UNIVERSAL ELECTRONICS INC
Form DEF 14A
April 24, 2018
SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO.)
Filed by the Registrant ý Filed by a Party other than the Registrant ¨
Check the appropriate box:
¨ Preliminary Proxy Statement
¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
ý Definitive Proxy Statement
¨ Definitive Additional Materials
¨ 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):
ý Fee not required.
¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
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(1) Amount Previously Paid:

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

(3) Filing Party:

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April 24, 2018

Dear Stockholder:

You are cordially invited to attend the 2018 Annual Meeting of Stockholders of Universal Electronics Inc., to be held on Monday, June 4, 2018 at 4:00 p.m., Pacific Daylight Time, at our corporate office, 201 E. Sandpointe Avenue, 8th Floor, Santa Ana, California 92707.

The following Notice of Annual Meeting of stockholders and Proxy Statement includes information about the matters to be acted upon by stockholders at the Annual Meeting. We hope that you will exercise your right to vote, either by attending the Annual Meeting and voting in person or by voting through other acceptable means as promptly as possible. You may vote through the Internet, by telephone or by mailing your completed proxy card (or voting instruction form, if you hold your shares through a broker).

Important Notice Regarding the Availability of Proxy Materials
for the 2018 Annual Meeting of Stockholders:

We are mailing many of our stockholders a Notice Regarding the Availability of Proxy Materials rather than a full set of our proxy materials. The Notice contains instructions on how to access our proxy materials on the Internet, as well as instructions on how to obtain a paper copy of the full set of proxy materials if a stockholder so desires. This process is more environmentally friendly and reduces our costs to print and distribute these materials to stockholders. All stockholders who do not receive the Notice Regarding the Availability of Proxy Materials will receive a full set of our proxy materials.

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.
201 E. Sandpointe Avenue, 8th Floor
Santa Ana, California 92707
714-918-9500
www.uei.com

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APPENDIX A — 2018 EQUITY AND INCENTIVE COMPENSATION PLAN

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UNIVERSAL ELECTRONICS INC.
Corporate Headquarters
201 E. Sandpointe Avenue, 8th Floor
Santa Ana, California 92707
Notice of Annual Meeting of Stockholders
to be Held on Monday, June 4, 2018

The 2018 Annual Meeting of Stockholders of Universal Electronics Inc., a Delaware corporation ("Universal," "UEI," the "Company," "we," "us" or "our"), will be held on Monday, June 4, 2018 at 4:00 p.m., Pacific Daylight Time, at our corporate office, 201 E. Sandpointe Avenue, 8th Floor, Santa Ana, California 92707.

The meeting will be conducted for the following purposes:

Proposal One:	To elect 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 2019 or until the election and qualification of his successor; and to elect 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 2020 or until their respective successors are elected and qualified;
Proposal Two:	To approve, on an advisory basis, the compensation of our named executive officers;
Proposal Three:	To adopt and approve our 2018 Equity and Incentive Compensation Plan;
Proposal Four:	To ratify the appointment of Grant Thornton LLP, an independent registered public accounting firm, as our auditors for the year ended December 31, 2018; and

To consider and act upon such other matters as may properly come before this Annual 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 Thursday, April 12, 2018 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. We encourage you to vote via the Internet at www.AALVote.com/UEIC. It is convenient, and may save 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. Voting early will help avoid additional solicitation costs and will not prevent you from attending the Annual Meeting.

IF YOU PLAN TO ATTEND THE MEETING:

Registration and seating will begin at 3:30 p.m. (Pacific Daylight Time) on the day of the meeting. 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.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDERS' MEETING TO BE HELD ON MONDAY, JUNE 4, 2018.

UEI's Proxy Statement and our 2017 Annual Report on Form 10-K are available online at http://www.viewproxy.com/ueinc/2018 and through the "Investor Relations" section of our website, www.uei.com.

By Order of the Board of Directors,

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

April 24, 2018
Santa Ana, California

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UNIVERSAL ELECTRONICS INC.
201 E. Sandpointe Avenue, 8th Floor
Santa Ana, California 92707

PROXY OVERVIEW

This proxy statement contains information concerning our Annual Meeting of Stockholders to be held on Monday, June 4, 2018, beginning at 4:00 p.m. (Pacific Daylight Time) at our corporate office, 201 E. Sandpointe Avenue, 8th Floor, Santa Ana, California 92707 and at any adjournments or postponements of the meeting. Holders of the Company's common stock at the close of business on Thursday, April 12, 2018, the record date for our Annual Meeting, may vote their shares at the Annual Meeting. Each share owned on the record date is entitled to one vote. At the close of business on the record date, 14,125,738 shares of common stock were outstanding.

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 Tuesday, April 24, 2018.

At our annual meeting, stockholders will act upon the matters outlined in the notice of meeting provided with this proxy statement, including the following:

Proposal		Board Recommendation
Proposal 1	Election of Directors	FOR
Proposal 2	Approval, on an advisory basis, of named executive officer compensation	FOR
Proposal 3	To adopt and approve our 2018 Equity and Incentive Compensation Plan	FOR
Proposal 4	Ratification of the appointment of Grant Thornton LLP, an independent registered public accounting firm, as our auditors for the year ending December 31, 2018	FOR

In addition, management will respond to questions from stockholders, if any. We are not aware of any other matters that will be brought before our annual meeting for action.

Corporate Governance Highlights

We believe we have a long history of effective corporate governance practices that have greatly aided our long-term success. The Board of Directors and management have recognized for many years the need for sound corporate governance practices in fulfilling their duties and responsibilities to our stockholders. Included below are certain corporate governance highlights, including policies we have implemented and other notable governance achievements.

Independent Directors	6 of 7	Fully Independent Board Committees	Yes
Independent Directors Meet Without Management	Yes		
Board meetings held in 2017	6	Director Attendance (Board and Committee)	>75%
Stock Ownership Guidelines for Outside Directors [1]	Yes	Minimum Ownership Requirement Exceeded [1]	100%
Board and Committee Self-assessments	Yes	Code of Conduct for Directors, Officers & Employees	Yes
Executive Sessions of Outside Directors	Yes	Risk Management Review	Yes
Anti-pledging Policy	Yes	Inside Director Elected Annually	Yes

[1]Average actual ownership among outside directors was $1,829,930, including time-based restricted stock units, as of December 31, 2017, which exceeded the minimum ownership guideline of $250,000 by $1,579,930.

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Director Nominee and Board Summary

You are being asked to vote on the election of the following director nominee. Summary biographical information and the committee membership and leadership of the director nominee is listed below. Additional information about the director nominee can be found on page 5.

Director Nominee

Name	Age	Independent	Audit	Compensation	Corporate Governance and Nominating	Other Public Company Boards
Paul D. Arling Chairman and Chief Executive Officer	55					
Satjiv S. Chahil Innovations Advisor and Social Entrepreneur	67	þ		£	£	
William C. Mulligan Managing Director, Primus Capital Funds	64	þ	£		ø	1
J. C. Sparkman Retired Executive Vice President and Chief Operating Officer Telecommunications, Inc. [TCI]	85	þ		ø	£	2
Gregory P. Stapleton Founder and Owner, Falcon One Enterprises	71	þ		£		
Carl E. Vogel Industry Advisor, KKR & Co., LP Senior Advisor, Dish Network	60	þ	£			4
Edward K. Zinser Financial Executive and Chief Financial Officer	60	þ	ø			

ø Chair £ Member

Executive Compensation Program Highlights

We strongly believe that executive compensation - both pay opportunities and pay actually realized - should be tied to Company performance and long-term stockholder returns. In 2017, 70% of our named executive officers' target total direct compensation consisted of annual and long-term incentives and 46% consisted of long-term equity compensation. Furthermore, the great majority of executive officer compensation is not guaranteed but subject to annual financial and performance goals. The following chart demonstrates the close link between Company performance (measured as cumulative total return of the Company’s common stock for the five-year period beginning January 1, 2013) and our Chief Executive Officer’s annual compensation over the past five years:

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We believe this alignment of executive and stockholder interests is best advanced by observing the following principles in developing compensation programs and implementing compensation decisions:

- Long-term commitment - The program should be designed to gain a long-term commitment from the proven, accomplished executives that lead our success. Our named executive officers have a combined total of approximately 66 years with the Company, during which they have held different positions and have been promoted to increasing levels of responsibility due to their exceptional contributions.
- Pay-for-performance - A high proportion of total compensation should be at risk and tied to achievement of annual operating and strategic goals and increases in stockholder value.
- Equity emphasis - Long-term incentives should be provided annually in Company equity to encourage executives to plan and act with the perspective of long-term stockholders.
- Sustainable performance orientation - The mix of incentives provided should motivate sustainable growth in the value of Company.
- Focus on total compensation - Compensation opportunities should be considered in the context of total compensation relative to the pay practices of similar technology companies that compete with us for talent.

Finally, we believe that designing our compensation programs to reward long-term value creation as well as the achievement of annual financial performance goals protects the Company against inappropriate risk taking and conflicts of interest.

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	What We Do		What We Don't Do
ü	Tie the vast majority of our executive compensation to achievement of annual operating and strategic goals and increases in stockholder value.	ý	Back-date or reprice options.
ü	Competitive and reasonable post-employment and change in control provisions.	ý	Defined benefit or supplemental executive retirement plans.
ü	Stock ownership requirements (4x base salary for CEO; 1x base salary for other named executive officers).	ý	Tax gross-ups on benefits or perquisites.
ü	Broad clawback policy.	ý	Margin accounts and pledging stock.
ü	Independent compensation consultant.	ý	No full vesting of equity awards upon retirement.

Our stockholders have expressed broad approval of our compensation programs. At our 2017 Annual Meeting of Stockholders, 89% of the votes cast on the say-on-pay proposal were in favor of our named executive officer compensation.

Performance Highlights, Initiatives and Other Achievements

Historically, we have operated in a highly competitive pricing environment. This past year was no different. It was also a year of transition as many of our major customers were transitioning to next generation products, and we were transitioning our manufacturing activities between facilities as we closed down one of our China factories. At the same time, we continued to invest in new products that we believe will drive strong results in key financial metrics that correlate with long-term stockholder value.

(in millions, except per share amounts and percentages)	2013	2014	2015	2016	2017
Net Sales	$529.4	$562.3	$602.8	$651.4	$695.8
Net Income/(Loss)	$23.0	$32.5	$29.2	$20.4	$(10.3)
Diluted EPS	$1.47	$2.01	$1.88	$1.38	$(0.72)
Cash Flow from Operations	$30.7	$63.5	$26.1	$49.5	$13.8
Gross Margin %	28.6 %	29.7 %	27.7 %	25.2 %	23.8 %
Operating Margin %	6.1 %	7.3 %	5.9 %	3.9 %	1.5 %
Return on Average Assets	5.7 %	7.3 %	6.1 %	4.0 %	(1.8)%
Closing Y/E Stock Price	$38.11	$65.03	$51.35	$64.55	$47.25

Over the five-year period from 2013 to 2017, the Company generated $183.6 million in cash flow from operations.

Key strategic initiatives and related achievements for 2017 are listed below:

	Strategic Initiatives		Related Achievements
ü	Continue to develop industry-leading technologies and products.	ü	Research and development expenditures increased 7.9% in 2017 compared to 2016 as we continued to develop advanced technologies designed to improve and simplify set-up and control features.
ü	Continue to broaden our home control and automation product offerings.	ü	Broadened our product portfolio and updated our library of device codes for new features and devices introduced worldwide. Additionally, we acquired Residential Control Systems, Inc. in April 2017.
ü	Further penetrate international subscription broadcasting markets and increase our share with existing customers.	ü	Increased sales with new and existing customers in international and domestic markets.
ü	Acquire new customers in historically strong regions.	ü	Acquired new customers in North America and Europe.

ü Seek acquisitions that compliment and strengthen our existing business.	Continued our search for acceptable acquisition candidates and completed the acquisition of Residential Control Systems, Inc.

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Proposal 1 - Election of Directors

Nominee for Election at the Annual Meeting

Paul D. Arling is nominated for election as a Class I Director to serve a one-year term expiring at our 2019 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 2020 Annual Meeting of Stockholders.

Director Background

Paul D. Arling Chairman and Chief Executive Officer Director since 1996 Age: 55	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 Chief Operating Officer in September 1998, was promoted to Chief Executive Officer in October 2000 and appointed as Chairman in July 2001. Mr. Arling earned a Bachelor of Science degree and an MBA from the Wharton School of the University of Pennsylvania. At the 2017 Annual Meeting of Stockholders, Mr. Arling was reelected as Chairman of the Company to serve until the 2018 Annual Meeting of Stockholders. Mr. Arling, who has spent over 21 years with UEI and who currently serves as Chairman and Chief Executive Officer, has an extensive, in-depth knowledge of the Company’s business, operations, opportunities and strategies. His wide-ranging roles throughout his career at UEI also provide him with significant leadership, corporate strategy, manufacturing, retail, marketing and international experience in the wireless controls industry.
Satjiv S. Chahil Compensation Committee Corporate Governance and Nominating Committee Director since 2002 Age: 67	Mr. Chahil is a Silicon Valley based innovations advisor and social entrepreneur and global marketing consultant. Since January 2010, Mr. Chahil has been an Executive Adviser to several global high tech companies, including Hewlett-Packard, Beats Electronics, Blackberry (RIM), Starkey Hearing Technologies, and Sony Electronics. Prior to that, Mr. Chahil was the Senior Vice President-Marketing of Hewlett Packard's Personal Systems Group, and prior to that, he was advisor to the Chairman of Palm, Inc. (a manufacturer and marketer of handheld computing and mobile and wireless Internet solutions). Prior to that, Mr. Chahil held the top marketing positions at Palm, Newbridge Networks and Apple Computer. He also serves on the council of Trustees of the American India Foundation (www.aif.org). 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 has been a Class II director of the Company since 2002. He also serves as a member of our Compensation and Corporate Governance and Nominating Committees. At the 2016 Annual Meeting of Stockholders, Mr. Chahil was reelected as a Class II Director of the Company to serve until the 2018 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 Audit Committee Corporate Governance and Nominating Committee (Chairman) Director since 1992 Age: 64	Mr. Mulligan has over 30 years of experience in private equity, having joined Primus Capital Funds in 1985 from McKinsey & Company, Inc. Mr. Mulligan serves as a Managing Director of Primus since 1987. Mr. Mulligan serves as director of several private portfolio companies and TFS Financial Corporation (Nasdaq:TFSL). Mr. Mulligan serves on the audit (chairman), compensation and executive committees of TFS. Mr. Mulligan is also a trustee of The Cleveland Clinic Foundation, the Land Trust Alliance, 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.

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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 2016 Annual Meeting of Stockholders, Mr. Mulligan was reelected as a Class II Director of the Company to serve until the 2018 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
Compensation Committee (Chairman)
Corporate Governance and Nominating Committee
Director since 1998
Age: 85

Mr. Sparkman is an experienced public company board member. Since June 2005 he has served as a director of Liberty Global, Inc. (Nasdaq:LBTYA) and is the chair of the compensation committee and a member of the nominating and corporate governance and the succession planning committees of the Liberty Global Board of Directors. Prior to that he was a director of Liberty Global's predecessor, LGI International, from November 2004 to June 2005. In addition, since 1994, Mr. Sparkman has been a director of Shaw Communications, Inc. (NYSE:SJR) and is a member of the executive and human resources and compensation committees of Shaw's Board of Directors. Mr. Sparkman has over 30 years of experience in the cable television industry. He was Executive Vice President and Chief Operating Officer of TCI for eight years until his retirement in 1995. During his over 26 years with Telecommunications, Inc. ("TCI"), he held various management positions of increasing responsibility, overseeing TCI's cable operations as that company grew through acquisitions, construction of new networks and expansion of existing networks into the largest multiple cable system operator in the United States at the time of his retirement. In addition, he co-founded Broadband Services, Inc., a provider of asset management, logistics, installation and repair services for telecommunications service providers and equipment manufacturers domestically and internationally. He served as chairman of the board and Co-Chief Executive Officer of Broadband Services until December 2003.

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 2016 Annual Meeting of Stockholders, Mr. Sparkman was reelected as a Class II Director of the Company to serve until the 2018 Annual Meeting of Stockholders.

Mr. Sparkman's significant background as an executive and board member and his particular knowledge of, and experience with, all aspects of cable television operations contribute to our board's consideration of operational developments and strategies, provide insight into other public company board practices and strengthen our board's collective qualifications, skills and attributes.

Gregory P. Stapleton
Compensation Committee
Director since 2008
Age: 71

Mr. Stapleton is the founder and owner of Falcon One Enterprises LLC, a private equity firm that invests in early stage technology companies, since 2005. Prior to that, Mr. Stapleton was the President of Harman International where, he also served as its Chief Operating Officer. He was a director of Harman International from 1997 until his retirement in 2004. Prior to joining Harman, Mr. Stapleton held various leadership positions, including Senior Vice President Venture Capital at General Electric.

Mr. Stapleton earned a Bachelor of Science in aerospace engineering from Penn State University.

Mr. Stapleton has served as a member of our Board of Directors since 2008. He also is a member of our Compensation Committee. At the 2016 Annual Meeting of Stockholders, Mr. Stapleton was reelected as a Class II Director of the Company to serve until the 2018 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.

