passage of *Proposal Two, Three* or any other question or matter properly brought before the Annual Meeting, since the share is not considered present for voting purposes.

As of April 14 2006, there were 13,735,300 shares of Company Common Stock outstanding and entitled to vote at the Annual Meeting. The directors and executive officers of the Company intend to vote in accordance with the recommendations of the Board with respect to *Proposals One, Two and Three*, as well as any other question or matter properly brought before the Annual Meeting.

Table of Contents

All shares of Company Common Stock represented at the Annual Meeting by properly executed and delivered proxies received prior to or at the Annual Meeting and not revoked will be voted at the Annual Meeting in accordance with the instructions indicated in such proxies. If no instructions are indicated for any Proposal, such proxies will be voted in accordance with the recommendations of the Board as set forth herein with respect to such proposal.

If a quorum is not present at the time the Annual Meeting is convened or if for any other reason the Company believes that additional time should be allowed for the solicitation of proxies, the Company may adjourn the Annual Meeting with or without a vote of the stockholders. If the Company proposes to adjourn the Annual Meeting by a vote of the stockholders, the persons named in the enclosed form of proxy will vote all shares of Company Common Stock for which they have voting authority in favor of such adjournment.

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by (i) filing with Computershare Investor Services, LLC in its capacity as transfer agent for the Company (the Transfer Agent), at or before the Annual Meeting, a written notice of revocation bearing a later date than the proxy, (ii) duly executing a subsequent proxy relating to the same shares of Company Common Stock and delivering it to the Transfer Agent at or before the Annual Meeting, or (iii) attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not, in and of itself, constitute a revocation of a proxy). Any written notice revoking a proxy should be sent to Computershare Investor Services, LLC, 2 North LaSalle Street, 3rd Floor, Chicago, IL 60602.

Corporate Governance

General

The Board believes that effective corporate governance is critical to the Company s ability to create value for its stockholders and the Board has adopted policies intended to improve corporate governance. The Board will continue to monitor emerging developments in corporate governance and augment the Company s policies and procedures when required or when the Board determines that such changes would benefit the Company and its stockholders. The Corporate Governance page of the Company s website at www.uei.com provides access to the Company s Corporate Governance Guidelines and the charters of the Board s committees. To access the Corporate Governance page from the Company s website home page at www.uei.com, select About Us at the top of the page, then select Investor Relations from the menu that appears (in order to reach the Investor page) and, finally, select Corporate Governance on the Investor page.

Corporate Governance Guidelines

The Board, acting on the recommendation of its Corporate Governance and Nominating Committee, has adopted corporate governance guidelines to promote the effective functioning of the Board and its committees, to promote the interests of stockholders, and to ensure a common set of expectations as to how the Board, its various committees, individual directors and management should perform their functions. These corporate governance guidelines are posted on the Corporate Governance page of the Company s website at www.uei.com.

Committee Charters

The Board has three standing committees, as discussed below. Each of these committees, the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee, has adopted a written charter setting forth the purpose and responsibilities of the committee. The three charters are posted on the Company s Corporate Governance page on its website at www.uei.com.

Table of Contents

Code of Conduct

The Board has adopted a Code of Conduct applicable to all officers, directors and employees of the Company, including without limitation the Company s principal executive officer, principal financial officer, principal accounting officer and controller. 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 in the Company 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 the Company s website at www.uei.com. Any amendment to the Code of Conduct or waiver of its provisions with respect to the Company s principal executive officer, principal financial officer, principal accounting officer or controller or any director will be promptly posted on the Company s website.

Director Independence Standards

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 the Company. 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 posted on the Corporate Governance page of the Company s website at www.uei.com. The Board has determined that each of the four current Class II Directors, Messrs. Chahil, Henderson, Mulligan and Sparkman meets these standards and thus is independent and, in addition, satisfies the independence requirements of the Nasdaq Stock Market, Inc.

Communication with Directors

The Board has adopted a process by which shareholders 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 the Company s 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, c/o Lead Director.