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Carl E. Vogel Audit Committee Director since 2009 Age: 60	Mr. Vogel is a private investor and since October 2014, is an industry advisor for Kohlberg Kravis Roberts & Co. LP. In addition, Mr. Vogel is a senior advisor to the Chairman of DISH Network Corporation, a leading satellite television provider and a member of its Board of Directors. Prior to becoming a senior advisor, Mr. Vogel served as President of DISH Network Corporation from September 2006 until February 2008, and as its Vice-Chairman from June 2005 until March 2009. Prior to that, from October 2007 until March 2009, Mr. Vogel served as the Vice Chairman of the Board of Directors of and a senior advisor to EchoStar Communications Corporation. From 2001 until 2005, he served as President, Chief Executive Officer and director of Charter Communications, a leading cable television and broadband service provider. Prior to joining Charter, Mr. Vogel served in various executive capacities with Liberty Media affiliated companies. Mr. Vogel is the sole shareholder of Bulldog Capital Partners, Inc., providing advisory services and strategic consulting for media companies and media and telecom focused private equity investors. Mr. Vogel is also a member of the Board of Directors of Shaw Communications, Inc. (since 2006), Sirius XM Holdings Inc. (since 2011), and AMC Networks Inc. (since 2013). Mr. Vogel serves as a member of the corporate governance committee of Shaw; chairman of the compensation committee of Sirius; and chairman of the audit committee and a member the compensation committee of AMC Networks. Mr. Vogel received this Bachelor of Science degree from St. Norbert College, located in DePere, Wisconsin with an emphasis in finance and accounting, and was a former active Certified Public Accountant. Mr. Vogel has served as a member of our Board of Directors since 2009. He also is a member of our Audit Committee. At the 2016 Annual Meeting of Stockholders, Mr. Vogel was reelected as a Class II Director of the Company to serve until the 2018 Annual Meeting of Stockholders. As a result of his background, including his various high-level executive roles at DISH Network Corporation, Charter Communications Inc., and Liberty Media, Mr. Vogel brings to the Board demonstrated executive 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 those roles and from membership on the various boards of public and privately-held companies. Mr. Vogel also has extensive experience in reviewing financial statements as a result of his background as a certified public accountant and his roles as a chief executive and senior finance executive of public companies.
Edward K. Zinser Audit Committee (Chairman) Director since 2006 Age: 60	Mr. Zinser was Executive Vice President and Chief Financial Officer of United Online, Inc. (Nasdaq:UNTD) a provider of consumer services and products over the Internet from May 2014 until July 2016. From January 2008 until November 2012, Mr. Zinser served as Chief Financial Officer of Boingo Wireless, a leading Wi-Fi software and services provider. Prior to that, Mr. Zinser served as Executive Vice President and Chief Financial Officer of THQ, Inc., a worldwide publisher of interactive entertainment software. Prior to joining THQ, Mr. Zinser served as Executive Vice President and Chief Financial Officer of Vivendi Universal Games, a global publisher of entertainment and education software. Mr. Zinser has also served as President and Chief Operating Officer of Styleclick, Inc., Senior Vice President and Chief Financial Officer of Internet Shopping Network LLC, Executive Vice President and Chief Financial Officer of Chromium Graphics, Inc., and in various senior financial positions with The Walt Disney Company.

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 2016 Annual Meeting of Stockholders, Mr. Zinser was reelected as a Class II Director of the Company to serve until the 2018 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 positions on the boards and audit committees of other public companies.

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

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CORPORATE GOVERNANCE

We believe we have a long history of effective corporate governance practices that have greatly aided our long-term success. The Board of Directors and management have recognized for many years the need for sound corporate governance practices in fulfilling their duties and responsibilities to our stockholders. We describe below our key corporate governance policies that enable us to manage our business in accordance with high ethical standards and in the best interests of our stockholders.

Business Ethics — Code of Conduct

Our Code of Conduct applies to each member of our Board of Directors and to all officers and employees of UEI and our subsidiaries wherever located. Our Code of Conduct contains the general guidelines and principles for conducting UEI's business consistent with the highest standards of business ethics. Under our Code of Conduct, our chief executive officer, chief financial officer and principal accounting officer are responsible for creating and maintaining a culture of high ethical standards and of commitment to compliance throughout our Company to ensure the fair and timely reporting of UEI's financial results and condition.

We encourage our employees to report all violations of Company policies and the law, including incidents of harassment, discrimination or foreign corrupt practices. To assist our employees in complying with their ethical and legal obligations and in reporting suspected violations of laws, policies and procedures, management, at the direction of the Board of Directors, has established an independent, third party "Ethics Hotline".

Our Code of Conduct 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 member of our Board of Directors will be promptly posted on our website www.uei.com.

Director Independence

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 UEI. 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, namely, Messrs. Satjiv S. Chahil, William C. Mulligan, J.C. Sparkman, Gregory P. Stapleton, Carl E. Vogel and Edward K. 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 and Compensation Committee must also satisfy additional independence requirements, which, among other things, provide that they may not accept, directly or indirectly, any consulting, advisory or other compensatory fees from UEI or any of its subsidiaries other than their director compensation.

Leadership Structure

Combined Chairman and Chief Executive Officer. The Board’s current leadership structure is characterized by:

- a combined Chairman of the Board and Chief Executive Officer;
- 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 Chief Executive Officer and Chairman contributes to an efficient and effective Board. The Chief Executive Officer, 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 Chief Executive Officer’s effectiveness. Within the Company, the Chief Executive Officer 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 Chief Executive Officer and Chairman gives management clarity of leadership. Because of this, management knows that when the Chief Executive Officer 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

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oversight while avoiding unnecessary confusion regarding the Board’s oversight responsibilities and the day-to-day management of business operations.

Other Leadership Components. Another key component of our leadership structure is our strong governance practices to ensure that the Board effectively carries out its responsibility for the oversight of management. All directors, with the exception of our Chairman, are independent, and all committees are made up entirely of independent directors. We do not have a lead independent director. Non-management directors meet in regularly scheduled executive sessions at the end of every regularly scheduled board meeting. The non-management directors may schedule additional executive sessions as appropriate. Members of management do not attend these executive sessions. The Board has full access to our management team at all times. In addition, the Board or any committee may retain, at such times and on such terms as determined by the Board or committee in its sole discretion, independent legal, financial and other consultants and advisors to advise and assist the Board or committee in discharging its oversight responsibilities.

Risk Management

Management is responsible for assessing and managing UEI’s exposure to various risks while the Board of Directors has responsibility for the oversight of risk management. Management has an enterprise risk management process to identify, assess and manage the most significant risks facing UEI, including financial, strategic, operational, litigation, compliance and reputational risks.

The Audit Committee has oversight responsibility to review management’s risk management process, including the policies and guidelines used by management to identify, assess and manage UEI’s exposure to risk. The Audit Committee also has oversight responsibility for financial risks. The Board has oversight responsibility for all other risks. Management reviews financial risks with the Audit Committee at least quarterly and reviews its risk management process with the Audit Committee on an ongoing basis. Management reviews various significant risks with the Board throughout the year, as necessary and/or appropriate, and conducts a formal review of its assessment and management of the most significant risks with the Board on an annual basis.

Our internal auditor ("Auditor"), whose appointment and performance is reviewed and evaluated by the Audit Committee and who has direct access to the Audit 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.

Management’s role to identify, assess and manage risk, and the Board’s role in risk oversight, have been well defined for many years. The Board’s role in risk oversight has had no significant effect on the Board’s leadership structure. However, we believe that the Board’s leadership structure, with Mr. Arling serving as Chairman and Chief Executive Officer, enhances the Board’s effectiveness in risk oversight due to Mr. Arling’s extensive knowledge of the Company’s operations and the industries in which we conduct business.

In addition, 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.

Communications with Directors

The Board has adopted a process by which stockholders and other interested parties may communicate with members of the Board, committee chairs or the non-management directors as a group by regular mail. Any communication by regular mail should be sent to Universal Electronics Inc., 201 E. Sandpointe Avenue, 8th Floor, Santa Ana, California 92707, to the attention of the applicable director or directors.

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Executive Sessions of Non-Management Directors

The non-management members of the Board of Directors meet in regularly scheduled executive sessions at the end of every regularly scheduled board of directors meeting. Additional executive sessions may be scheduled by the non-management directors. Members of management do not attend these executive sessions. The Board has full access to our management team at all times. In addition, the Board or any committee may retain, at such times and on such terms as determined by the Board or committee in its sole discretion, independent legal, financial and other consultants and advisors to advise and assist the Board or committee in discharging its oversight responsibilities.

Board and Committee Self-Assessments

The Board of Directors has instituted self-assessments of the Board, as well as of the Audit, Compensation, and Corporate Governance and Nominating Committees, to assist in determining whether the Board and its committees are functioning effectively. During 2017, the Audit Committee completed its self-evaluation and reviewed and discussed the results with the full Board.

Board Committee Charters and Other Corporate Governance Materials

The Board of Directors has adopted written charters for the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee. Each committee reviews and evaluates the adequacy of its charter at least annually and recommends any proposed changes to the Board for approval. You may access all committee charters, our Code of Conduct, our Corporate Governance Guidelines, our Director Independence Standards, and other corporate governance materials through the “Investor Relations” section of our website, www.uei.com.

Stock Ownership Guidelines

The Board of Directors believes strongly that its directors and executive officers should have meaningful share ownership in UEI. Accordingly, the Board has established minimum share ownership requirements. Each Board of Director member is expected to own, at a minimum, that number of shares of common stock equal in value to $250,000, and each executive officer is expected to own, at a minimum, that number of shares of common stock equal in value to a multiple of his or her base salary ranging from a low of one times for certain executive officers to a high of four times for our Chairman and Chief Executive Officer. Any new director or executive officer will have five years from his or her start date to meet these minimum ownership requirements. Presently, all of our directors and executive officers meet these guidelines. For purposes of meeting this minimum share ownership requirement, each equivalent share of common stock held under our benefits plans and each share of time-based restricted stock units is considered as a share of common stock. Stock options and unissued shares of performance-based restricted stock units are not considered towards meeting this requirement. More information pertaining to Executive Officer stock ownership guidelines is set forth under the heading "Executive Officer Stock Ownership Guidelines" in the "Compensation Discussion and Analysis" section. In addition, more information pertaining to Board of Director stock ownership guidelines is set forth under the heading "Director Stock Ownership Guidelines" in the "Director Compensation and Stock Ownership Guidelines" section.

Board Structure and Committee Membership

Board Composition

We currently have seven directors: one is a Class I Director and six are Class II Directors. A Class I Director is a director who is also an employee of UEI 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 elected every even-numbered year at the Annual Meeting of Stockholders to serve a two-year term.

Board of Directors Meetings Held During 2017

During 2017, the Board formally met six times. Each director is expected to attend each meeting of the Board and those committees on which he serves. During 2017, no director attended less than 75% of the aggregate of all Board meetings and meetings of committees on which the director served. 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 2017

Annual Meeting of Stockholders, one director, Mr. Arling, was present.

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Role of 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 and Compensation Committee members meet additional heightened independence criteria applicable to Audit Committee and Compensation Committee members under applicable NASDAQ and Securities and Exchange Commission ("SEC") independence requirements. The table below provides information about the current membership of the committees and the number of meetings held in 2017.

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*	2**	0***

*The Audit Committee also acted once by unanimous written consent.

**The Compensation Committee also acted twice by unanimous written consent.

***The Corporate Governance and Nominating Committee acted once by unanimous written consent.

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.

Audit Committee Report

The Audit Committee reviews our financial reporting process on behalf of the Board of Directors and while management has the primary responsibility for the financial statements and the reporting process, our independent registered public accountants are responsible for expressing an opinion on the conformity of our audited financial statements to generally accepted accounting principles, in all material respects.

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In this context, the Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed our audited financial statements for the year ended December 31, 2017 with management and the independent registered public accountants.
2. The Audit Committee has discussed the matters required to be discussed by the applicable standards of the Public Company Accounting Oversight Board ("PCAOB") with the independent registered public accounting firm.
3. The Audit Committee has received the written disclosures required by the applicable requirements of the PCAOB regarding the independent registered public accounting firm’s independence and has discussed with the independent registered public accounting firm its independence.
4. The Audit Committee has considered whether the independent registered public accountants’ provision of non-audit services provided to us, if any, is compatible with the registered public accountants’ independence.

Relying on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that our financial statements for the year ended December 31, 2017, as presented to the Audit Committee, be included in our Annual Report on Form 10-K for the year ended December 31, 2017 to be filed with the Securities and Exchange Commission in accordance with the Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder.

Audit Committee of the Board of Directors

Edward K. Zinser — Chairman
William C. Mulligan
Carl E. Vogel

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 "NEOs" as such term is defined below in the "Compensation Discussion and Analysis"). Among other things, the Compensation 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;
- Monitors potential risks relating to the Company's compensation policies and practices;
- 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

None of our executive officers serves or has served on the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board or Compensation Committee.

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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 Corporate Governance and Nominating 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;
- Assists the Board in developing and evaluating potential candidates for executive positions and in overseeing the development of executive succession plans; and
- Oversees the process for evaluating the Board and its committees.

The Corporate Governance and Nominating 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., 201 E. Sandpointe Avenue, 8th Floor, Santa Ana, California 92707. 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 of UEI, 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 of UEI, 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 our global activities. The selection criteria for director candidates include the following:

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

The Corporate Governance and Nominating 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.

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Additional Information About Our Directors

Experiences, Qualifications, Skills and Attributes of Directors and Nominees

In considering each director nominee and the composition of the Board of Directors as a whole, the Corporate Governance and Nominating Committee utilizes a diverse group of experiences, qualifications, skills and attributes, including diversity in gender, ethnicity and race, that the Corporate Governance and Nominating Committee believes enables a director nominee to make a significant contribution to the Board, UEI and our stockholders. These experiences, qualifications, skills and attributes, which are more fully described in the table included in Proposal 1, are set forth in a director matrix and include management experience, independence, financial expertise, experience in manufacturing/distribution, technical/research and development, international operations, marketing and sales, retail operations and minority/diversity status.

These experiences, qualifications, skills and attributes relate directly to the management and operations of UEI. Success in each of these categories is a key factor in UEI’s overall operational success and creating stockholder value. The Corporate Governance and Nominating Committee believes that directors who possess these experiences, qualifications, skills and attributes are better able to provide oversight of UEI’s management and our long-term and strategic objectives.

Each director is required to notify the Chairman and the Chair of the Nominating & Governance Committee upon a change in principal professional responsibilities. The Nominating & Governance Committee may consider such change of status in recommending to the Board whether the director should continue serving as a member of the Board. The Board encourages, and we will reimburse the costs associated with, directors participating in continuing director education. The Board believes that term limits may result in the loss of long-serving directors who over time have developed unique and valuable insights into our business and therefore can provide a significant contribution to the Board. As a result, there are no term limits on Board service.

DIRECTOR COMPENSATION AND STOCK OWNERSHIP GUIDELINES

Non-Management Director Compensation

We compete primarily with technology companies in attracting and retaining our non-management directors. The advice of our non-management directors has been instrumental in our success. As noted in the overview of director backgrounds above, our current directors have deep experience in technology industries, Silicon Valley innovations and global marketing, telecommunications and cable TV, electronic devices manufacturing and marketing, private equity investments in technology, and internet-based consumer services and products. And each time our non-management directors have been up for reelection, our shareholders have recognized their value by overwhelmingly approving their reelection.

Consistent with this technology industry context, our Board of Directors has long held the belief that its compensation for serving as a member of our Board of Directors should be closely tied to the interests of our stockholders, meaning the vast majority of the non-management directors’ compensation be in equity as opposed to cash. As a result of this belief, the structure of our non-management directors’ compensation has remained unchanged since first being established in 2004, and since that time, this structure has been reviewed multiple times with the assistance and advice from Pay Governance LLC, a nationally-recognized independent compensation consulting firm (“Pay Governance”) with no change to its structure.

Prior to 2017, the last such review occurred in January 2013 by Pay Governance and, based upon that review, and in consultation with the Compensation Committee, the Board of Directors decided to retain the overall structure of the annual non-management directors’ compensation but made adjustments to the amount of cash retainer and the board and committee meeting fees with the adjustments becoming effective July 1, 2013 as follows:

1. An annual cash retainer equal to $35,000 (or $8,750 quarterly) (increased from $25,000),
2. A per meeting cash fee of $1,875 for each board meeting attended in excess of four during the fiscal year (July 1 - June 30) (increased from $1,500),
3. A cash fee of $1,500 for each committee meeting attended (increased from $1,000),
4. An annual cash retainer equal to $10,000 for each committee chaired (no change),
5. An award of 5,000 shares of our Common Stock, which vests ratably each quarter during the fiscal year awarded (no change), and
6. A periodic stock option grant when warranted to compensate the non-management directors for stellar past performance and to incentivize them to continue as members of our Board of Directors.

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There have been no changes in the structure, or cash or stock portions of the non-management directors' compensation since the July 2013 changes.

To further exemplify how this structure ties closely with the interests of our stockholders, since 2004 through 2016, the equity portion of our non-management directors' compensation has averaged over 75% of the directors' compensation, with the balance paid in cash. Also during this 13 year period, the directors were awarded stock options only three times, in 2004, 2008 and 2016 (however, this 2016 grant was surrendered by the directors in 2017 - see discussion below).

In keeping with its charter to periodically review non-management directors' compensation, at the end of 2017 and early in 2018, the Compensation Committee, with the assistance of Pay Governance, undertook a full review of its existing compensation program to ensure a harmonization of that program with the interests of our stockholders while developing an overall competitive compensation program positioned to attract and retain qualified members. In addition, the Compensation Committee considered recent developments in law, corporate governance, shareholder activism and pay practices regarding board compensation programs generally. During this review, the Compensation Committee reviewed compensation trends and best practices, competitive pay levels, stockholder view of non-management director compensation practices, effects of recent legal interpretations, and proxy disclosure and compared those with our current non-management director compensation program.

Consistent with the primary experience sought in directors, the competitive analysis of director compensation was focused on the Company's Peer Group which is used for assessing executive compensation. The Peer Group consists of companies in the Electronic Equipment & Instruments, Electronic Manufacturing Services, Electronic Components/Household Appliances, and Consumer Electronics industries (see page 38 below for details of the Peer Group). Director compensation for 2017 was determined to rank at the 91st percentile of all directors in the Peer Group

As a result of this review, the Compensation Committee concluded that modifications to the structure of the non-management directors' compensation program were needed to better match the compensation programs of peer companies. This included recommending and obtaining the non-management directors' agreement to voluntarily surrender the 2016 special grant of 25,000 stock options which the directors did in 2017.