Stockholder Nominations for Director

The Board s Corporate Governance and Nominating Committee (discussed below) actively seeks individuals to become Board members who have the highest personal and professional character and integrity, who possess appropriate characteristics, skills, experience and time to make a significant contribution to the Board, the Company and its stockholders, who have demonstrated exceptional ability and judgment, and who will be most effective, in the context of the whole Board and other nominees to the Board, in ensuring the success of the Company and representing stockholders interests. The Corporate Governance and Nominating Committee may employ professional search firms (for which it would pay a fee) to assist it in identifying potential Board members with the desired skills and disciplines. In April 2006, the Company through its Corporate Governance and Nominating Committee has retained a professional search firm to assist in identifying up to two (2) candidates to serve as members of the Company s Board of Directors.

The Corporate Governance and Nominating Committee will consider stockholder recommendations for nominations for director on the same basis and in the same manner as it considers recommendations for nominations for director from any other source. Any stockholder may submit a nomination in writing to the Secretary of the Company, Universal Electronics Inc., 6101 Gateway Drive, Cypress, California 90630. Any stockholder recommendation must be received by December 29, 2006 for the election of directors at the 2007 Annual Meeting of Stockholders and must comply with the requirements of, and be accompanied by all the information required by, the Securities and Exchange Commission s proxy rules and Article IV of the Company s Amended and Restated By-laws (Article IV is included with this Proxy Statement as Appendix A).

Table of Contents

PROPOSAL ONE: ELECTION OF DIRECTORS

General

The number of directors is presently set at nine and is divided into two classes. A director who is an employee of the Company and/or any subsidiary serves as a Class I Director and is elected each year at the Annual Meeting of Stockholders to serve a one-year term. A director of the Company who is not an employee serves as a Class II Director and is elected every even-numbered year at the Annual Meeting of Stockholders to serve a two-year term. Five directors currently are serving; one is a Class I Director and four are Class II Directors, and there are four vacancies. The current Board vacancies were created by resignations in 1998, 1999 and 2002. The Company is retaining these vacancies to accommodate additional qualified directors who come to the attention of the Board. In April 2006, one of the Class II Directors, Mr. Chahil, advised the Corporate Governance and Nominating Committee of his intention to not seek reelection. In this notice, Mr. Chahil advised that he recently accepted new employment and that this new employment precluded him from sitting on outside boards. As such, after this Annual Meeting of Stockholders, assuming all those nominated are elected), there will be four members of the Board, one (1) Class I director, three (3) Class II directors and five (5) vacancies. In April 2006, the Company, through its Corporate Governance and Nominating Committee has retained a professional search firm to assist in identifying up to two (2) candidates to serve as members of the Company s Board of Directors.

The term of the sole Class I Director and each of the Class II Directors expires at this year s Annual Meeting. The Board has nominated and recommends the reelection of Mr. Arling as a Class I Director for a one-year term expiring at the 2007 Annual Meeting of Stockholders. In addition, the Board has nominated and recommends the reelection of each of Messrs. Henderson, Mulligan and Sparkman as a Class II Director for a two-year term expiring at the 2008 Annual Meeting of Stockholders.

The Board has determined that each of Messrs. Arling, Henderson, Mulligan and Sparkman meet these standards and each of Messrs. Henderson, Mulligan and Sparkman is independent and, in addition, satisfies the independence requirements of the Nasdaq Stock Market, Inc.

Unless otherwise instructed, the proxy holders will vote the proxies received by them **FOR** Messrs. Arling, Henderson, Mulligan and Sparkman.

If elected, Mr. Arling and Messrs. Henderson, Mulligan and Sparkman have consented to serve as directors of the Company for a one-year and two-year term, respectively, and until their respective successors are elected and qualified. If additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them in a manner intended to ensure the election of Messrs. Arling, Henderson, Mulligan and Sparkman. However, consistent with their authority, the proxy holders will determine the specific nominees for whom to vote, and in no event will they vote to fill more than five positions. Although it is not contemplated that any nominee will be unable to serve as director, in such event, the proxies will be voted by the proxy holders for such other person or persons as may be designated by the present Board. Information with respect to each nominee is set forth below.