Based upon this study and the conclusions reached by the Compensation Committee, the Committee recommended to the Board that the structure of the non-management directors' compensation, in place since 2004, be modified to use retainers and eliminate meeting fees (both Board and Committee meetings) and to place a cap on the dollar value of the annual award of Common Stock. As such, in following the guidance from the Pay Governance study, the Committee recommended that the annual Board membership retainer be set at $50,000 (from $35,000) with no meeting fees being paid for attending Board meetings; an annual Committee membership retainer be set as follows: Audit Committee membership - $10,000, Compensation Committee membership - $10,000, and Nominating and Governance Committee membership - $5,000, with no meeting fees being paid for attending Committee meetings; and the annual Committee Chairman fees be set as follows: Audit Committee Chairman - $11,250 (from ($10,000), Compensation Committee Chairman - $10,000 (not change) and Nominating and Governance Chairman - $6,000 (from $10,000). Further, the Committee recommended that a $500,000 dollar cap be placed on the value of the stock portion of the directors' annual compensation. After these modifications, the non-management directors' annual compensation will be as follows:

1. An Board membership cash retainer equal to $50,000 ($12,500 paid quarterly),
2. An Committee membership cash retainer as follows:
a. Audit Committee membership - $10,000 ($2,500 paid quarterly),

b. Compensation Committee membership - $10,000 ($2,500 paid quarterly), and
c. Nominating and Governance Committee membership - $5,000 ($1,250 paid quarterly),
3. An cash retainer for each committee chaired as follows:
a. Audit Committee Chairman - $11,250 ($2,812.50 paid quarterly)
b. Compensation Committee Chairman - $10,000 ($2,500 paid quarterly), and
c. Nominating and Governance Chairman - $6,000 ($1,500 paid quarterly),
4. An award of 5,000 shares of our Common Stock (which number of shares may be reduced when determined by the Board to be necessary and appropriate), but in no event may the dollar value of such share award exceed $500,000, which vests ratably each quarter during the fiscal year awarded, and
5. A periodic stock option grant when warranted to compensate the non-management directors for stellar past performance and to incentivize them to continue as members of our Board of Directors.

These changes are to take effect on July 1, 2018.

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Based on current committee chairmanships and memberships, and our current stock price of approximately $50 per share, compensation to our current directors under the new program is estimated to range from $310,000 to $$325,000. This would place our non-management director compensation at approximately the 81st to 85th percentile of directors in our Peer Group.

Non-Management Director Compensation Table

Name of Director	Year	Fees Earned or Paid in Cash (1) ($)	Stock Awards (2) ($)	Option Awards ($)	Total Compensation($)
Satjiv S. Chahil	2017	39,875	336,050	—	375,925
William C. Mulligan	2017	52,875	336,050	—	388,925
J. C. Sparkman	2017	49,875	336,050	—	385,925
Gregory P. Stapleton	2017	39,875	336,050	—	375,925
Carl E. Vogel	2017	42,875	336,050	—	378,925
Edward K. Zinser	2017	52,875	336,050	—	388,925

(1) This column represents the cash compensation earned in 2017 for Board and committee service. See the "Additional Information about Fees Earned or Paid in Cash During 2017" table below.

(2) This column represents the grant date fair value of stock awards granted to Class II Directors as part of their compensation. The fair value of the stock awards is calculated using the average of 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 2017.

Mr. Arling, who is the Company's Chief Executive Officer and the Company’s only Class I Director, received no additional compensation for his service as a director during 2017. All directors are reimbursed for travel expenses and other out-of-pocket costs incurred to attend meetings.

Additional Information about Fees Earned or Paid in Cash During 2017

The following table provides additional information about fees earned or paid in cash to non-management directors during 2017:

Name of Director	Year	Annual Retainers ($)	Committee Chair Fees (1) ($)	Committee Meeting Attendance Fees (2) ($)	Additional BOD Meeting Attendance Fees (3) ($)	Total ($)
Satjiv S. Chahil	2017	35,000	—	3,000	1,875	39,875
William C. Mulligan	2017	35,000	10,000	6,000	1,875	52,875
J. C. Sparkman	2017	35,000	10,000	3,000	1,875	49,875
Gregory P. Stapleton	2017	35,000	—	3,000	1,875	39,875
Carl E. Vogel	2017	35,000	—	6,000	1,875	42,875
Edward K. Zinser	2017	35,000	10,000	6,000	1,875	52,875

(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 was paid $1,500 for each committee meeting attended.

(3) Each board member was paid $1,875 for each Board of Directors' meeting attended in excess of four.

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Additional Information about Non-Management Director Equity Awards

The following table provides additional information about equity awards made to non-management directors during 2017:

Name of Director	Restricted Stock Unit Awards Granted During 2017 (#)	Option Awards Granted During 2017 (#)	Grant Date Fair Value of Stock and Option Awards Granted During 2017 [1] ($)	Stock Awards Outstanding at Year End (#)	Option Awards Outstanding at Year End (#) [2]
Satjiv S. Chahil	5,000	—	336,050	2,500	20,000
William C. Mulligan	5,000	—	336,050	2,500	—
J. C. Sparkman	5,000	—	336,050	2,500	—
Gregory P. Stapleton	5,000	—	336,050	2,500	10,000
Carl E. Vogel	5,000	—	336,050	2,500	20,000
Edward K. Zinser	5,000	—	336,050	2,500	—

(1) Represents the grant date fair value of stock awards granted during 2017. For restricted stock unit awards, this 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 stock option awards, this number is determined using the Black-Scholes option pricing model. For additional information regarding the assumptions used in calculating the grant date fair value, please refer to Note 16 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC.

(2) Outstanding stock options issued to Mr. Chahil were comprised of 20,000 fully vested stock options that were set to expire on February 11, 2018 and which Mr. Chahil exercised in January 2018. Outstanding stock options issued to Mr. Stapleton were comprised of 10,000 fully vested stock options that were set to expire on April 24, 2018 and which Mr. Stapleton exercised in April 2018. Outstanding stock options issued to Mr. Vogel were comprised of 20,000 fully vested stock options that are set to expire on October 30, 2019.

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Director Stock Ownership Guidelines

The Company requires each of our independent, Class II Directors to own at least $250,000 worth of our common stock. These guidelines are designed to align the Class II Directors' long-term financial interests with those of stockholders. As of December 31, 2017, each of our independent directors satisfied the stock ownership guidelines. For the purposes of meeting this minimum stock ownership requirement, each share of time-based restricted stock units is considered as a share of common stock. Stock options and shares of unissued performance-based restricted stock units are not considered towards meeting this requirement.

The Compensation Committee reviews ownership levels of our Directors annually. The requirements for our independent Directors, as well as the average actual ownership levels at December 31, 2017 of all six independent directors, are set forth in the table below. Each of our independent Directors have met the required guidelines.

Anti-Pledging Policy

In January 2014, the Board of Directors ratified and adopted the Compensation Committee’s recommended anti-pledging policy prohibiting all non-management Directors and executive officers of the Company from holding any shares of the Company’s stock in a margin account and from pledging any such stock as collateral for any loan. In 2015, pursuant to the Dodd-Frank Act, the SEC proposed rules requiring disclosure in proxy materials of whether employees and directors are permitted to purchase financial instruments designed to hedge or offset a market value decrease of equity securities granted to them as compensation or otherwise held by them. We intend to continue to monitor the SEC rulemaking and revise our insider trading policy as appropriate.

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Proposal 2 - Approval, on an advisory basis, of Named Executive Officer Compensation

The Company seeks approval, on an advisory basis, from its stockholders of the compensation of its named executive officers as described in the Compensation Discussion and Analysis section beginning on page 27 and the Summary Compensation Table and supporting tables and information beginning on page 40. The Company designed its compensation programs to help recruit, retain and motivate key executives to deliver the successful operating, financial, and stockholder value performance expected by its investors. The Compensation Committee strongly believes that executive compensation - both pay opportunities and pay actually realized - should be tied to Company performance. As illustrated in the accompanying chart, in 2017, 70% of the named executive officers' target total direct compensation consisted of annual and long-term incentives, with 46% in the form of long-term equity compensation. At last year’s Annual Meeting of Stockholders held on June 5, 2017, the say-on-pay advisory vote was overwhelmingly favorable, with 89% of all votes cast in favor of approving our executive compensation program.

In deciding how to vote on this proposal, the Board encourages you to read the Compensation Discussion and Analysis section for a detailed description of our executive compensation philosophy and programs, the compensation decisions the Compensation Committee has made under those programs and the factors considered in making those decisions. In particular, you should consider the following factors, which are more fully discussed in the Compensation Discussion and Analysis:

- Historically we have operated in a highly competitive pricing environment. This past year was no different. It was also a year of transition as many of our major customers were transitioning to next generation products, and we were transitioning our manufacturing activities between facilities as we closed down one of our China factories. At the same time, we continued to invest in new products that we believe will drive strong results in key financial metrics that correlate with long-term stockholder value. Since 2013, net sales have grown at an average annual rate of 7.1%; however, as a result of the aforementioned factors, in 2017 we experienced a net loss and our stock price declined 26.8%.

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- The great majority of executive pay is not guaranteed. The Company sets clear annual financial goals for corporate and business unit performance and differentiates its bonus awards based on individual achievement. Pay for performance is evident in the charts on pages 27 and 28 in the Compensation Discussion and Analysis section of this proxy statement.

Accordingly, we are asking our stockholders to vote "FOR" the following resolution:

"RESOLVED, that Universal Electronics Inc.'s stockholders hereby approve, on an advisory basis, the compensation of the named executive officers as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the "Compensation Discussion and Analysis," the compensation tables and any related material disclosed in Universal Electronic Inc.'s proxy statement."

This advisory vote on named executive officer compensation is not binding on us. However, the Board and the Compensation Committee value the opinion of our stockholders. To the extent there is a significant vote against this proposal, we will seek to determine the reasons for our stockholders' concerns, and the Compensation Committee will evaluate whether any actions are necessary to address those concerns when making future named executive officer compensation decisions.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" PROPOSAL 2 RELATING TO THE APPROVAL, ON AN ADVISORY BASIS, OF NAMED EXECUTIVE OFFICER COMPENSATION.

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Proposal 3: Adoption and Approval of the 2018 Equity and Incentive Compensation Plan

Overview

On April 24, 2018, acting on the recommendation of the Compensation Committee and with input from an independent compensation consultant (Pay Governance LLC), the Board of Directors unanimously adopted and approved the Company’s 2018 Equity and Incentive Compensation Plan (“2018 Plan”), and is submitting the 2018 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, consultants, and advisors, 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 2018 Plan allows grants of stock options (including options intended to qualify as incentive stock options (“incentive stock options”) under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”) and options not intended to qualify as incentive stock options (“nonqualified stock options” and together, “options”), stock appreciation rights (“SARs”), restricted stock, restricted stock units (“RSUs”), other stock-based awards and cash-based awards (collectively, “awards”), any of which may be performance-based. The Board has adopted and approved the 2018 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 1999A Stock Incentive Plan, 2003 Stock Incentive Plan, 2006 Stock Incentive Plan, 2010 Stock Incentive Plan, and 2014 Stock Incentive Plan (collectively, the “Prior Plans”). As of April 1, 2018, only 193,238 shares were available for future grants under the Prior Plans.

Why You Should Vote For the 2018 Plan

The Board recommends that the Company’s stockholders approve the 2018 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, retain 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, consultants, and advisors 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 2018 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 2018 Plan that are consistent with good corporate governance practices include, but are not limited to:

- Options and stock awards may not be granted with exercise prices lower than the fair market value of the underlying shares on the grant date;
- There generally may be no repricing of options or other awards without stockholder approval, including no cancellation and replacement of any outstanding option or SAR with a new option or SAR or another award or cash or amendment or modification that reduces the exercise price of an option or strike price of a SAR; and
- Options and stock 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, trusts, partnerships or limited liability companies or other transferees as approved by the Board or the Compensation Committee or provided in the award agreement evidencing the grant of the award.

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Key Data

The following table includes information regarding all of the Company’s outstanding equity awards (consisting only of options and restricted stock awards) and shares available for future awards under the Company’s Prior Plans as of April 1, 2018 (and without giving effect to this proposal 3):

Total shares underlying all outstanding options	619,155
Weighted average exercise price of outstanding options	$43.69
Weighted average remaining contractual life of outstanding options	4.69 years
Total shares underlying all outstanding and unvested restricted stock awards	245,319
Shares available for future awards that may be issued under Prior Plans	193,238

Plan Summary

The following summary of the material terms of the 2018 Plan are qualified in their entirety by reference to the complete statement of the 2018 Plan, which is set forth in Appendix A to this Proxy Statement. The 2018 Plan will become effective on June 4, 2018 (the “effective date”), after obtaining approval by the Company’s stockholders. On and after the effective date, no grants will be made under the Prior Plans; provided, that, awards granted under any Prior Plan will remain subject to the terms and conditions of the applicable Prior Plan.

Purpose. The purpose of the 2018 Plan is to provide a means through which the Company may attract and retain key personnel and to provide a means whereby non-employee Directors, officers, employees, consultants and advisors of the Company and its subsidiaries (the “Company Group”) can acquire and maintain an equity interest in the Company, or be paid incentive compensation, which may (but need not) be measured by reference to the value of the shares of the Company’s common stock (“Common Stock”).

Eligibility. Non-employee Directors, officers, employees, consultants and advisors of the Company Group will be eligible for awards; provided, that, incentive stock options may be granted only to employees. A written agreement between the Company and each participant will evidence the terms of each award granted under the 2018 Plan other than any cash-based award.

Number of Shares Authorized. Pursuant to the 2018 Plan, the Company has reserved an aggregate of one million (1,000,000) shares of Common Stock for issuance of awards to be granted thereunder (all of which may be issued as Incentive Stock Options) plus the number of shares of Common Stock underlying an award granted under any Prior Plan that expires, terminates or is canceled or forfeited for any reason or settled in cash or is unearned under the terms of the applicable Prior Plan. Each year, each participant who is a non-employee Director will be granted an award covering the lesser of (i) 5,000 shares of Common Stock Stock (which number of shares may be reduced when determined by the Board to be necessary and appropriate) and (ii) shares of Common Stock with an aggregate maximum value at the date of grant of $500,000 (the “Annual Award”). In addition to the Annual Award, as an inducement to commence service with the Company as a non-employee Director or, from time to time, to reward extraordinary service rendered by an existing non-employee Director, a participant who is or becomes a non-employee Director may be granted an award of options covering up to 20,000 shares of Common Stock.

If any award granted under the 2018 Plan expires unexercised, is canceled, forfeited, settled in cash or unearned, shares of our Common Stock subject to such award will again be made available for future grants. Use of shares of Common Stock to pay the required exercise price or tax obligations, or shares not issued in connection with settlement of an option or SAR, reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of an option, or that are used or withheld to satisfy tax obligations of the participant will, notwithstanding anything herein to the contrary, not be available again for other awards under the 2018 Plan. In addition, if a participant elects to give up the right to receive compensation in exchange for shares of Common Stock based on fair market value, such shares of Common Stock will not be available again for awards under the 2018 Plan. In general, any fractional shares due on exercise or payment in respect of an award will be settled in cash.

Administration. The Compensation Committee will administer the 2018 Plan. Among other responsibilities, the Compensation Committee will select participants and determine the type of awards to be granted to participants, the number of shares of Common Stock to be covered by awards and the terms and conditions of awards, interpret the 2018 Plan and awards granted thereunder, establish, amend, suspend or waiver rules and may accelerate the vesting or exercisability of, or the lapse of restrictions on, awards, and make any other determination and take any other action that it deems necessary or desirable to administer the 2018 Plan.

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Amendment or Termination. Unless earlier terminated, the expiration date of the 2018 Plan will be the tenth (10^{th}) anniversary of the effective date; provided, however, that such expiration shall not affect awards then outstanding, and the terms and conditions of the 2018 Plan shall continue to apply to such awards. The Board may amend or terminate the 2018 Plan at any time; provided, that, no such amendment or termination shall be made without stockholder approval if such approval is necessary to comply with any tax or regulatory requirement applicable to the 2018 Plan and that any such amendment or termination that would materially and adversely affect the rights of any participant or any holder or beneficiary of any award granted will not to that extent be effective without the consent of the affected participant, holder or beneficiary. The Compensation Committee may, to the extent consistent with the terms of any applicable award agreement, amend or terminate, any award granted under the 2018 Plan or the associated award agreement; provided, that, any such amendment or termination that would materially and adversely affect the rights of any participant with respect to any award granted under the 2018 Plan will not to that extent be effective without the consent of the affected participant and that, in general, without stockholder approval to the extent required by the rules of any applicable national securities exchange or inter-dealer quotation system on which the Common Stock is listed or quoted, (i) no amendment or modification may reduce the exercise price of any option or the strike price of any SAR, (ii) the Compensation Committee may not cancel any outstanding option or SAR and replace it with a new option or SAR, another award or cash and (iii) the Compensation Committee may not take any other action that is considered a “repricing” for purposes of the stockholder approval rules of the applicable securities exchange or inter-dealer quotation system.

Options. The Compensation Committee may, in its discretion, grant incentive stock options and nonqualified stock options to participants. All options granted under the 2018 Plan will be nonqualified stock options unless the award agreement states that the option is an incentive stock option. Non-employee Directors, officers, employees, consultants and advisors may be granted nonqualified stock options, but only employees may be granted incentive stock options. The Compensation Committee will determine the exercise price of options granted under the 2018 Plan. Subject to certain exceptions, the exercise price of an incentive or nonqualified stock option shall be at least 100% (and in the case of an incentive stock option granted to a more than 10% stockholder, 110%) of the fair market value of the Common Stock subject to the option on the date the option is granted. The Compensation Committee will determine, in its sole discretion, the terms of each option (the “option period”). Options may not be exercisable for more than ten years from the date they are granted (five years in the case of an incentive stock option granted to a more than 10% stockholder).

Acceptable consideration for the purchase of the Common Stock issued upon the exercise of an option will include cash, check, cash equivalents and/or shares of the Common Stock (or attestation thereof), and the Compensation Committee may permit other forms of consideration, including (1) a broker-assisted cashless exercise or (2) a reduction of the number of shares deliverable upon exercise. Any fractional amounts will be settled in cash.

Stock Appreciation Rights/SARs. The Compensation Committee may, in its discretion, grant SARs to participants. Generally, SARs permit a participant to exercise the right and receive a payment equal to the value of the Common Stock’s appreciation over a period of time in excess of the fair market value of a share of the Common Stock on the date of grant of the SAR. The Company will pay such amount in cash, in shares of Common Stock valued at fair market value, or any combination, as determined by the Compensation Committee. Any fractional shares of Common Stock shall be settled in cash. SARs may be granted alone or in tandem with options and may be settled in cash, stock or a combination thereof. If a SAR is granted in tandem with an option, the SAR will become exercisable and will expire according to the same vesting schedule and expiration provisions as such option. A SAR granted independent of an option will become exercisable and will expire in such manner and on such date(s) as determined by the Compensation Committee, not to exceed ten years (the “SAR period”). The Compensation Committee will determine, in its sole discretion, the terms of each SAR.

Restricted Stock and Restricted Stock Unit Awards. The Compensation Committee may, in its discretion, grant restricted stock and/or restricted stock units (a hypothetical account that is paid in the form of shares of Common Stock or cash or a combination of both) to participants. The Compensation Committee will determine, in its sole discretion, the terms of each restricted stock and restricted stock unit award. Subject to the terms of the award, the recipients of restricted stock generally will have the rights and privileges of a stockholder with respect to the restricted stock, including the right to vote the stock. Dividends, if any, that may have been withheld by the Compensation Committee and attributable to any particular share of restricted stock will be distributed to the participant in cash or shares of Common Stock upon the release of the restrictions applicable to such award. If a restricted stock award is forfeited, the participant will have no right to such dividends unless otherwise provided in the award agreement. Upon the grant of a restricted stock award, the shares underlying the award will be registered in the name of the participant. Unless otherwise provided by the Compensation Committee in an award agreement or otherwise, restricted stock units will generally be settled in shares of Common Stock. However, the Compensation Committee will have discretion to pay restricted stock units, upon settlement, in cash, shares of Common Stock or a combination thereof. The Compensation Committee may also elect to defer the delivery of such shares of Common Stock or cash or combination of the two.

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Other Stock-Based Awards. The Compensation Committee, in its discretion, may award unrestricted shares of Common Stock, or other awards denominated in Common Stock, to participants either alone or in tandem with other awards. The Compensation Committee will determine, in its sole discretion, the terms of each other stock-based award.

Other Cash-Based Awards. The Compensation Committee may award other cash-based awards that are denominated or payable in cash to participants, either alone or in tandem with other awards. The Compensation Committee will determine, in its sole discretion, the terms of each other cash-based award.

Adjustments in Capitalization. In general, in the event of (1) any dividend (other than regular cash dividends) or other distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, split-off, combination, repurchase or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to acquire shares of Common Stock of the Company or other securities of the Company or other similar corporate transaction or event (including, without limitation, a "change in control" (as defined in the 2018 Plan)) that affects the shares of the Common Stock, (2) unusual or nonrecurring events (including, without limitation, a "change in control") affecting any member of the Company Group or the financial statements of any member of the Company Group, or (3) changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange or inter-dealer quotation system, accounting principles or law, necessary or appropriate equitable adjustments (as determined by the Compensation Committee) will be made, including to the number of shares of Common Stock or other securities of the Company (or number and kind of other securities or other property) that may be delivered in respect of awards or with respect to which awards may be granted under the 2018 Plan or any other limit applicable under the 2018 Plan with respect to the number of awards which may be granted under the 2018 Plan, and the terms of any outstanding award, including the number of shares of Common Stock or other securities of the Company (or number and kind of other securities or other property) subject to outstanding awards or to which outstanding awards relate, the exercise or strike price with respect to any award or any applicable performance measures. In addition, the Compensation Committee may provide for a substitution or assumption of awards, the acceleration of the exercisability of, lapse of restrictions on, or termination of, awards or provide for a period of time for exercise prior to the occurrence of such event or cancel any award and cause a payment (in cash, shares of Common Stock, other securities, other property or any combination thereof) to be made to the award holders equal to the value of such awards, if any, as determined by the Compensation Committee.

Change in Control. In the event of a "change in control," the Compensation Committee may (1) provide that all options and SARs will become immediately exercisable as of a time prior to the "change in control," (2) provide that any restricted period imposed upon awards will expire as of a time prior to the "change in control," and (3) cause any deferred awards to be settled as soon as practicable.

Section 409A. The 2018 Plan and the awards that may be granted thereunder are intended to comply with or be exempt from Section 409A of the Code and shall be administered, construed and interpreted in accordance with such intent; provided, that, neither the Company, any affiliates, the Board, the Compensation Committee nor any other party guarantees such compliance or exemption and no such party shall have any liability to any participant if an award intended to comply with or be exempt from Section 409A of the Code does not comply with or is not exempt from Section 409A of the Code as intended.

Transferability. Awards will generally not be transferable, but all awards will be transferable upon the participant's death by will or the laws of descent and distribution. The Compensation Committee may permit awards, other than incentive stock options, to be transferred to the participant's family members, a trust solely for the benefit of the participant or his or her family members, a partnership or limited liability company whose only partners or stockholders are the participant or his or her family members, or any other transferee as may be approved by the Board or the Compensation Committee. Designating a beneficiary will not be considered a transfer.

Detrimental Activity. If a participant engages in any "detrimental activity" as determined by the Compensation Committee, the Compensation Committee may (i) cancel any or all of the participant's outstanding awards or (ii) provide that the participant will forfeit and promptly repay any gain realized on vesting or exercise of an award. Detrimental activity generally includes the participant's (1) unauthorized use, disclosure or dissemination of confidential information or trade secrets pertaining to the business of any member of the Company Group (2) engaging in activity that would be grounds to terminate the participant’s employment or service with any member of the Company Group for cause or (3) breach any restrictive covenant by which such participant is bound.

No Right to Continued Employment. The 2018 Plan does not give any participant any right to be retained in the employ or service of any member of the Company Group. Any member of the Company Group may at any time dismiss a participant from employment or discontinue any consulting relationship, free from any liability or any claim under the 2018 Plan, unless otherwise expressly provided in the 2018 Plan or any award agreement.

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Government and Other Regulations. The obligation of the Company to settle awards in Common Stock or other consideration is subject to all applicable laws, rules, and regulations, and to such approvals by governmental agencies as may be required. The Company is under no obligation to offer to sell or to sell, and shall be prohibited from offering to sell or selling, any shares of Common Stock pursuant to an award unless such shares have been properly registered for sale pursuant to the Securities Act of 1933, as amended, with the Securities and Exchange Commission or unless the Company has received an opinion of counsel, satisfactory to the Company, that such shares may be offered or sold without such registration pursuant to an available exemption therefrom and the terms and conditions of such exemption have been fully complied with.

Clawback/Repayment. All awards are subject to reduction, cancellation, forfeiture or recoupment to the extent necessary to comply with (1) any clawback, forfeiture or other similar policy adopted by the Board or the Compensation Committee and as in effect from time to time, and (2) applicable law.

Federal Income Tax Treatment

The following is a general summary of certain U.S. federal income tax consequences of certain types of awards under the 2018 Plan. The summary does not describe federal taxes other than income taxes (such as Medicare and Social Security taxes), and does not explain the state and local or any foreign tax treatment. The state and local tax treatment may vary from the U.S. federal income tax treatment. The following is limited to the U.S. federal income tax consequences to individuals who are citizens or residents of the United States. The law is technical and complex, and the summary below is general in nature. The following is not considered as tax advice to any persons who may be participants in the 2018 Plan and participants are advised to consult their tax counsel as to the tax consequences of a particular transaction under the 2018 Plan.

Incentive Stock Options. A participant who is granted an incentive stock option will not have federal income tax liability upon the grant of an incentive stock option and will not recognize regular taxable income when the incentive stock option is exercised. However, the participant will recognize alternative minimum taxable income equal to the excess of the fair market value of the purchased shares at the time of exercise over the exercise price paid for those shares, if the participant is subject to the alternative minimum tax in the taxable year of the exercise. A participant generally will recognize income in the year in which the participant disposes of the shares purchased under such incentive stock option. If the participant makes a “qualifying disposition,” the participant will recognize a long-term capital gain equal to the excess of (a) the amount realized upon the sale or disposition over (b) the exercise price paid for the shares and the Company cannot take an income tax deduction with respect to those shares. A qualifying disposition occurs when the participant’s sale or other disposition of the shares takes place (a) more than two (2) years after the grant date of the incentive stock option and (b) more than one (1) year after the date the option was exercised for the particular shares involved in the disposition. In contrast, a disqualifying disposition is any sale or other disposition made before both of these minimum holding periods are satisfied. The participant is required to notify the Company in writing immediately after the date the participant makes a disqualifying disposition. Normally, when shares purchased under an incentive stock option are subject to a disqualifying disposition, the participant will recognize ordinary income at the time of the disposition in an amount equal to the excess of (a) the fair market value of the shares on the exercise date over (b) the exercise price paid for those shares and the Company is entitled to an income tax deduction equal to the amount of ordinary income that the participant recognizes in connection with the disposition.

Nonqualified Stock Options. A participant who is granted a nonqualified stock option will not have federal income tax liability upon the grant of the nonqualified stock option, but normally will recognize ordinary income in the year in which the participant exercises the option in an amount equal to the excess of (a) the fair market value of the purchased shares on the exercise date over (b) the exercise price paid for those shares and the Company will be entitled to an income tax deduction equal to the amount of ordinary income that the participant recognizes. A participant will later also recognize a capital gain to the extent that the amount realized from the sale of the shares exceeds the participant’s basis in the shares.

Stock Appreciation Rights/SARs. A participant who is granted a SAR will not have federal income tax liability upon the grant of the SAR, but normally will recognize ordinary income in the year in which the participant exercises the SAR in an amount equal to the amount of the cash or the value of the stock that is transferred to the participant upon exercise of the SAR and the Company will be entitled to an income tax deduction equal to the amount of ordinary income that the participant recognizes.

Restricted Stock Awards. Generally, a participant who is granted an award of restricted stock will recognize taxable income when the substantial risk of forfeiture of the shares lapses, i.e., at the time of “vesting.” The taxable income will be equal to the fair market value of the shares of restricted stock when they vest and the Company will be entitled to an income tax deduction equal to the amount of ordinary income that the participant recognizes. The participant may elect under Section 83(b) of the Code to include as ordinary income in the year of the award an amount equal to the fair market value of the shares on the transfer date. If the participant makes the Section 83(b) election, the participant will not recognize any additional income when the shares vest.

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Any appreciation in the value of the shares of restricted stock after the award is not taxed as compensation but instead is taxed as a capital gain when the restricted shares are sold or transferred. If the participant makes a Section 83(b) election and the restricted stock is later forfeited, the participant is not entitled to a tax deduction or a refund of the tax already paid. The Section 83(b) election must be filed with the Internal Revenue Service within thirty (30) days after the shares are awarded to the participant.

Restricted Stock Units/RSUs. A participant who is granted an RSU generally will not recognize income when the RSU is granted or vested, but only when the RSU is settled. The participant will recognize ordinary income equal to the amount of the cash or the value of the stock that the participant receives on settlement and the Company will be entitled to an income tax deduction equal to the amount of ordinary income that the participant recognizes.

Company Deduction and Section 162(m). Section 162(m) of the Code generally limits a company’s ability to deduct compensation paid in excess of $1 million during any fiscal year to certain “covered employees” unless certain exceptions are met, such as the exception for qualified performance-based compensation. Pursuant to the Tax Cuts and Jobs Act of 2017 (“TCJA”) as of January 1, 2018, the exception under Code Section 162(m) for qualified performance-based compensation was eliminated and the definition of “covered employee” was expanded to include the chief financial officer of a Company. TCJA includes a transition rule under which the changes to Code Section 162(m) will not apply to compensation payable pursuant to a written binding contract that was in effect on November 2, 2017, and is not materially modified after that date. The Company intends to rely on this transition rule. However, given the loss of the qualified performance-based compensation exception, non-grandfathered awards may result in non-deductible compensation amounts. The Compensation Committee takes the potential tax deductibility of compensation under Section 162(m) of the Code into consideration, along with many other factors, when making compensation decisions.

New Plan Benefits

The benefits that will be awarded or paid under the 2018 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. Based upon past grants under the Prior Plans, it is the Company's expectation that the 2018 Plan should be sufficient to cover benefits awarded or paid to participants for the next four years. 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 Compensation Discussion and Analysis section of this proxy statement. As of April 1, 2018, the closing price of a share of the Company’s Common Stock was $52.05.

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 2018 Equity and Incentive Compensation Plan.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR ADOPTION AND APPROVAL OF THE COMPANY’S 2018 EQUITY AND INCENTIVE COMPENSATION PLAN.

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COMPENSATION DISCUSSION AND ANALYSIS

This section provides a description of our executive compensation philosophy, programs and practices, the compensation decisions the Compensation Committee made under those programs and the factors considered in making those decisions. This Compensation Discussion and Analysis focuses on the following executives who were our named executive officers ("NEOs") in 2017:

Name	Title
Paul D. Arling	Chairman and Chief Executive Officer
Bryan M. Hackworth	Chief Financial Officer and Senior Vice President
David Chong	Executive Vice President, Asia
Louis S. Hughes	Chief Operating Officer
Menno Koopmans	Managing Director, EMEA

Pay for Performance

Our compensation programs and practices are designed to help recruit, retain and motivate key executives so that they may deliver the successful operating, financial, and stockholder value performance expected by our investors.

Performance-Based Compensation

The Compensation Committee believes that our compensation program and practices have been instrumental in supporting achievement of our operating success and performance for stockholders. The program emphasizes annual and long-term performance-based incentives so that the vast majority of our NEOs' total compensation is tied to the Company's financial and long-term stock price performance.

Mr. Arling received approximately 73% of his total 2017 compensation opportunity in the form of annual and long-term incentives that were tied to the Company's operating results and stock price. The other NEOs as a group received approximately 68% of their total 2017 compensation opportunity in the same annual and long-term incentives.

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The Compensation Committee strongly believes that executive compensation pay opportunities and pay actually realized should be tied to Company performance on an absolute basis, relative to similar technology companies and on competitive pay standards. In addition, realized executive pay should be tied to performance in two key ways: (1) the Company's operating and financial performance and (2) the return to stockholders over time.

Operating Performance

Historically, we have operated in a highly competitive pricing environment. This past year was no different. It was also a year of transition as many of our major customers were transitioning to next generation products, and we were transitioning our manufacturing activities between facilities as we closed down one of our China factories. At the same time, we continued to invest in new products that we believe will drive strong results in key financial metrics that correlate with long-term stockholder value. Since 2013, net sales have grown at an average annual rate of 7.1%; however, as a result of the aforementioned factors, in 2017 we experienced a net loss and our stock price declined 26.8%.

(in millions, except per share amounts and percentages)	2013	2014	2015	2016	2017
Net Sales	$529.4	$562.3	$602.8	$651.4	$695.8
Net Income (Loss)	$23.0	$32.5	$29.2	$20.4	$(10.3)
Diluted EPS	$1.47	$2.01	$1.88	$1.38	$(0.72)
Cash Flow from Operations	$30.7	$63.5	$26.1	$49.5	$13.8
Gross Margin %	28.6 %	29.7 %	27.7 %	25.2 %	23.8 %
Operating Margin %	6.1 %	7.3 %	5.9 %	3.9 %	1.5 %
Return on Average Assets	5.7 %	7.3 %	6.1 %	4.0 %	(1.8)%
Closing Y/E Stock Price	$38.11	$65.03	$51.35	$64.55	$47.25

Over the 5-year period from 2013 to 2017, the Company has generated $183.6 million in cash flow from operations.

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Key strategic initiatives and related achievements for 2017 are listed below:

Continue to develop industry-leading technologies and products.	Research and development expenditures increased 7.9% in 2017 compared to 2016 as we continued to develop advanced technologies designed to improve and simplify set-up and control features.
Continue to broaden our home control and automation product offerings.	Broadened our product portfolio and updated our library of device codes for new features and devices introduced worldwide. Additionally, we acquired Residential Control Systems, Inc. in April 2017.
Further penetrate international subscription broadcasting markets and increase our share with existing customers.	Increased sales with new and existing customers in international and domestic markets.
Acquire new customers in historically strong regions.	Acquired new customers in North America and Europe.
Seek acquisitions that compliment and strengthen our existing business.	Continued our search for acceptable acquisition candidates and completed the acquisition of Residential Control Systems, Inc.

Return to Stockholders

The following chart shows how our total stockholder return compares to the S&P Small Cap 600 Index, the Nasdaq Composite Index and a consumer electronics peer group[(1)]. The companies in the consumer electronics peer group compete in markets similar to those of the Company.

[(1)] Companies in the consumer electronics peer group are as follows: TiVo Corporation (formerly Rovi Corporation), Logitech International, Dolby Laboratories, Inc., and VOXX International Corp. Harman International Industries, Inc. was previously included in the consumer electronics peer group but has been removed due to its acquisition in March 2017 by Samsung Electronics.

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Alignment between Executive Pay and Company Performance

The Compensation Committee believes that there should be a strong correlation between executive pay and Company performance. As indicated above, the Company’s executive compensation program included many features designed to maintain this alignment, while also protecting the Company against inappropriate risk taking and conflicts among the interests of the Company, its stockholders and its executives.

As explained above, approximately 73% of our CEO’s total 2017 compensation was tied to performance in the form of annual cash incentives and long-term equity incentives. Hence, if the Company did not perform well for our stockholders, our Chief Executive Officer's actual compensation would have been significantly lower. The following chart shows the historical alignment between our Chief Executive Officer's total annual compensation ("CEO Annual Compensation") and the Company's performance (measured as total stockholder return ("TSR")) for the past five years.