Nominees for Election as Class I Directors

Paul D. Arling
Chairman and Chief Executive Officer
Director since 1996
Age: 43

Mr. Arling is Chairman and Chief Executive Officer of the Company. He has held the positions of Chairman since July 2001 and Chief Executive Officer since October 2000. He was the Company s President from September 1998 until May 2001 when Robert P. Lilleness was hired as the Company s President and Chief Operating Officer. He was the Company s Chief Operating Officer from September 1998 until his promotion to Chief Executive Officer in October 2000. He was the Company s Senior Vice President and Chief Financial Officer from May 1996 until August 1998. Prior to joining the Company, from 1993 through May 1996, he served in various capacities at LESCO, Inc. (a manufacturer and distributor of professional turf care products) with the most recent being Acting Chief Financial Officer. At the 2005 Annual Meeting of Stockholders, Mr. Arling was reelected as a Class I Director of the Company to serve until the 2006 Annual Meeting of Stockholders.

Nominees for Election as Class II Directors

Bruce A. Henderson
Director since 1996 Member:
Audit Committee (Chairman)
Compensation Committee
Age: 57

Since May 2004, Mr. Henderson has served as Chief Executive Officer of Imation Corp (a manufacturer and supplier of magnetic and optical removable data storage media). Mr. Henderson is also Imation s Chairman of the Board, a position he has held since June 2004. Prior to joining Imation, from November, 2001, Mr. Henderson served as Chief Executive Officer of Edgecombe Holdings, LLC (a private investment company). In February 1999, following the merger of BTR plc and Siebe plc, through November 2001, he served as Chief Executive of Invensys Controls and subsequently Chief Executive of Invensys Software Systems, both divisions of Invensys plc (a UK engineering company in the high value-added controls and automation systems industry) . From 1995 until February 1999, Mr. Henderson served as President of the Appliance Controls division of Siebe plc. Mr. Henderson is co-author of Lean Transformation: How to Transform Your Business Into a Lean Enterprise and A Workbook for Assessing Your Lean Transformation. He also serves as a director of the Lean Enterprise Institute. Mr. Henderson is also a member of the Board of Trustees of the Virginia Commonwealth University, School of Engineering Foundation.

At the 2004 Annual Meeting of Stockholders, Mr. Henderson was reelected as a Class II Director of the Company to serve until the 2006 Annual Meeting of Stockholders.

William C. Mulligan
Director since 1992 Member:
Audit Committee
Corporate Governance and Nominating Committee (Chairman)
Age: 53

Mr. Mulligan is a Managing Director with Primus Venture Partners (a Cleveland-based venture capital partnership), which position he has held since 1985. Mr. Mulligan serves on the board of directors of Golf Galaxy, Inc., a publicly held golf specialty retailer, where he also serves as a member of the Audit Committee and the Nominating and Governance Committee. Mr. Mulligan also serves on the boards of directors of several privately held companies.

At the 2004 Annual Meeting of Stockholders, Mr. Mulligan was reelected as a Class II Director of the Company to serve until the 2006 Annual Meeting of Stockholders.

J. C. Sparkman
Director since 1998 Member:
Compensation Committee (Chairman)

Mr. Sparkman served as Executive Vice President and Chief Operating Officer of Tele-Communications, Inc. (TCI) from 1987 until his retirement in 1995. He is a director of Shaw

Audit Committee Corporate Governance and Nominating Committee Age: 73	Communications, Inc., where he also serves as a member of the Human Resources and Compensation Committee and the Executive Committee. Mr. Sparkman also is a director of Liberty Global, Inc., a publicly held international cable operator, where he also serves as a member of the Compensation Committee. At the 2004 Annual Meeting of Stockholders, Mr. Sparkman was elected as a Class II Director of the Company to serve until the 2006 Annual Meeting of Stockholders.

Table of Contents

Vote Required

Approval of the election of the nominees is subject to the affirmative vote of a plurality of shares of Company Common Stock present in person or represented by proxy at the Annual Meeting.

THE BOARD OF DIRECTORS OF THE COMPANY UNANIMOUSLY RECOMMENDS A VOTE FOR THE FOREGOING NOMINEES AS DIRECTORS OF THE COMPANY.

Meetings and Committees of the Board of Directors

The Board is responsible for establishing broad corporate policies and for the overall performance of the Company. Generally, directors discharge their responsibilities at Board and committee meetings. During 2005, the Board met four times and acted twice by unanimous written consent. All Directors attended 100% of the meetings of the Board and the committees on which he served during 2005. The Company encourages each director to attend each annual meeting of stockholders, however, since attendance by our stockholders at these meetings has historically been via proxy and not in person, the Company s outside directors have not regularly attended these meetings. At the 2005 Annual Meeting of Stockholders, no stockholder attended in person and only one director was present.

The Board appoints committees to help carry out its duties. Board committees work on important issues in greater detail than would be possible at a full meeting of the Board. The Board has three standing committees: (i) Audit, (ii) Compensation, and (iii) Corporate Governance and Nominating. The members of each committee are appointed by the Board and serve at its discretion. A majority of the members of any committee constitutes a quorum, and the acts of a majority of the members present, or acts approved in writing by all of the members, are acts of that committee. Only independent directors serve on the Audit, Compensation and Corporate Governance and Nominating Committees.

Audit Committee. During 2005, the members of the Audit Committee were Mr. Henderson (Chairman of the Committee), Mr. Mulligan, and Mr. Sparkman, none of whom was an officer or employee of the Company or any of its subsidiaries. Each member of the Audit Committee was independent, as independence is defined in Rule 4200(a)(13) of the listing standards of the National Association of Securities Dealers, Inc. Mr. Mulligan is a financial expert. No member of the Audit Committee receives any compensation from the Company, except fees for service as a Director.

The Audit Committee s functions include meeting with the Company s 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 could impair their independence, and reviewing the results of external audits, the accounting principles applied in financial reporting, and financial and operational controls. The Board has adopted a written charter for the Audit Committee, a copy of which is available on the Corporate Governance page of the Company s website at www.uei.com.

During 2005, management completed the documentation, testing and evaluation of the Company s system of internal control over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. The Audit Committee was kept apprised of the progress of the evaluation and provided oversight and advice to management during the process. In connection with this oversight, the Committee received periodic updates provided by management at each regularly scheduled Committee meeting. The Committee continues to oversee the Company s efforts related to its internal control over financial reporting and management s preparations for their evaluation in fiscal 2006. In addition, the independent registered public accountants have unrestricted access to the Audit Committee and *vice versa*. During 2005, the Audit Committee met six times.

Table of Contents

Current Accountants. On August 25, 2005, the Company engaged Grant Thornton LLP (GT) as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2005. The decision to engage GT was approved by the Audit Committee of the Company s Board of Directors.

The following table sets forth fees billed to the Company for the year ended December 31, 2005 by the Company s independent registered public accounting firm, Grant Thornton LLP. GT did not represent the Company during the year ended December 31, 2004, and, accordingly, did not bill fees to the Company for that year.

	For the year ended 12/31/2005
Audit Fees (1)	$ 1,054,000
Tax Fees	0
All Other Fees	0
	$ 1,054,000

(1) Includes fees for professional services rendered for the audit of the Company s consolidated financial statements, the audit of management s assessment of internal control over financial reporting and the effectiveness of internal control, reviews of the interim financial statements included in quarterly reports on Form 10-Q and services that are normally provided by the Company s independent registered public accounting firm in connection with statutory

and regulatory filings.

Former Accountants On August 25, 2005, the Company dismissed PricewaterhouseCoopers LLP (PwC) as the Company s independent registered public accounting firm. The decision to dismiss PwC was approved by the Audit Committee of the Board of Directors of the Company.

PwC s reports on the Company s financial statements as of and for the fiscal years ended December 31, 2004 and 2003 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle.

During the fiscal years ended December 31, 2004 and 2003 and through August 25, 2005, there was no disagreement with PwC on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of PwC, would have caused it to make reference thereto in its report on the Company s financial statements for such years.

During the fiscal years ended December 31, 2004 and 2003 and through August 25, 2005, there were no reportable events, as described in Item 304(a)(1)(v) of Regulation S-K.

During the fiscal years ended December 31, 2004 and 2003 and through August 25, 2005, neither the Company nor any person acting on its behalf consulted GT regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company s financial statements, or (ii) a matter that was either the subject of a disagreement, as defined in Item 304(a)(1)(iv) of Regulation S-K and the related Instructions to Item 304, or a reportable event, as described in Item 304(a)(1)(v) of Regulation S-K.