CEO Annual Compensation for each year is the sum of salary received, actual annual incentive earned, all other compensation received (as set forth in the Summary Compensation Table), and year-end values of equity awards granted during the year. Equity award balances are valued at the year-end closing price of the Company’s stock in the respective year of grant and include restricted stock units and "in-the-money" stock options. TSR reflects the stock price appreciation since year-end 2011.

The Compensation Committee believes that the relationship of our CEO’s Compensation to Total Stockholder Return demonstrates effective pay for performance in our executive compensation program.

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2017 Pay Decisions

The Compensation Committee makes decisions for executive officer base salary and long-term incentive grants in January each year. At that time, final annual incentive awards are also confirmed based on prior year results relative to targets. In consideration of our performance, the Compensation Committee made the following decisions related to compensation for NEOs in 2017:

- Increased the base salary of Mr. Koopmans by 19% to €200,000 in connection with his promotion to Managing Director, EMEA at the end of 2016. None of our other NEO's received an increase in their base salary in 2017.
- Based on Company performance and our incentive plan funding schedule, no annual incentives were paid to our Chief Executive Officer and our NEOs for 2017 (please see the 2017 Performance Incentive Plan calculation chart on page 35).
- Made annual grants of stock options and restricted stock units on February 8, 2017 at grant values that were of equal value to the 2016 grant for our Chief Executive Officer and Chief Operating Officer and increased by 7% for our other NEOs.

Say on Pay

At our June 5, 2017 Annual Meeting of Stockholders, 89% of the votes cast were in favor of the advisory vote to approve executive compensation. The Compensation Committee was pleased with this overwhelming favorable outcome and believes it conveyed our stockholders' support of the Compensation Committee's decisions and our existing executive compensation programs. Consistent with this support, the Compensation Committee decided to retain the core design of our executive compensation programs for the remainder of 2017 and in 2018, as it believes the programs continue to attract, retain and appropriately incent senior management.

We also welcomed input on executive compensation as we interacted with stockholders on a number of matters throughout the year. The Board of Directors and the Compensation Committee duly consider stockholder input as well as the other factors discussed in this Compensation Discussion and Analysis and routinely review our executive compensation programs and practices.

In addition, at the June 5, 2017 Annual Meeting of Stockholders, 76% of the votes cast were in favor of holding future advisory votes on executive compensation every year. Accordingly, we will include an advisory vote on executive compensation in our proxy materials every year at least until the next "Say-on-Frequency" vote, which will be no later than our 2020 Annual Meeting of Stockholders.

Summary of Executive Compensation Practices

Below we list executive compensation practices that we have implemented to appropriately structure our executive rewards and practices that we have not implemented because we do not believe they would serve our stockholders' long-term interests.

Corporate Governance and Best Practices

Consistent with our commitment to executive compensation best practices, the Company continued the following executive compensation practices for 2017:

- Pay for performance by tying the vast majority of our executive compensation to achievement of annual operating and strategic goals and increases in stockholder value.
- No back-dating or repricing stock options.
- No defined benefit pension plan.
- No supplemental executive retirement plan.
- No tax gross-ups on benefits or perquisites.
- Competitive and reasonable post-employment and change in control provisions.
- Subject executives to stock ownership guidelines.
- Subject executives to clawback requirements.
- Prohibit executives from holding Company stock in margin accounts or pledging such stock as collateral for loans.
- Monitor potential risks relating to the Company's compensation policies and practices.
- Committee retention of an independent compensation consultant.

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Philosophy and Overview of Our Compensation Program

This section describes our executive compensation philosophy and provides an overview of our compensation program and the rationale for each component of the program.

Philosophy and Objectives

The Compensation Committee believes that stockholder interests are best advanced by attracting and retaining a high-performing management team. To promote this objective, the Compensation Committee was guided by the following underlying principles in developing our executive compensation program:

- Long-term commitment - The program should be designed to gain a long-term commitment from the proven, accomplished executives that lead our success. Our NEOs have a combined total of approximately 66 years with the Company, during which they have held different positions and have been promoted to increasing levels of responsibility due to their exceptional contributions.
- Pay-for-performance - A high proportion of total compensation should be at risk and tied to achievement of annual operating and strategic goals and increases in stockholder value.
- Equity emphasis - Long-term incentives should be provided annually in Company equity to encourage executives to plan and act with the perspective of long-term stockholders.
- Sustainable performance orientation - The mix of incentives provided should motivate sustainable growth in the value of Company.
- Focus on total compensation - Compensation opportunities should be considered in the context of total compensation relative to the pay practices of similar technology companies that compete with us for talent.

The Compensation Committee regularly evaluates the Company's compensation arrangements to assess whether they are appropriately structured to support these objectives and are effective in enabling the Company to attract and retain top talent in key leadership positions.

Program Overview

Our executive compensation program is simple in design and limited in scope. We provide only one low-cost executive benefit and no perquisites to our NEOs located in the United States. Each program component and the rationale for it are highlighted below.

Element	Role and Purpose
Base salary	Provide competitive foundation for total compensation.
Annual incentives	Motivate and reward achievement of annual financial targets, which drive the valuation of our stock. Enforce accountability for individual performance through discretionary reductions in awards as deemed appropriate.
Long-term incentives	Align executives with stockholders.
Retirement savings	Permit executives to participate in the Company's 401(k) plan to facilitate retirement saving.
Executive benefits	Provide for executives' families through supplemental life insurance policies.
Foreign benefits	Consistent with competitive practice in the Netherlands, provide Mr. Koopmans with a pension and automobile. Consistent with competitive practices in Hong Kong, provide Mr. Chong with an automobile allowance.

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How We Make Pay Decisions

This section describes the participants and process for setting executive compensation at the Company.

Role of Executive Officers in Setting Compensation

Each year management and the Board identify operating objectives that we believe need to be achieved for the Company to be successful. These objectives are derived largely from the Company's financial and strategic planning sessions led by the Chief Executive Officer, during which the Company's growth opportunities are analyzed and goals are established for the upcoming year. In addition to financial targets, the goals include qualitative strategic and operational objectives that are aimed at creating long-term stockholder value. Achievement of these objectives is considered in making pay decisions for the Chief Executive Officer and our other executive officers.

The Compensation Committee reviews all elements of compensation for the Chief Executive Officer based upon consideration of his contribution to the development and operating performance of the Company and competitive pay practices. The Compensation Committee develops and recommends pay changes for the Chief Executive Officer to the full Board of Directors for their approval. The Compensation Committee considers the recommendations of the Chief Executive Officer in establishing compensation for all other NEOs. Throughout the process, the Compensation Committee also considers input from our independent compensation consultant as it deems necessary and advisable.

Compensation Consultant

The Compensation Committee has the authority to retain compensation consulting firms exclusively to assist it in the evaluation of executive officer and employee compensation and benefit programs. During 2016 and 2017, the Compensation Committee retained Pay Governance LLC, a nationally-recognized independent compensation consulting firm, to assist in performing its duties. Pay Governance LLC advised the Company with respect to compensation trends and best practices, competitive pay levels, stockholder view of compensation practices, and proxy disclosure. Since the Committee retained the core design of our last year’s executive compensation program, the Committee did not request Pay Governance LLC to conduct a detailed review and analysis of our executive compensation program, rather the Committee requested simple advice and counsel with respect to levels of specific components of the program. In addition, the Committee sought and obtained guidance from other sources as it deemed appropriate. During 2017, the Compensation Committee also engaged Pay Governance LLC to assist and advise the Committee in determining the Board of Director Compensation. While our adviser periodically consults with management in performing work requested by the Compensation Committee, Pay Governance LLC did not perform any separate additional services for management.

The Compensation Committee has determined that Pay Governance LLC is independent and there was no conflict of interest resulting from retaining Pay Governance LLC. In reaching these conclusions, the Compensation Committee also considered the factors set forth in Rule 10C-1 of the Exchange Act and applicable listing standards.

Setting Executive Compensation

In determining base salary, target annual incentives and guidelines for equity awards, the Compensation Committee reviews total compensation using the NEOs' current level of compensation as the starting point. Decisions to change compensation consider:

- the scope and complexity of the functions each executive oversees;
- the contribution of those functions to our overall performance;
- individual capability and maturity in role;
- individual performance;
- role criticality and difficulty to replace the executive; and
- compensation practices of our peers.

The Chief Executive Officer assesses individual performance of each NEO against established goals and expectations using criteria identified by the Compensation Committee. The Chief Executive Officer also provides the Compensation Committee with a self-assessment using the same criteria, including the following:

- results on key financial metrics;
- achievement of strategic operating objectives such as mergers and acquisitions, technological innovations, and global expansion;
-

advancement of commercial excellence through new or improved products and services, market leadership, and customer attraction and retention;

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- achieving operational goals in areas such as productivity, efficiency and risk management;
- improving organizational excellence through employee practices and organization structure; and
- support of Company values such as integrity and high ethical standards.

The Compensation Committee reviews the Chief Executive Officer's assessments and approves an overall rating for the Chief Executive Officer and each of the other NEOs. The overall rating indicates the warranted placement of the individual executive in the lower, middle or upper third of the competitive market ranges for base salary, target annual incentive, guideline long-term incentive opportunity, and target total direct compensation (base salary, target annual incentive and guideline long-term equity award value).

Competitive market ranges are based on benchmark pay 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 approach to setting pay is consistent with our intent of offering compensation that is contingent on performance and contributions to the Company yet competitive within the marketplace.

2017 Total Direct Compensation Opportunity

Based on the Compensation Committee's review, the 2017 Total Direct Compensation opportunities of our NEOs were:

Executive	Base Salary	Target Annual Incentive %	Target Cash	Long-Term Incentives	Target Total Direct
Paul D. Arling	$830,000	100%	$1,660,000	$1,500,000	$3,160,000
Bryan M. Hackworth	$340,000	70%	$578,000	$600,000	$1,178,000
David Chong (1)	$333,375	60%	$533,375	$500,000	$1,033,375
Louis S. Hughes	$500,000	100%	$1,000,000	$600,000	$1,600,000
Menno Koopmans (2)	$225,915	60%	$361,915	$400,000	$761,915

(1) David Chong's base salary was converted to U.S. Dollars using 7.792 HKD/USD.
(2) Menno Koopmans' base salary was converted to U.S. Dollars using 1.130 USD/EUR.

Elements of Executive Compensation

We generally allocate among the principal elements of our total compensation program (base salary, annual performance incentives, and long-term equity awards) based on market practices. This ensures that our compensation program is effective for attracting and retaining key leaders.

Base Salary

We review base salaries annually, and change them from time to time in consideration of performance, increased responsibilities, and internal and external competitiveness. For 2017, the Compensation Committee increased base salary for Mr. Koopmans in connection with his promotion to Managing Director, EMEA at the end of 2016. None of our other NEO's received an increase in their base salary in 2017.

Executive	2017 Base Salary		2016 Base Salary		Percent Change
Paul D. Arling	$	830,000	$	830,000	0%
Bryan M. Hackworth	$	340,000	$	340,000	0%
David Chong	HKD	2,597,658	HKD	2,597,655	0%
Louis S. Hughes	$	500,000	$	500,000	0%
Menno Koopmans	€	200,000	€	168,100	19%

Annual Incentives

Our NEOs participate in the Universal Electronics Inc. Annual Performance Incentive Plan (the "Performance Incentive Plan"). Within 90 days after the commencement of the year, the Compensation Committee identifies the executive officers who will participate in the Performance Incentive Plan for that year and establishes the annual performance criteria.

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In 2017, the Performance Incentive Plan payment for NEOs was determined in two steps. First, the Preliminary Annual Incentive was calculated using the following formula:

Base Salary x Target Annual Incentive % x Company Performance Factor

The Preliminary Annual Incentive may be modified in the discretion of the Compensation Committee in consideration of individual performance.

Company Performance Factor. For 2017, the Compensation Committee selected Adjusted Non-GAAP Diluted Earnings Per Share ("EPS") as the appropriate performance measure for the Performance Incentive Plan. Adjusted Non-GAAP Diluted EPS may be found in our press releases related to our quarterly and annual earnings releases and excludes the following items:

- Amortization expense relating to intangible assets acquired;
- Depreciation expense relating to the increase in acquired fixed assets from cost to fair market value;
- Stock-based compensation;
- Other employee related restructuring costs;
- The write-down of acquisition-related deferred tax assets resulting from tax law changes in China; and
- An adjustment to deferred tax assets resulting from the expiration of a tax holiday at one of our factories in China.

Adjusted Non-GAAP Diluted EPS is a reflection on the operating performance of the Company and directly influences return to stockholders. In addition, management and stockholders use Adjusted Non-GAAP Diluted EPS to value the Company.

Given the challenging economic environment and after taking into consideration that the actual Adjusted Non-GAAP Diluted EPS for 2016 was $2.91, the Compensation Committee established an Adjusted Non-GAAP Diluted EPS of $3.40 for Performance Incentive Plan funding at target levels for 2017. In the course of determining the Adjusted Non-GAAP Diluted EPS target, the Compensation Committee concluded that its achievement was substantially uncertain. Actual 2017 Adjusted Non-GAAP Diluted EPS of $2.81 resulted in no annual incentive being paid under the Performance Incentive Plan.

	Threshold	Target	Maximum	Actual
EPS[(1)]	$3.05	$3.40	$3.60	$2.81
Percent of Target Funding	50%	100%	200%	0%
Paul D. Arling	50%	100%	200%	
Bryan M. Hackworth	35%	70%	140%	
David Chong	30%	60%	120%	
Louis S. Hughes	50%	100%	200%	
Menno Koopmans	30%	60%	120%	

(1) Adjusted Non-GAAP diluted EPS targets are inclusive of Performance Incentive Plan amounts funded.

Individual Performance Factor. The Compensation Committee also evaluates individual performance in determining the final incentive awards for our NEOs. In making this evaluation, the Chief Executive Officer provides his assessment of the other NEOs as input to the Compensation Committee's evaluations. This assessment is described above in "Setting Executive Compensation." Because no incentives were paid under the Performance Incentive Plan, the individual performance factor did not have any impact on 2017 incentive awards.

The 2017 Performance Incentive Plan award calculations for our NEOs are indicated in the following table:

Executive	Base Salary	Target Annual Incentive %	Target Annual Incentive	Company Performance Factor	Individual Performance Rating	Annual Incentive Award
Paul D. Arling	$830,000	100%	$830,000	0%	N/A	$—
Bryan M. Hackworth	$340,000	70%	$238,000	0%	N/A	$—
David Chong	$333,375	60%	$200,000	0%	N/A	$—
Louis S. Hughes	$500,000	100%	$500,000	0%	N/A	$—
	$225,915	60%	$136,000	0%	N/A	$—

Menno
Koopmans

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Long-Term Incentives

The Compensation Committee sets guideline award levels for long-term equity compensation for participating executives including our NEOs. The 2017 guidelines were expressed as grant values and were informed by a survey of our Peer Group's pay practices. The guidelines were established to generally reflect the median grant values of our Peer Group.

Each executive's actual grant value of long-term equity compensation relative to the guideline value is individually determined at the discretion of the Compensation Committee, after considering:

- the executive's skills, experience, long-term contributions, and potential; and
- individual and Company performance in the prior year.

Existing stock ownership levels are not a factor in award determination, as we do not want to discourage executives from holding our stock beyond the level of the established stock ownership guidelines.

The Company uses a mix of stock options and restricted stock units when making annual long-term equity awards. Once the value of the long-term equity compensation award is determined, the Compensation Committee grants approximately 50% of this value in stock options and 50% in restricted stock units. The Compensation Committee believes this mix of equity vehicles strikes an appropriate balance between rewarding increases in the market value of our Common Stock (stock options) and motivating retention with the Company (restricted stock units). In addition, restricted stock units provide executives the benefits of stock price increases while still carrying the risks that other stockholders assume for stock price declines.

The grant price of stock options and restricted stock units 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. The grant price of our 2017 equity grants was $62.70 and the stock option Black-Scholes fair value was $19.61. We prohibit the re-pricing or backdating of stock options. Due to rounding in the number of shares granted, the amounts reported in the Summary Compensation Table may not reflect the exact same proportion of stock options and restricted stock units.

Our 2017 equity awards are indicated in the table below:

Executive	Target Grant Value	Restricted Stock Units (Rounded)	Stock Options (Rounded)	Final Award Value Restricted Stock Units	Final Award Value Stock Options	Actual Grant Value
Paul D. Arling	$1,500,000	11,960	38,245	$749,892	$749,984	$1,499,876
Bryan M. Hackworth	$600,000	4,785	15,300	$300,020	$300,033	$600,053
David Chong	$500,000	3,985	12,750	$249,860	$250,028	$499,888
Louis S. Hughes	$600,000	4,785	15,300	$300,020	$300,033	$600,053
Menno Koopmans	$400,000	3,190	10,200	$200,013	$200,022	$400,034

Stock Option Features. Our 2017 stock option awards granted to our NEOs have a maximum seven-year term and are subject to a three-year vesting period (33.33% on February 8, 2018 and 8.33% each quarter thereafter). 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.

Restricted Stock Unit Features. 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. Our 2017 restricted stock units granted to our NEOs are subject to a three-year vesting period (33.33% on February 8, 2018 and 8.33% each quarter thereafter). Under the terms of our stock incentive plans, unvested restricted stock units are forfeited if the executive voluntarily leaves the Company.

Other Compensation

We provide our executives who reside in the United States, including the NEOs, only one benefit beyond those in which all full-time employees in the United States participate. We believe this approach is reasonable and consistent with our overall executive compensation philosophy that emphasizes pay for performance.

Executives receive imputed income for company-paid life insurance policies above IRS limits for non-taxation. In 2013, the Company discontinued its policy of providing an associated tax gross-up on the premiums paid on behalf of the NEOs for their life insurance policies.