The following table sets forth fees billed to the Company for the years ended December 31, 2005 and 2004 by the Company s former independent registered public accounting firm, PwC:

	For the year ended	
	12/31/2005	**12/31/2004**
Audit Fees (1)	$125,500	$1,075,000
Tax Fees (2)	55,225	54,000
All Other Fees (3)	1,500	31,000
	$182,225	$1,160,000

(1) In 2005, the Audit Fees line includes fees for the review of the first and second quarter reports on Form 10-Q. In 2004, this line includes fees for professional services rendered for the audit of the Company s consolidated financial statements, the audit of management s

assessment of
internal control
over financial
reporting and
the

effectiveness of internal control, reviews of the interim financial statements included in quarterly reports on Form 10-Q and services that are normally provided by the Company s independent registered public accounting firm in connection with statutory and regulatory filings.

(2) In 2005, the Tax Fees line includes fees for work performed on the Franchise Tax Board s audit of the Company s 1999 and 2000 tax returns as well as work performed related to the IRS audit of the Company s 2002 and 2003 tax returns. In 2004, this line reflects fees for professional services rendered for assistance in preparation of our estimated tax payments, extensions, research and development

credit analysis and transfer pricing studies during our transition to a new professional service firm.

(3) In 2004, the All Other Fees line is composed primarily of due diligence services performed related to the acquisition of SimpleDevices Inc. in 2004.

In making its determination regarding the independence of PwC, the Audit Committee considered whether the services described under All Other Fees were compatible with maintaining the independence of PwC. All audit, tax, and other services were pre-approved by the Audit Committee for engagements after May 6, 2003. The Audit Committee Report is included as Appendix B to this Proxy Statement.

Compensation Committee. During 2005, the members of the Compensation Committee were Mr. Sparkman (Chairman of the Committee), Mr. Henderson and Mr. Chahil (Mr. Chahil became a member of the Compensation Committee on April 21, 2005), none of whom was an officer or employee of the Company or any of its subsidiaries. Each member of the Compensation Committee was independent as defined in Rule 4200(a)(13) of the listing standards of the National Association of Securities Dealers, Inc. The Compensation Committee functions include making recommendations to the Board on policies and procedures relating to executive officers compensation and various employee stock plans and approving individual salary adjustments and stock awards in those areas. The Compensation Committee also makes recommendations regarding the compensation of our directors. During 2005, the Compensation Committee met four times. A copy of the Compensation Committee Charter is available on the Corporate Governance page of the Company s website at www.uei.com.

Corporate Governance and Nominating Committee. During 2005, the members of the Corporate Governance and Nominating Committee were Mr. Mulligan (Chairman of the Committee), Mr. Sparkman and Mr. Chahil (Mr. Chahil became a member of the Compensation Committee on April 21, 2005) none of whom was an officer or employee of the Company or any of its subsidiaries. Each member of the Corporate Governance and Nominating Committee was independent as defined in Rule 4200(a)(13) of the listing standards of the National Association of Securities Dealers, Inc.

The Corporate Governance and Nominating Committee consider Board nominees to the extent permitted under, and made pursuant to the procedures established by, Article IV of the Company s Amended and Restated By-laws. Procedures for stockholder nominations are discussed above under the caption Corporate Governance Stockholder Nominations for Director.

The Corporate Governance and Nominating Committee also fulfills an advisory function with respect to a range of matters affecting the Board and its committees, including making recommendations with respect to qualifications of director candidates, the selection of committee assignments and chairs, and related matters affecting the functioning of the Board. During 2005, the Corporate Governance and Nominating Committee met two times. A copy of the Corporate Governance and Nominating Committee Charter is available on the Corporate Governance page of the Company s website at www.uei.com.

Compensation of Directors

In June 2004, the Company s 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, a fee of $1,500 for each board meeting attended in excess of four each year (determined fiscally, July through June each year), a fee of $1,000 for each committee meeting attended, a fee of $10,000 for each committee chaired, and an award of 5,000 shares of Company Common Stock; the stock awards vest ratably each quarter.

Table of Contents

Pursuant to the 2004 Directors Compensation Plan, during 2005 each Class II Director was paid the following:

Name	Total Cash	Annual Retainer	BOD Meeting Fee(1)	Committee Meeting Fee	Committee Chair Fee	Company Stock Award
Mr. Chahil	$27,500	$ 25,000	$ 1,500	$ 1,000 (2)	$ 0	5,000 shs.
Mr. Henderson	$46,500	$ 25,000	$ 1,500	$10,000 (3)	$10,000 (3)	5,000 shs.
Mr. Mulligan	$44,500	$ 25,000	$ 1,500	$ 8,000 (4)	$10,000 (4)	5,000 shs.
Mr. Sparkman	$48,500	$ 25,000	$ 1,500	$12,000 (5)	$10,000 (5)	5,000 shs.