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Executive Officer Stock Ownership Guidelines

The Company maintains stock ownership guidelines for our executive officers, including the NEOs. These guidelines are designed to align the executives' long-term financial interests with those of stockholders. The ownership guidelines are as follows:

Position	Value of Common Stock to be Owned
Chief Executive Officer	Four times base salary
Other NEOs	One times base salary

For the purposes of meeting this minimum stock ownership requirement, each equivalent share of common stock held under our benefit plans and each share of time-based restricted stock units is considered as a share of common stock. Stock options and shares of unissued performance-based restricted stock units are not considered towards meeting this requirement.

The Compensation Committee reviews ownership levels of our NEOs annually. The requirements for our NEOs, as well as their actual ownership levels at December 31, 2017, are set forth in the table below. All NEOs have met the required guidelines.

Anti-Pledging Policy

In January 2014, the Board of Directors ratified and adopted the Compensation Committee’s recommended anti-pledging policy prohibiting all Outside Directors and executive officers of the Company from holding any shares of the Company’s stock in a margin account and from pledging any such stock as collateral for any loan. As part of the Dodd-Frank Act, the SEC is scheduled to issue rules requiring disclosure in proxy materials of whether employees and directors are permitted to purchase financial instruments designed to hedge or offset a market value decrease of equity securities granted to them as compensation or otherwise held by them. We intend to continue to monitor the SEC rulemaking and revise our insider trading policy as appropriate.

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Peer Group

The Compensation Committee believes that it is appropriate to offer competitive total compensation packages to our executive officers in order to attract and retain top executive talent. The compensation Peer Group allows the Compensation Committee to monitor the compensation practices of our primary competitors for executive talent. The Compensation Committee utilizes this information to establish pay ranges for our NEOs and each individual's pay is targeted within those market-based pay ranges in consideration of a range of factors as described earlier in this disclosure.

The Compensation Committee reviews and approves the Peer Group each year. The 2017 peer group consisted of 18 companies and 2016 peer group consisted of 18 companies.

The Compensation 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.

Universal Electronics 2017 Executive Compensation Peer Group

Electronic Equipment & Instruments	Electronic Manufacturing Services	Electronic Components/ Household Appliances	Consumer Electronics
Cognex Corporation	CTS Corporation	Dolby Laboratories, Inc.	GoPro, Inc.
Coherent Inc.	Kimball Electronics, Inc.	II-VI Incorporated	ZAGG Inc
Daktronics Inc.	Methode Electronics, Inc.	iRobot Corporation	
FARO Technologies Inc.		Littelfuse, Inc.	
MTS Systems Corporation		Rogers Corporation	
Novanta Inc.			
OSI Systems, Inc.			
Rofin-Sinar Technologies Inc.			

The 18 companies in the Peer Group generally had 2017 revenue, market capitalization and total enterprise value (as of December 31, 2017) in a relevant range around those of the Company as set forth below.

(in millions)

Company	Revenue	Market Capitalization	Industry
Coherent, Inc.	$1,723	$7,004	Electronic Equipment and Instruments
Littelfuse, Inc.	$1,222	$4,493	Electronic Components
GoPro, Inc.	$1,180	$1,035	Consumer Electronics
Dolby Laboratories, Inc.	$1,081	$6,368	Electronic Components
II-VI Incorporated	$972	$2,928	Electronic Components
OSI Systems, Inc.	$961	$1,221	Electronic Equipment and Instruments
Kimball Electronics, Inc.	$931	$490	Electronic Manufacturing Services
iRobot Corporation	$884	$2,138	Household Appliances
Rogers Corp	$821	$2,954	Electronic Components
Methode Electronics, Inc.	$817	$1,531	Electronic Manufacturing Services
MTS Systems Corporation	$788	$956	Electronic Equipment and Instruments
Cognex Corporation	$748	$10,591	Electronic Equipment and Instruments
Universal Electronics Inc.	$696	$676	Consumer Electronics
Daktronics Inc.	$587	$406	Electronic Equipment and Instruments
Novanta Inc.	$521	$1,730	Electronic Equipment and Instruments
ZAGG Inc	$519	$516	Consumer Electronics
Rofin-Sinar Technologies Inc. (1)	$486	N/A	Electronic Equipment and Instruments
CTS Corporation	$423	$848	Electronic Manufacturing Services
FARO Technologies, Inc.	$361	$785	Electronic Equipment and Instruments
Peer Group Median	$817	$1,376	

Data source: Standard & Poors Capital IQ.

(1) Rofin-Sinar Technologies was acquired by Coherent in November 2016.

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Tax Deductibility of Compensation

Section 162(m) of the Code generally limits a company's ability to deduct compensation paid in excess of $1 million during any fiscal year to certain "covered employees" unless certain exceptions are met, such as the exception for qualified performance-based compensation. Pursuant to the Tax Cuts and Jobs Act of 2017 ("TCJA") as of January 1, 2018, the exception under Code Section 162(m) for qualified performance-based compensation was eliminated and the definition of "covered employee" was expanded to include the chief financial officer of a Company subject to Code Section 162(m). TCJA includes a transition rule under which the changes to Code Section 162(m) will not apply to compensation payable pursuant to a written binding contract that was in effect on November 2, 2017, and is not materially modified after that date. The Company intends to rely on this transition rule. However, given the loss of the qualified performance-based compensation exception, non-grandfathered awards may result in non-deductible compensation amounts. The Compensation Committee takes the potential tax deductibility of compensation into consideration under Section 162(m) of the Code, along with many other factors, when making compensation decisions.

Clawback Policy- Potential Impact on Compensation from Executive Misconduct

Pursuant to our clawback policy applicable to our executive officers, if the Board determines that an executive officer has engaged in fraudulent or intentional misconduct, the Board will take action to remedy the misconduct, prevent its recurrence, and impose discipline on the wrongdoer as appropriate. Discipline may vary depending on the facts and circumstances, and may include, without limit, (i) termination of employment, (ii) initiating an action for breach of fiduciary duty, and (iii) if the misconduct resulted in a significant restatement of the Company's financial results, seeking reimbursement of any portion of performance-based or incentive compensation paid or awarded to the executive that is greater than would have been paid or awarded if calculated based on the restated financial results. These remedies would be in addition to, and not in lieu of, any actions imposed by law enforcement agencies, regulators or other authorities.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on its review and discussions with management, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis should be included in our Annual Report on Form 10-K for 2017 and in our 2018 Proxy Statement. This report is provided by the following independent directors, who comprise the Compensation Committee:

J.C. Sparkman (Chairman)

Satjiv S. Chahil

Gregory P. Stapleton

0 * 0 0 0

James M. Wells III[13]

974,495 * 688,000 0 5,933

Karen Hastie Williams

9,495 * 2,000 1,995 2,815

Phail Wynn, Jr.

16,411 * 0 0 0

All Directors and Executive Officers as a Group (26 persons)

3,520,308 .7% 1,798,619 6,744 100,960

Principal Shareholders

BlackRock, Inc.

40 East 52nd Street

New York, NY 10022

29,448,330(14) 5.9% 0 0 0

Paulson & Co.

1251 Avenue of the Americas

New York, NY 10020

30,380,700(15) 6.1% 0 0 0

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* Less than 1% of the outstanding shares of our common stock.

(1) Based on 499,156,858 shares of our common stock outstanding on December 31, 2009, plus an aggregate of 1,804,903 shares that are the subject of stock options exercisable within 60 days following such date or phantom stock in accordance with SEC Rule 13d-3.

(2) Pursuant to SEC Rule 13d-3, persons are deemed to beneficially own shares that are the subject of stock options or stock equivalents exercisable within 60 days.

(3) A number of our directors and executive officers participate in plans that are accounted for using phantom shares of our common stock. They have either received awards or deferred the receipt of fees payable to them, with their ultimate payout determined as if such awards or deferred fees had been invested in shares of our common stock. Amount reported includes phantom shares credited under the Crestar Financial Corporation Directors Equity Program and gain share accounts under the NCF Deferred Compensation Plan.

(4) A number of our directors and executive officers participate in plans that are accounted for using phantom shares of SunTrust common stock. They have either received awards or deferred the receipt of fees or salary payable to them, with their ultimate payout determined as if such awards or deferred pay had been invested in shares of SunTrust common stock. Amount reported includes phantom shares credited under the SunTrust 401(k) Excess Plan, the SunTrust Directors Deferred Compensation Plan, the NCF Deferred Compensation Plan, and restricted stock units granted under the SunTrust 2004 Stock Plan and the SunTrust 2009 Stock Plan.

(5) Includes 1,248 shares held for the benefit of Mr. Chancy under SunTrust s 401(k) Plan. Includes stock options with exercise prices ranging from $54.28 to $85.06.

(6) Includes 618 shares held for the benefit of Mr. Freeman under SunTrust s 401(k) Plan. Includes stock options with exercise prices ranging from $71.03 to $85.06.

(7) Includes 74 shares owned by Mrs. Frist s spouse, who has sole voting and investment power over such shares. Mrs. Frist disclaims beneficial ownership of these shares.

(8) Includes 49,679 shares held in custodial accounts for the benefit of Mr. Garrett s children, 5,399 shares held for the benefit of Mr. Garrett s grandchildren, 348 shares owned by a corporation, and 31 shares held in trust for the benefit of an immediate family member. Also includes 962 shares owned by a family limited partnership, over which shares Mr. Garrett shares voting and investment power.

(9) Includes 16,799 shares owned by Mr. Hughes spouse, who has sole voting and investment power over such shares. Mr. Hughes disclaims beneficial ownership of these shares.

(10) Includes 38,495 shares in a family foundation of which Mr. Lanier is Chairman. Mr. Lanier shares voting and investment power with respect to these shares. Mr. Lanier disclaims beneficial ownership of these shares. Also includes 25,604 shares held in trust for family members. Mr. Lanier disclaims beneficial ownership of 10,688 of these shares.

(11) Includes 21,090 shares owned by Mr. Prince s spouse, for which Mr. Prince disclaims beneficial ownership.

(12) Includes 7,665 shares held for the benefit of Mr. Rogers under SunTrust s 401(k) Plan, and 60 shares held in a custodial account for the benefit of his minor children. Includes stock options with exercise prices ranging from $51.13 to $85.06.

(13) Includes 1,695 shares held for the benefit of Mr. Wells under SunTrust s 401(k) Plan. Also includes 12,267 shares owned by Mr. Wells spouse and 50,916 held by a trust. Includes stock options with exercise prices ranging from $50.50 to $85.06.

(14) Based solely upon our review of a Schedule 13G filed by the shareholder which provides information as of December 31, 2009.

(15) Based solely upon our review of a Schedule 13G filed by the shareholder which provides information as of December 31, 2009.

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Equity Compensation Plans

The following table provides information as of December 31, 2009 with respect to the shares of our common stock that may be issued under our existing equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity Compensation Plans Approved by Shareholders(1)	17,661,216(2)	$53.17 (3)	9,085,834(4)
Equity Compensation Plans Not Approved by Shareholders	0(2)	0(3)	0
Total	17,661,216(2)	$53.17(3)	9,085,834(4)

(1) Consists of the 1995 Stock Plan, the 2000 Stock Plan, the 2004 Stock Plan, and the 2009 Stock Plan, as well as other plans assumed by us in connection with certain corporate mergers.

(2) The number of outstanding full value shares (consisting of shares of restricted stock and performance stock) is 4,770,172.

(3) The weighted average remaining term of the outstanding options, warrants and rights is 5.05 years.

(4) Up to 4,597,441 shares may, but need not, be granted as restricted stock. In addition, any shares of stock subject to an option which remain unissued after the cancellation, expiration or exchange of such option and any restricted shares which are forfeited again become available for use under the 2009 Stock Plan. There will be no further issuances under the 1986 Executive Stock Plan, the 1995 Stock Plan, the 2000 Stock Plan, the 2004 Stock Plan, or any plans assumed through mergers.

ADDITIONAL INFORMATION

Proxy Solicitation

We will bear the cost of soliciting proxies. SunTrust has retained Georgeson Shareholder Communications, Inc. to assist in the solicitation of proxies for a fee of $9,500 plus expenses. Proxies may also be solicited by our employees. Proxies may be solicited in person, by mail and by telephone call.

Shareholder Proposals for Next Year s Meeting

Inclusion in Next Year s Proxy Statement. A shareholder who desires to have his or her proposal included in next year s proxy statement must deliver the proposal to our principal executive offices (at the address noted below) no later than the close of business on November 5, 2010. The submission should include the proposal and a brief statement of the reasons for it, the name and address of the shareholder (as they appear in our stock transfer records), the class and number of our shares beneficially owned by the shareholder and a description of any material direct or indirect financial or other interest that the shareholder (or any affiliate or associate) may have in the proposal. Proposals should be addressed to SunTrust Banks, Inc., Post Office Box 4418, Mail Code 643, Atlanta, Georgia 30302, Attention: Corporate Secretary.

Presentation at Meeting. For any proposal that is not submitted for inclusion in next year s proxy statement (as described in the preceding paragraph) but is instead sought to be presented directly at next year s annual meeting, notice of such proposal must be received at our principal executive offices (at the address noted above, no later than the close of business on November 5, 2010 in order to be properly brought before next year s annual meeting. In addition, SEC rules generally permit management to vote proxies in its discretion for such proposals (1) provided we advise shareholders in next year s proxy statement about the nature of the matter and how management intends to vote on such matter, if we receive notice of the proposal before the close of business on

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November 5, 2010; and (2) provided we advise shareholders in next year s Proxy Statement that such proxy will confer such authority and if we do not receive notice of the proposal before the close of business on November 5, 2010.

Quorum and Voting

Quorum. The presence, either in person or by proxy, of a majority of the shares entitled to vote constitutes a quorum at a meeting of the shareholders. Abstentions and broker non-votes will be counted as shares present in determining whether a quorum exists at the Annual Meeting.

Vote Required. If a quorum is present, in order to be elected each nominee for election as director must receive more votes cast for such nominee s election than against such nominee s election (Item 1). If a quorum is present, Items 2- 5 shall be approved if the votes cast favoring the action exceed the votes cast opposing the action.

Broker Non-Votes. If your shares are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials have been forwarded to you by your broker or nominee (the record holder) along with a voting instruction card. As the beneficial owner, you have the right to direct your record holder how to vote your shares, and the record holder is required to vote your shares in accordance with your instructions. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee has not received voting instructions from the beneficial owner and the nominee does not have discretionary voting power with respect to that item. Under New York Stock Exchange rules, brokers or other nominees may not exercise discretionary voting power on certain matters. Brokers or other nominees who are New York Stock Exchange members are expected to have discretionary voting power for Item 2 (approval of the material terms of the performance goals for the SunTrust Banks, Inc. Management Incentive Plan), Item 3 (the ratification of Ernst & Young LLP as our independent auditor), and Item 4 (for the Say-on-Pay approval of the executive compensation), but not for Items 1 and 5 (election of directors and shareholder proposal). As a result, if you do not provide specific voting instructions to your record holder, New York Stock Exchange rules will allow the record holder to vote the shares in its discretion on for Item 2 (approval of the material terms of the performance goals for the SunTrust Banks, Inc. Management Incentive Plan), Item 3 (the ratification of Ernst & Young LLP as our independent auditor), and Item 4 (for the Say-on-Pay approval of the executive compensation, but not for Items 1 and 5 (election of directors and shareholder proposal). In prior years, brokers and other nominees had discretionary voting power with respect to the election of directors, but beginning this year, brokers and other nominees no longer have authority to vote your shares in the election of directors. Accordingly, it is particularly important that you provide voting instructions to your broker or other nominee so that your shares may be voted in the election of directors.

Effect of Abstentions and Broker Non-Votes. If your shares are treated as a broker non-vote or abstention, your shares will be counted in the number of shares represented for purposes of determining whether a quorum is present. However, broker non-votes and abstentions will not be included in vote totals (neither for nor against) and therefore will not affect the outcome of the vote on any of Items 1-5.

Householding

As permitted by applicable law, we may deliver only one copy of this Proxy Statement to shareholders residing at the same address unless the shareholders have notified us of their desire to receive multiple copies of the Proxy Statement. This is known as householding. We do this to reduce costs and preserve resources.

Upon oral or written request, we will promptly deliver a separate copy of the Proxy Statement to any shareholder residing at an address to which only one copy was mailed. Requests for additional copies for the current year or future years should be directed to the Corporate Secretary. You may contact our Corporate Secretary at (404) 588-7711, by mail at SunTrust Banks, Inc., Post Office Box 4418, Mail Code 643, Atlanta, Georgia 30302, Attention: Corporate Secretary.

If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered a shareholder of record with respect to those shares. Shareholders of record residing at the same address and currently receiving multiple copies of the proxy statement may contact our registrar and transfer agent, Computershare Trust Company, N.A. (Computershare), to request that only a single copy of the proxy statement be mailed in the future. Contact Computershare by phone at (888) 265-3747 or by mail at 250 Royall Street, Canton, MA 02021.

If your shares are held in a brokerage account or bank, you are considered the beneficial owner of those shares. Beneficial owners should contact their broker or bank.

March 5, 2010.

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SUNTRUST BANKS, INC. MANAGEMENT INCENTIVE PLAN

Amended and Restated

As of January 1, 2010

Section 1. Name and Purpose

The name of this Plan is the SunTrust Banks, Inc. Management Incentive Plan. The purpose of the Plan is to promote the interests of the Corporation and its stockholders through the granting of Awards to select employees of the Corporation and its Subsidiaries in order to motivate and retain superior employees who contribute in a significant manner to the actual financial performance of the Corporation as measured against pre-established financial and other goals.