(1) For the fiscal year July 2004 June 2005, the Board met five times, thus each Class II director received the $1,500 meeting fee for one meeting during this time period.

(2) During 2005, Mr. Chahil attended one Compensation Committee meeting.

(3) During 2005, Mr. Henderson attended four Compensation Committee meetings and six Audit Committee meetings. Mr. Henderson is Chairman of the Audit Committee.

(4) During 2005, Mr. Mulligan

attended six Audit Committee meetings and two Corporate Governance and Nominating Committee meetings. Mr. Mulligan is Chairman of the Corporate Governance and Nominating Committee.

(5) During 2005, Mr. Sparkman attended four Compensation Committee meetings, six Audit Committee meetings, and two Corporate Governance and Nominating Committee meetings. Mr. Sparkman is Chairman of the Compensation Committee.

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

Ownership of Company Securities

The Company Common Stock is the only outstanding class of equity securities of the Company. Ownership as of March 31, 2006 of the Company Common Stock by each director/nominee, each executive officer named in the Executive Compensation tables below, and by all directors and executive officers of the Company as a group, and any person known to the Company to be the beneficial holder of more than five percent of the Company Common Stock, is as follows:

Name and Address (1)	Shares of Common Stock Beneficially Owned As of March 31, 2006	% of Shares Issued of March 31, 2006
Directors and Nominees		
Paul D. Arling	624,300(2)	3.64%
Satjiv S. Chahil	38,440(3)	*

Bruce A. Henderson	51,179(4)	*
William C. Mulligan	70,503(5)	*
J.C. Sparkman	106,007(6)	*
Non-Director Executive Officers		
Robert P. Lilleness	255,573(7)	1.49%
Paul J. M. Bennett	130,200(8)	*
Richard A. Firehammer Jr.	56,539(9)	*
Bryan M. Hackworth	6,500(10)	*
All Directors and Executive Officers as a Group (9 persons)	1,339,241(11)	7.81%
Beneficial Owners of More than 5% of the Outstanding Company Stock		
Olstein & Associates, L.P.	1,267,000(12)	7.39%
The Olstein Funds	1,144,600(13)	6.68%
Lord, Abbett & Co., LLC	1,324,023(14)	7.72%
Royce & Associates, LLC	849,300(15)	4.95%
Wells Fargo & Company	758,525(16)	4.42%

* Less than one percent.

(1) The address for each Director/Nominee and each Non-Director Executive Officer listed in this table is c/o Universal Electronics Inc., 6101 Gateway Drive, Cypress, California 90630. Unless otherwise indicated in the footnotes to this table, and subject to community property laws where applicable, to the knowledge of the Company, each stockholder named in this table has sole voting and investment power with respect to the shares shown as beneficially owned by that stockholder.

(2) Includes 612,800 subject to options exercisable within 60 days. Also includes 1,000 shares held by Mr. Arling s wife as to which Mr. Arling disclaims beneficial ownership.

(3) Includes 19,690 shares subject to options exercisable within 60 days.

(4) Includes 43,471 shares subject to options exercisable within 60 days.

(5) Includes 43,471 shares subject to options exercisable within 60 days.

(6) Includes 43,471 shares subject to options exercisable within 60 days.

(7) Includes 255,573 shares subject to options exercisable within 60 days.

(8) Includes 115,000 shares subject to options exercisable within 60 days.

(9) Includes 56,539 shares subject to options exercisable within 60 days.

(10) Includes 17,500 shares subject to options exercisable within 60 days.

(11) Includes 1,196,515 shares subject to options exercisable within 60 days.

(12) As reported on Schedule 13G/A as filed on February 10, 2006 with the Securities and Exchange Commission by Olstein & Associates, L.P., a New York limited partnership, with its principal business office at 4 Manhattanville Road, Purchase, New York 10577.

(13) As reported on Schedule 13G/A as filed on February 10, 2006 with the Securities and Exchange Commission by The Olstein Funds, a Delaware investment company, with its principal business office at 4 Manhattanville Road, Purchase, New York 10577

(14) As reported on Schedule 13G as filed on February 14, 2006 with the Securities and Exchange Commission by Lord, Abbett & Co., LLC, a New York investment advisor company, with its principal business office at 90 Hudson Street, Jersey City, New Jersey 07302

(15) As reported on Schedule 13G/A as filed on February 1, 2006 with the Securities and Exchange Commission by Royce & Associates, LLC, a New York investment adviser company, with its principal business office at 1414 Avenue of the Americas, New York, New York 10019

(16) As reported on Schedule 13G as filed on March 7, 2006 with the Securities and Exchange Commission by Wells Fargo & Company, a Delaware holding company, with its principal business office at 420 Montgomery Street, San Francisco, CA 94104

Executive Officer Compensation

Summary of Compensation

Table I below sets forth a summary of the compensation paid by the Company to its chief executive officer and the four additional most highly compensated executive officers of the Company (Named Executive Officers) during the periods indicated.

TABLE I

Summary Compensation Table for the Year Ended December 31, 2005

		Annual Compensation (1) ($)		Other Annual Compensation	Long Term Compensation Awards (#)	All Other Compensation ($)
Name and Principal Position	**Year**	**Salary**	**Bonus (2)**	**($)**	**Stock Options (3)**	**(4)**
Paul D. Arling	2005	$420,000	$ 16,000		80,000	$ 56,856
Chairman and Chief Executive	2004	420,000	504,000		80,000	54,084
Officer	2003	424,531	283,100			6,000
Robert P. Lilleness	2005	300,000			50,000	181,273
President and Chief Operating	2004	300,000	300,000		50,000	25,293
Officer	2003	304,135	171,000			6,000

10

Table of Contents

Summary Compensation Table for the Year Ended December 31, 2005

Name and Principal Position	Year	Annual Compensation (1) ($) Salary	Bonus (2)	Other Annual Compensation ($)	Long Term Compensation Awards (#) Stock Options (3)	All Other Compensation ($) (4)
Paul J. M. Bennett	2005	267,704		29,193	20,000	15,649
Senior Vice President and	2004	267,490	160,521	38,595	40,000	15,631
Managing Director, Europe	2003	220,466	112,488	30,000		13,000
Richard A. Firehammer Jr.	2005	175,000			20,000	161,494
Senior Vice President, General	2004	175,000	120,000		10,000	28,645
Counsel and Secretary	2003	181,151	79,200			185,473
Bryan M. Hackworth	2005	151,000			11,000	19,955
Corporate Controller, Chief	2004	69,712	50,000	16,965	15,000	5,471
Accounting Officer	2003					

(1) Excludes certain perquisites and other amounts that for any executive officer did not exceed the lesser of $50,000 or 10% of the total annual salary and bonus for such executive officer.

(2) Bonus includes the amount of cash bonus earned during the relevant year. Actual pay out of bonuses may occur in a following year.

(3) Awards referenced above represent

options to purchase shares of the Company Common Stock granted during the relevant year.

(4) For 2005, All Other Compensation was composed of the following items:

	401(k) Company Contributions	Pension and Medical Premiums	Gain from Stock Option Exercise	Grossed-UP Payment for Interest and Taxes Related to Secured Note	Gross-Up for Taxes Related to Key Person Life Insurance Policy	Totals
Paul D. Arling	$ 7,000	$ 12,955	$	$ 11,035	$ 25,866	$ 56,856
Robert P. Lilleness	7,000	10,223	154,185		9,865	181,273
Paul J. M. Bennett		15,649				15,649
Richard A. Firehammer Jr.	7,000	11,983	130,496		12,015	161,494
Bryan M. Hackworth	7,000	12,955				19,955

Stock Options and Stock Appreciation Rights

Grant of Stock Options. The following table sets forth details regarding stock options granted to the Named Executive Officers during 2005. The Company has never granted stock appreciation rights. In addition, in accordance with Securities and Exchange Commission (SEC) rules, the table shows the hypothetical gains or option spreads that would exist for the respective options. These gains are based on assumed rates of annual compound stock price appreciation of 5% and 10% from the date the options were granted over the full option term. The actual value, if any, an executive may realize will depend on the spread between the market price and the exercise price on the date the option is exercised.

Table of Contents

TABLE II

Stock Option Grants During The Year Ended December 31, 2005

		Potential realizable value at
	% of Total	