Section 2. Term and Amendment

This amended and restated Plan is effective as of January 1, 2010. The terms of the Plan as set forth in this amended and restated document shall apply to all Awards granted on or after January 1, 2010; provided, however, if the Corporation s shareholders fail to approve the material terms of the performance goals for this amended and restated Plan at their annual meeting in 2010, any Award granted under the Plan for 2010 to a Participant who is a Covered Employee for 2010 shall be cancelled and shall have no further force or effect whatsoever and no further Awards shall be granted to any Covered Employee under the Plan. The Plan shall continue for an indefinite term until terminated by the Board; provided, however, that the Corporation and the Committee after such termination shall continue to have full administrative power to take any and all action contemplated by the Plan which is necessary or desirable and to make payment of any Awards earned by Participants during any then unexpired Plan Year. The Board or the Committee may amend the Plan in any respect from time to time.

Section 3. Definitions and Construction

A. As used in this Plan, the following terms shall have the meanings indicated, unless the context clearly requires another meaning:

1. Award means the right to receive a cash payment which represents a percentage of a Participant s Base Wages determined by the Committee in accordance with Section 5 hereof in the event the Corporation, Subsidiary, Business Unit or individual achieves the Financial Goals or other goals established pursuant to Section 5.

2. Base Wages means the base salary paid to a Participant by the Corporation or a Subsidiary during a Plan Year, excluding bonuses, overtime, commissions and other extra compensation, reimbursed expenses and contributions made by the Corporation or a Subsidiary to this or any other employee benefit plan maintained by the Corporation or a Subsidiary.

3. Board means the Board of Directors of the Corporation.

4. Business Unit means a division or other business unit of the Corporation or a Subsidiary designated as a distinct entity for the purpose of setting goals and measuring performance.

5. Code means the Internal Revenue Code of 1986, as amended.

6. Committee means the Compensation Committee of the Board or any other Committee of the Board to which the responsibility to administer this Plan is delegated by the Board; such Committee shall consist of at least two members of the Board, who shall not be eligible to receive an Award under the Plan and each of whom shall be a disinterested person within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 and shall be or be treated as an outside director for purposes of Code section 162(m).

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7. Corporation means SunTrust Banks, Inc. and any successor.

8. Covered Employee means for each calendar year the Chief Executive Officer of the Corporation and the other most highly compensated executive officers, as defined under Code section 162(m)(3), whose compensation would be reportable on the summary compensation table under the Securities and Exchange Commission s executive compensation disclosure rules, as set forth in Item 402 of Regulation S-K, 17 C.F.R. 229.402, under the Securities Exchange Act of 1934, if the report was prepared as of the last day of such calendar year.

9. Change in Control means a change in control of the Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934 as in effect at the time of such change in control , provided that such a change in control shall be deemed to have occurred at such time as (i) any person (as that term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934), is or becomes the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) directly or indirectly, of securities representing 20% or more of the combined voting power for election of directors of the then outstanding securities of the Corporation or any successor of the Corporation; (ii) during any period of two (2) consecutive years or less, individuals who at the beginning of such period constitute the Board cease, for any reason, to constitute at least a majority of such Board, unless the election or nomination for election of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period; (iii) there is a consummation of any reorganization, merger, consolidation or share exchange as a result of which the common stock of the Corporation shall be changed, converted or exchanged into or for securities of another corporation (other than a merger with a wholly-owned subsidiary of the Corporation) or any dissolution or liquidation of the Corporation or any sale or the disposition of 50% or more of the assets or business of the Corporation; or (iv) there is a consummation of any reorganization, merger, consolidation or share exchange unless (A) the persons who were the beneficial owners of the outstanding shares of the common stock of the Corporation immediately before the consummation of such transaction beneficially own more than 65% of the outstanding shares of the common stock of the successor or survivor corporation in such transaction immediately following the consummation of such transaction and (B) the number of shares of the common stock of such successor or survivor corporation beneficially owned by the persons described in Section 3A.9(iv)(A) immediately following the consummation of such transaction is beneficially owned by each such person in substantially the same proportion that each such person had beneficially owned shares of the Corporation s common stock immediately before the consummation of such transaction, provided (C) the percentage described in Section 3A.9(iv)(A) of the beneficially owned shares of the successor or survivor corporation and the number described in Section 3A.9(iv)(B) of the beneficially owned shares of the successor or survivor corporation shall be determined exclusively by reference to the shares of the successor or survivor corporation which result from the beneficial ownership of shares of common stock of the Corporation by the persons described in Section 3A.9(iv)(A) immediately before the consummation of such transaction.

10. Employment means continuous employment with the Corporation or a Subsidiary from the beginning to the end of each Plan Year, which continuous employment shall not be considered to be interrupted by transfers between the Corporation and a Subsidiary or between Subsidiaries.

11. Final Value means the value of an Award determined in accordance with Sections 5 and 6 as the basis for payments to Participants at the end of a Plan Year.

12. Financial Goals means the financial objectives set by the Committee for each Plan Year pursuant to Section 5 from one or any combination of the following: (i) the Corporation s return over capital costs or increase in return over capital costs; (ii) the Corporation s total earnings or the growth in such earnings; (iii) the Corporation s consolidated earnings or the growth in such earnings; (iv) the Corporation s earnings per share or the growth in such earnings; (v) the Corporation s net earnings or the growth

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in such earnings; (vi) the Corporation s earnings before interest expense, taxes, depreciation, amortization and other non-cash items or the growth in such earnings; (vii) the Corporation s earnings before interest and taxes or the growth in such earnings; (viii) the Corporation s consolidated net income or the growth in such income; (ix) the value of the Corporation s common stock or the growth in such value; (x) the Corporation s stock price or the growth in such price; (xi) the Corporation s return on assets or the growth on such return; (xii) the Corporation s total shareholder return or the growth in such return; (xiii) the Corporation s expenses or the reduction of expenses; (xiv) the Corporation s sales growth; (xv) the Corporation s overhead ratios or changes in such ratios; (xvi) the Corporation s expense-to-sales ratios or changes in such ratios; (xvii) the Corporation s economic value added or changes in such value added; (xviii) the market capitalization of the Corporation s stock; (xix) the Corporation s revenue growth; (xx) the Corporation s efficiency ratios or the changes in such ratios; (xxi) return on equity; (xxii) return on tangible equity; (xxiii) cash return on equity; (xiv) cash return on tangible equity; (xxv) net income available to common shareholders; (xxvi) book value per share; (xxvii) pre-tax income or growth; (xxviii) operating earnings per share of stock or growth (excluding one-time, non-core items); (xxix) cash earning per share of stock or growth; (xxx) cash operating earnings per share of stock or growth (excluding one-time, non-core items); (xxxi) cash return on assets; (xxxii) operating leverage; (xxxiii) net interest margin; (xxxiv) Tier 1 capital; (xxxv) risk-adjusted net interest margin; (xxxvi) total risk-based capital ratio; (xxxvii) tangible equity and tangible assets; (xxxviii) tangible common equity and tangible assets; (xxxix) tangible book value and share; (xl) loan balances or growth; (xli) deposit balances or growth; (xlii) low cost deposit balances or growth; or (xliii) with respect to participants other than Covered Employees, such other financial performance measures deemed appropriate by the Committee.

13. Participant means a select employee of the Corporation and/or its Subsidiaries who is selected by the Committee or the Committee s delegate to participate in the Plan based upon the employee s substantial contributions to the future growth and future profitability of the Corporation and/or its Subsidiaries.

14. Plan means the SunTrust Banks, Inc. Management Incentive Plan as amended and restated in this document and all subsequent amendments.

15. Plan Year means a single calendar year period as set by the Committee which commences on the first day of such period.

16. Proportionate Final Value means the product of a fraction, the numerator of which is the actual number of days in a Plan Year that an employee was employed by the Corporation or a Subsidiary and the denominator of which is the total number of days in that Plan Year, multiplied by the Final Value of an Award. Alternatively, the Committee may, in its discretion and on a consistent basis for all similarly situated Participants, determine the Proportionate Final Value of an Award as the product of the specified percent, if any, determined in accordance with Sections 5 and 6 as the basis for the payment to a Participant at the end of the Plan Year to which the Award relates, multiplied by the Base Wages actually paid to the Participant in such Plan Year.

17. Subsidiary means any bank, corporation or entity which the Corporation controls either directly or indirectly through ownership of fifty percent (50%) or more of the total combined voting power of all classes of stock of such bank, corporation or entity, except for such direct or indirect ownership by the Corporation while the Corporation or a Subsidiary is acting in a fiduciary capacity with respect to any trust, probate estate, conservatorship, guardianship or agency.

18. Termination Value means the value of an Award as determined by the Committee, in its absolute discretion, upon the early termination of a Plan Year, which value shall be the basis for the payment of an Award to a Participant, in accordance with Section 8A or 8B of the Plan based on the Participant s Employment prior the early termination of such Plan Year.

B. In the construction of the Plan, the masculine shall include the feminine and the singular shall include the plural in all instances in which such meanings are appropriate. The Plan and all agreements executed pursuant to the Plan shall be governed by the laws of Georgia (excluding its choice-of-law rules).

Section 4. Committee Responsibilities

A. The Committee may, from time to time, adopt rules and regulations and prescribe forms and procedures for carrying out the purposes and provisions of the Plan. The Committee shall have the sole and final authority to designate Participants, determine Awards, designate the Plan Year, determine Financial Goals and other goals, determine Final Value of Awards, and answer all questions arising under the Plan, including questions on the proper construction and interpretation of the Plan. Any interpretation, decision or determination made by the Committee shall be final, binding and conclusive upon all interested parties, including the Corporation and its Subsidiaries, Participants and other employees of the Corporation or any Subsidiary, and the successors, heirs and representatives of all such persons. The Committee shall use its best efforts to ensure that Awards to Covered Employees under the Plan qualify as performance-based compensation for purposes of Code section 162(m).

B. Subject to the express provisions of the Plan and within the first ninety (90) days of a calendar year (or such time as may be permitted for Awards paid for such year to be treated as performance-based compensation under Code section 162(m)), the Committee shall in writing:

1. Designate the Plan Year which shall begin on the first day of such year.

2. Designate the Participants for each such Plan Year.

3. Establish the Financial Goals or other goals for the Corporation, designated Subsidiaries and Business Units and Participants for each such Plan Year.

4. Establish the method of calculating the Final Value of each Award.

5. Authorize management (a) to notify each Participant that he has been selected as a Participant and to inform him of the Financial Goals or other goals that have been established for such Plan Year and (b) to obtain from him such agreements and powers and designations of beneficiaries as it shall reasonably deem necessary for the administration of the Plan.

C. During any Plan Year, the Committee may, if it determines that it will promote the purpose of the Plan, designate as additional Participants any employees of the Corporation and its Subsidiaries who have been hired, transferred or promoted into a position eligible for participation in the Plan. The individual s designation as a Participant shall be subject to the same restrictions, limitations, Financial Goals or other goals and other conditions as those held by other Participants for the same Plan Year and their participation may be made retroactive to the first day of such Plan Year.

D. During any Plan Year, the Committee may, if it determines it will promote the purpose of the Plan, revoke the Committee s prior designation of an employee as a Participant under the Plan for a Plan Year.

E. For Participants other than Covered Employees subject to Section 5A, the Committee may revise the Financial Goals or other goals for any Plan Year to the extent the Committee, in the exercise of its absolute discretion, believes necessary to achieve the purpose of the Plan in light of any unexpected or unusual circumstances or events, including, but not limited to, changes in accounting rules, accounting practices, tax laws and regulations, or in the event of mergers, acquisitions, divestitures, unanticipated increases in Federal Deposit Insurance premiums, and extraordinary or unanticipated economic circumstances.

F. The Committee may delegate any of its responsibilities under this Plan to such members of management of the Corporation as the Committee shall select, provided that no such delegation shall be made that has the effect of causing an award to a Covered Employee to fail to qualify as performance-based compensation for purposes of Code section 162 (m).

Section 5. <u>Goals</u>

A. <u>Financial Goals for Covered Employees</u>

This Section 5A applies to each Participant who the Committee expects to be a Covered Employee and any other Participant, as determined by the Committee in its discretion. For each Plan Year, the Committee shall establish for each Participant who is expected to be a Covered Employee and, at the Committee s discretion, for any other Participant one or more Financial Goals. These

Financial Goals may be established in any manner the Committee deems appropriate, including achievement on an absolute or a relative basis as compared to peer groups or indexes, and these goals may be established as multiple goals or as alternative goals. The Committee shall determine the Final Value of each Award as a specified percent of the Participant s Base Wages based on the attainment of such Financial Goals for the Plan Year. The Committee shall fix a minimum Financial Goal for the Plan Year, and the Final Value of an Award shall be equal to zero if the minimum Financial Goal is not achieved. The Committee may also fix a maximum Financial Goal and such other Financial Goals which fall between the maximum and minimum Financial Goals as the Committee shall deem appropriate, with corresponding Final Values for such Awards with respect to the Corporation. Subject to Section 6B, Awards will be determined based upon achieving or exceeding the Financial Goals set by the Committee, and the Committee may establish Financial Goals with the expectation and understanding that the Committee nevertheless will reduce a Covered Employee s Award based on the achievement of such Financial Goals in accordance with Section 6B to a level commensurate with a Covered Employee s achievement of other goals set by the Committee. Straight line interpolation will be used to calculate Awards when performance falls between any two specified Financial Goals. In determining whether any Financial Goal has been satisfied, the Committee may exclude any or all extraordinary items (as determined under U.S. generally accepted accounting principles), and any other unusual or non-recurring items, including but not limited to, charges or costs associated with restructurings of the Corporation, discontinued operations and the cumulative effects of accounting changes. In addition, the Committee may adjust any Financial Goal for a Plan Year as it deems equitable to recognize unusual or non-recurring events affecting the Corporation, changes in tax laws or accounting procedures and any other factors as the Committee may determine (including adjustments that would result in the Corporation s payment of non-deductible compensation). The Committee shall identify any such exclusions and adjustments which the Committee will use to determine whether a Financial Goal has been satisfied by a Covered Employee when the Committee sets the related Financial Goals. No Participant may receive an Award in excess of $5 million for any given Plan Year.

B. Goals for Other Participants

For each Plan Year, the Committee may establish for each Participant (other than a Participant who is expected to be a Covered Employee) goals in addition to or in lieu of any Financial Goals established under Section 5A based on the performance of the Corporation, a Subsidiary, a Business Unit or the individual or any combination of the foregoing. These goals may be established based on a combination of financial measurements and non-financial measurements that are deemed to further corporate objectives, including such measurements as business unit net income, revenue growth, budget management, achievement of talent management objectives, achievement of corporate objectives, individual objectives, and service quality. Straight line interpolation will be used to calculate Awards when results fall between any two specified goals established under this Section 5B. No Participant may receive an Award in excess of $5 million for any given Plan Year.

Section 6. Payment of Awards

A. Promptly after the date on which the necessary information for a particular Plan Year becomes available, the Committee, or such persons as the Committee shall designate, shall determine in accordance with Section 5 the extent to which the Financial Goals or other goals have been achieved for such Plan Year and authorize the cash payment of the Final Value of an Award, if any, to each Participant. The Committee shall review and ratify the Award determinations and shall certify such Award determinations in writing. Payment of Awards shall be made in the year following the relevant Plan Year and as soon as practical after the certification of Awards by the Committee, but no later than March 15 of the year following the Plan Year to which the Award relates. Each Award shall be paid in cash after deducting the amount of applicable Federal, state, and local withholding taxes of any kind required by law to be withheld by the Corporation. All Awards, whether paid currently or paid under any plan which defers payment, shall be payable out of the Corporation s general assets. Each Participant s claim, if any, for the payment of an Award, whether made currently or made under any plan which defers payment, shall not be superior to that of any general and unsecured creditor of the Corporation. If an error or omission is discovered in any of the determinations, the Committee shall cause an appropriate equitable adjustment to be made in order to remedy such error or omission.

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B. Notwithstanding the terms of any Award and the achievement of any Performance Goals, the Committee in its sole and absolute discretion may reduce the amount of the Award payable to any Participant for any reason, recognizing on the one hand that the Committee may establish Financial Goals with the expectation and understanding that the Committee nevertheless will reduce a Covered Employee s Award based on the achievement of such Financial Goals in accordance with this Section 6B to a level commensurate with a Covered Employee s achievement of other goals set by the Committee and recognizing on the other hand that the Committee may determine (among other things) that the Financial Goals or other goals underlying an Award had become an inappropriate measure of achievement for a Participant, that there was a change in the Participant s employment status, position or duties or in the Committee s expectation of his or her level of performance or that the Participant was working for less than the entire Plan Year.

C. In accordance with the terms set forth in the SunTrust Banks, Inc. Deferred Compensation Plan, a Participant may elect to defer receipt of a portion of his Award, if any, for each Plan Year, and any such election shall be made in accordance with the procedures and limits established under such deferred compensation plan.

D. In the event that any Award is at any time determined, in the sole determination of the Committee, to have been made based on materially inaccurate financial statements or the achievement of any other materially inaccurate performance metric criteria or Financial Goals, then STI shall have the right to recover such amount from the participant to the extent the actual payment made to the participant exceeded the amount that would have been paid to the participant if the financial statements, Financial Goals, or other performance metric or other criteria had been calculated correctly. Participant expressly agrees that such right of recovery shall include the right to withhold payment to participant of any amount otherwise payable to participant and/or to setoff against any amount held on participant s behalf, excluding amounts subject to Code section 409A.

Section 7. Participation for Less Than a Full Plan Year

A. Except as otherwise provided in this Section 7 or in Section 8 or except as otherwise announced by the Committee, an Award to a Participant shall be forfeited if the Participant s Employment terminates during the Plan Year to which the Award relates or during the period January 1 through the last day of February of the year immediately following the end of the Plan Year to which the Award relates. If a Participant terminates Employment during the period January 1 through the last day of February of the year immediately following the end of the Plan Year to which an Award relates, and if such termination of Employment is because of his death, his disability as described in Section 7C, or his early or normal retirement or a reduction in force which results in a severance benefit payment as described in Section 7D, then the Committee shall waive the Employment condition and authorize the payment of the Award to the Participant based on the Final Value, if any, of his Award, unless the Committee in its discretion feels the Award should be forfeited. No payment is due the Participant for any forfeited Award.

B. If a Participant s Employment terminates prior to the end of any Plan Year on account of his death, the Committee shall waive the Employment condition and shall authorize the payment of an Award on behalf of such Participant in accordance with Section 9B at the end of such Plan Year based on the Proportionate Final Value, if any, of his Award, unless the Committee in its discretion feels the Award should be forfeited.

C. If a Participant s Employment terminates prior to the end of any Plan Year on account of disability under a long-term disability plan maintained by the Corporation or a Subsidiary, the Committee shall waive the Employment condition and shall authorize the payment of an Award to such Participant at the end of such Plan Year based on the Proportionate Final Value, if any, of his Award, unless the Committee in its discretion feels the Award should be forfeited.

D. If a Participant s Employment terminates prior to the end of any Plan Year on account of his early retirement (age 55 plus 5 years of vesting service) or normal retirement (the later of age 65 or 5 years of vesting service) as determined under the terms of the SunTrust Banks, Inc. Retirement Plan, or on account of a reduction in force which results in a severance benefit payment to the Participant pursuant to the terms of the SunTrust Banks, Inc. Severance Pay Plan or any successor to such plan, the Committee shall waive the Employment condition and shall authorize the payment of an Award to such Participant at the end of such Plan Year based on the Proportionate Final Value, if any, of his Award, unless the Committee in its discretion feels the Award should be forfeited.

Section 8. Premature Satisfaction of Plan Conditions

A. In the event a Change in Control occurs prior to the end of any Plan Year, the Committee shall waive any and all Plan conditions and shall authorize the payment of an Award immediately to each Participant based on the Termination Value, if any, of his Award; provided, however, if an Award is then subject to Code section 409A, the payment of such Award pursuant to this Section 8A shall not be made unless the Change in Control also constitutes, and such payment is made upon, a change in the ownership or effective control of the Corporation or in the ownership of a substantial portion of the assets of the Corporation within the meaning of Code section 409A(a)(2)(A)(v).

B. If a tender or exchange offer is made other than by the Corporation for shares of the Corporation s stock and results in a change of ownership or control within the meaning of Code section 162(m) prior to the end of any Plan Year, the Committee may waive any and all Plan conditions and authorize, at any time after the change in ownership or control and within thirty (30) days following completion of such tender or exchange offer, the payment of an Award immediately to each Participant based on the Termination Value, if any, of his Award; provided, however, if an Award is then subject to Code section 409A, the payment of such Award pursuant to this Section 8B shall not be made unless the tender or exchange offer also constitutes, and such payment is made upon, a change in the ownership or effective control of the Corporation or in the ownership of a substantial portion of the assets of the Corporation within the meaning of Code section 409A(a)(2)(A)(v).

C. A Plan Year for an Award shall terminate upon the Committee s authorization of the payment of such Award during such Plan Year pursuant to this Section 8 and no further payments shall be made for such Plan Year with respect to such Award.

D. If vesting of an Award is contingent on the Participant s Employment during the period January 1 through the last day of February of the year immediately following the end of the Plan Year to which an Award relates, and if a Change in Control occurs during that period or if a tender or exchange offer is made by another corporation during that period, as described in Section 8A or 8B above, the Committee shall, in the event of such Change in Control, or may, at any time after the change in ownership or control and within thirty (30) days following completion of such tender or exchange offer, authorize the payment, at Final Value, of all outstanding Awards to Participants in Employment on the last day of the Plan Year to which the Awards relate. If any Award payable under this Section 8D is then subject to Code section 409A, no payment shall be made unless the Change in Control or such tender or exchange offer, as applicable, also constitutes, and such payment is made upon, a change in the ownership or effective control of the Corporation or in the ownership of a substantial portion of the assets of the Corporation within the meaning of Code section 409A(a)(2)(A)(v).

Section 9. Non-Transferability of Rights and Interests

A. A Participant may not alienate, assign, transfer or otherwise encumber his rights and interests under this Plan and any attempt to do so shall be null and void.

B. In the event of a Participant s death, the Committee shall authorize payment of any Award due a Participant under Section 7B to the Participant s designated beneficiary as specified or, in the absence of such written designation or its effectiveness, then to his estate. Any such designation may be revoked and a new beneficiary designated by the Participant by written instrument delivered to the Committee.

Section 10. Limitation of Rights

Nothing in this Plan shall be construed to give any employee of the Corporation or a Subsidiary any right to be selected as a Participant or to receive an Award or to be granted an Award other than as is provided herein. Nothing in this Plan or any agreement executed pursuant hereto shall be construed to limit in any way the right of the Corporation or a Subsidiary to terminate a Participant s employment at any time, without regard to the effect of such termination on any rights such Participant would otherwise have under this Plan, or give any right to a Participant to remain employed by the Corporation or a Subsidiary in any particular position or at any particular rate of remuneration.

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Executed this ____ day of February ____________, 2010.

(CORPORATE SEAL)	SUNTRUST BANKS, INC.
Attest:	By:
Title: Assistant Corporate Secretary	Title:

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Electronic Voting Instructions

You can vote by Internet or telephone

Available 24 hours a day, 7 days a week

Instead of mailing your proxy, you may choose one of the two voting

methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

Proxies submitted by the Internet or telephone must be received by 1:00 a.m., Central Time, on April 27, 2010.

Vote by Internet

Log on to the Internet and go to

www.investorvote.com

Follow the steps outlined on the secured website.

Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the USA, US Territories &

Canada any time on a touch tone telephone. There is **NO CHARGE** to you

for the call.

Follow the instructions provided by the recorded message.

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas. X

q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q

A Proposals You must sign the card on the reverse side for your vote to be counted.

DIRECTORS RECOMMEND VOTING FOR PROPOSAL 1.

1. Election of Directors to serve until the Annual Meeting of Shareholders in 2011:

+

	For	Against	Abstain		For	Against	Abstain		For	Against	Abstain
01 - Robert M. Beall, II	¨	¨	¨	06 - David H. Hughes	¨	¨	¨	11 - Larry L. Prince	¨	¨	¨

02 - Alston D. Correll	¨	¨	¨	07 - M. Douglas Ivester	¨	¨	¨	12 - Frank S. Royal, M.D.	¨	¨	¨
03 - Jeffrey C. Crowe	¨	¨	¨	08 - J. Hicks Lanier	¨	¨	¨	13 - Thomas R. Watjen	¨	¨	¨
04 - Patricia C. Frist	¨	¨	¨	09 - William A. Linnenbringer	¨	¨	¨	14 - James M. Wells III	¨	¨	¨
05 - Blake P. Garrett, Jr.	¨	¨	¨	10 - G. Gilmer Minor, III	¨	¨	¨	15 - Karen Hastie Williams	¨	¨	¨
								16 - Dr. Phail Wynn, Jr.	¨	¨	¨

DIRECTORS RECOMMEND VOTING FOR PROPOSALS 2, 3, AND 4.

	For	Against	Abstain
2. Proposal to approve the performance goals under the SunTrust Banks, Inc. Management Incentive Plan.	¨	¨	¨
3. Proposal to ratify the appointment of Ernst & Young LLP as independent auditors for 2010.	¨	¨	¨
4. To approve the following advisory (non-binding) proposal: RESOLVED, that the holders of common stock of SunTrust Banks, Inc. approve the compensation of the Company s executives as described in the Summary Compensation Table as well as in the Compensation Discussion and Analysis and the other executive compensation tables and related discussion	¨	¨	¨

DIRECTORS RECOMMEND VOTING AGAINST PROPOSAL 5.

	For	Against	Abstain
5. Shareholder proposal regarding preparation and disclosure of sustainability report.	¨	¨	¨

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q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q

PROXY SUNTRUST BANKS, INC

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Annual Meeting of Shareholders to be Held April 27, 2010.

This Proxy is Solicited by the Board of Directors.

The undersigned, having received the Notice of Annual Meeting of Shareholders and Proxy Statement dated March 5, 2010 and a copy of the SunTrust Banks, Inc. 2009 Annual Report, hereby appoints Mark A. Chancy and Raymond D. Fortin, and each of them, proxies, with full power of substitution, to vote for the undersigned all shares of the Common Stock of SunTrust Banks, Inc. (the Company) that the undersigned would be entitled to vote if personally present at the Annual Meeting of Shareholders to be held on Tuesday, April 27, 2010, at 9:30 a.m. local time, in Suite 105 on the 1st floor of SunTrust Plaza Garden Offices, 303 Peachtree Center Avenue, Atlanta, Georgia, and at any adjournments thereof, upon the matters described on the reverse hereof and in the accompanying Proxy Statement dated March 5, 2010, and upon any other business that may properly come before such Annual Meeting or any adjournments thereof, unless otherwise specified herein.

The proxies, in their discretion, are further authorized to vote on other matters which may properly come before the 2010 Annual Meeting of Shareholders and any adjournment or postponements thereof.

You are encouraged to specify your choices by marking the appropriate boxes (SEE REVERSE SIDE), but you need not mark any boxes if you wish to vote in accordance with the Board of Director s recommendations. The proxies cannot vote your shares unless you sign and return this card.

THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS INDICATED, WILL BE VOTED AS RECOMMENDED BY THE BOARD OF DIRECTORS.

(Continued on the other side)

B Non-Voting Items

Change of Address Please print new address below.

C Authorized Signatures This section must be completed for your vote to be counted Date and Sign Below.

IMPORTANT: Please date and sign this Proxy exactly as your name or names appears hereon; if shares are held jointly, all joint owners must sign. An executor, administrator, trustee, guardian, or other person signing in a representative capacity must give his or her full title. A corporation must sign in full corporate name by its president or other authorized officer. A partnership must sign in partnership name by an authorized person.

Date (mm/dd/yyyy) Please print date below. Signature 1 Please keep signature within the box. Signature 2 Please keep signature within the box.

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Using a **black ink** pen, mark your votes with an **X** as shown in

this example. Please do not write outside the designated areas. **X**

q PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q

A Proposals You must sign the card on the reverse side for your vote to be counted.

DIRECTORS RECOMMEND VOTING FOR PROPOSAL 1.

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1. Election of Directors to serve until the Annual Meeting of Shareholders in 2011:

	For	Against	Abstain		For	Against	Abstain		For	Against	Abstain
01 - Robert M. Beall, II	..	..	..	06 - David H. Hughes	..	..	..	11 - Larry L. Prince	..	..	..
02 - Alston D. Correll	..	..	..	07 - M. Douglas Ivester	..	..	..	12 - Frank S. Royal, M.D.	..	..	..
03 - Jeffrey C. Crowe	..	..	..	08 - J. Hicks Lanier	..	..	..	13 - Thomas R. Watjen	..	..	..
04 - Patricia C. Frist	..	..	..	09 - William A. Linnenbringer	..	..	..	14 - James M. Wells III	..	..	..
05 - Blake P. Garrett, Jr.	..	..	..	10 - G. Gilmer Minor, III	..	..	..	15 - Karen Hastie Williams	..	..	..
								16 - Dr. Phail Wynn, Jr.	..	..	..

DIRECTORS RECOMMEND VOTING FOR PROPOSALS 2, 3, AND 4.

	For	Against	Abstain
2. Proposal to approve the performance goals under the SunTrust Banks, Inc. Management Incentive Plan.	..	..	..
	..	..	..

DIRECTORS RECOMMEND VOTING AGAINST PROPOSAL 5.

For	Against	Abstain
..	..	..

3. Proposal to ratify the appointment of Ernst & Young LLP as independent auditors for 2010.

4. To approve the following advisory (non-binding) proposal: RESOLVED, that the holders of common stock of SunTrust Banks, Inc. approve the compensation of the Company s executives as described in the Summary Compensation Table as well as in the Compensation Discussion and Analysis and the other executive compensation tables and related discussion

5. Shareholder proposal regarding preparation and disclosure of sustainability report.

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q PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q

PROXY SUNTRUST BANKS, INC

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Annual Meeting of Shareholders to be Held April 27, 2010.

This Proxy is Solicited by the Board of Directors.

The undersigned, having received the Notice of Annual Meeting of Shareholders and Proxy Statement dated March 5, 2010 and a copy of the SunTrust Banks, Inc. 2009 Annual Report, hereby appoints Mark A. Chancy and Raymond D. Fortin, and each of them, proxies, with full power of substitution, to vote for the undersigned all shares of the Common Stock of SunTrust Banks, Inc.(the Company) that the undersigned would be entitled to vote if personally present at the Annual Meeting of Shareholders to be held on Tuesday, April 27, 2010, at 9:30 a.m. local time, in Suite105 on the 1st floor of SunTrust Plaza Garden Offices, 303 Peachtree Center Avenue, Atlanta, Georgia, and at any adjournments thereof, upon the matters described on the reverse hereof and in the accompanying Proxy Statement dated March 5, 2010, and upon any other business that may properly come before such Annual Meeting or any adjournments thereof, unless otherwise specified herein.

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IMPORTANT: Please date and sign this Proxy exactly as your name or names appears hereon; if shares are held jointly, all joint owners must sign. An executor, administrator, trustee, guardian, or other person signing in a representative capacity must give his or her full title. A corporation must sign in full corporate name by its president or other authorized officer. A partnership must sign in partnership name by an authorized person.

Date (mm/dd/yyyy) Please print date below.	Signature 1 Please keep signature within the box.	Signature 2 Please keep signature within the box.

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Electronic Voting Instructions

You can vote by Internet or telephone

Available 24 hours a day, 7 days a week

Instead of mailing your proxy, you may choose one of the two voting

methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

Proxies submitted by the Internet or telephone must be received by 1:00 a.m., Central Time, on April 27, 2010.

Vote by Internet

Log on to the Internet and go to

www.investorvote.com

Follow the steps outlined on the secured website.

Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the USA, US Territories &

Canada any time on a touch tone telephone. There is **NO CHARGE** to you

for the call.

Follow the instructions provided by the recorded message.

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas. X

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A Proposals You must sign the card on the reverse side for your vote to be counted.

DIRECTORS RECOMMEND VOTING FOR PROPOSAL 1.

1. Election of Directors to serve until the Annual Meeting of Shareholders in 2011:

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	For	Against	Abstain		For	Against	Abstain		For	Against	Abstain

01 - Robert M. Beall, II	¨	¨	¨	06 - David H. Hughes	¨	¨	¨	11 - Larry L. Prince	¨	¨	¨
02 - Alston D. Correll	¨	¨	¨	07 - M. Douglas Ivester	¨	¨	¨	12 - Frank S. Royal, M.D.	¨	¨	¨
03 - Jeffrey C. Crowe	¨	¨	¨	08 - J. Hicks Lanier	¨	¨	¨	13 - Thomas R. Watjen	¨	¨	¨
04 - Patricia C. Frist	¨	¨	¨	09 - William A. Linnenbringer	¨	¨	¨	14 - James M. Wells III	¨	¨	¨
05 - Blake P. Garrett, Jr.	¨	¨	¨	10 - G. Gilmer Minor, III	¨	¨	¨	15 - Karen Hastie Williams	¨	¨	¨
								16 - Dr. Phail Wynn, Jr.	¨	¨	¨

DIRECTORS RECOMMEND VOTING FOR PROPOSALS 2, 3, AND 4.

	For	Against	Abstain
2. Proposal to approve the performance goals under the SunTrust Banks, Inc. Management Incentive Plan.	¨	¨	¨
3. Proposal to ratify the appointment of Ernst & Young LLP as independent auditors for 2010.	¨	¨	¨
4. To approve the following advisory (non-binding) proposal: RESOLVED, that the holders of common stock of SunTrust Banks, Inc. approve the compensation of the Company s executives as described in the Summary Compensation Table as well as in the Compensation Discussion and Analysis and the other executive compensation tables and related discussion	¨	¨	¨

DIRECTORS RECOMMEND VOTING AGAINST PROPOSAL 5.

	For	Against	Abstain
5. Shareholder proposal regarding preparation and disclosure of sustainability report.	¨	¨	¨

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March 5, 2010

To our SunTrust 401(k) shareholders:

As SunTrust teammates, and as shareholders through the SunTrust 401(k) Plan, your interest in the continuing success of our Company is clear. It is important that you vote your shares on the important issues to be brought before the Annual Meeting of Shareholders to be held April 27, 2010.

The Instructions to the SunTrust Banks, Inc. 401(k) Plan Trustee card enclosed gives you the guidelines you need. **Please note that the Plan Trustee can vote your shares only if you vote. Choose the method most convenient for you by Internet, telephone or mail.**

In addition, we are sending you the *Proxy Statement* describing the business of the 2010 Annual Meeting.

You may view an electronic copy of the *SunTrust Banks, Inc. 2009 Annual Report* at BENE Online. If you would like to request a free paper copy of the *SunTrust Banks, Inc. 2009 Annual Report*, contact BENE at 800-818-2363 or use BENE Online.

Sincerely,

James M. Wells III

Chairman and Chief Executive Officer

q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q

ANNUAL MEETING OF SHAREHOLDERS SUNTRUST BANKS, INC +

Annual Meeting of Shareholders to be Held April 27, 2010.

This Proxy is Solicited by the Board of Directors.

The undersigned, having received the Notice of Annual Meeting of Shareholders and Proxy Statement dated March 5, 2010 and a copy of the SunTrust Banks, Inc. 2009 Annual Report, hereby appoints Mark A. Chancy and Raymond D. Fortin, and each of them, proxies, with full power of substitution, to vote for the undersigned all shares of the Common Stock of SunTrust Banks, Inc. (the Company) that the undersigned would be entitled to vote if personally present at the Annual Meeting of Shareholders to be held on Tuesday, April 27, 2010, at 9:30 a.m. local time, in Suite 105 on the 1st floor of SunTrust Plaza Garden Offices, 303 Peachtree Center Avenue, Atlanta, Georgia, and at any adjournments thereof, upon the matters described on the reverse hereof and in the accompanying Proxy Statement dated March 5, 2010, and upon any other business that may properly come before such Annual Meeting or any adjournments thereof, unless otherwise specified herein.

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