

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13E-4
ISSUER TENDER OFFER STATEMENT
(PURSUANT TO SECTION 13(e)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934)

AUDIOVOX CORPORATION
(Name of Issuer)

AUDIOVOX CORPORATION
(Name of Person(s) Filing Statement)

6 1/4% Convertible Subordinated Debentures due 2001
(Title of Class of Securities)

050757-AB-9

(CUSIP Number of Class of Securities)

C. Michael Stoehr
AUDIOVOX CORPORATION
150 Marcus Blvd.
Hauppauge, NY 11788
(516) 231-7751

(Name, Address and Telephone Number of a Person Authorized to
Receive Notes and Communications on Behalf of the Person(s)
Filing Statement)

Copies to:

Stuart H. Gelfond, Esq. Robert Levy, Esq.
Fried, Frank, Harris, Shriver & Levy & Stopol
Jacobson One Pennsylvania Plaza
One New York Plaza New York, NY 10119
New York, NY 10004 (212) 279-7007
(212) 859-8000

October 18, 1996
(Date Tender Offer First Published, Sent or Given to Security
Holders)

CALCULATION OF FILING FEE

Transaction Valuation ¹	Amount of Filing Fee
\$49,725,000	\$9,945

1. For purposes of calculating this filing fee in accordance with Rule 0-11(b)(2) under the Securities Exchange Act of 1934, as amended, the market value of the 6 1/4% Convertible Subordinated Debentures due 2001 which may be exchanged pursuant to the Company's offer to exchange such Convertible Debentures for Common Stock of the Company is based upon the average of the high and low prices reported on the American Stock Exchange, Inc. as of October 16, 1996 (\$765.00 per Convertible Debenture) and the maximum number of Convertible Debentures exchangeable pursuant to the Exchange Offer (65,000 Convertible Debentures).

// Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

Amount Previously Paid: N/A
Form or Registration No.: N/A
Filing Party: N/A
Date Filed: N/A

Item 1. Security and Issuer.

(a) The issuer of the securities to which this Statement relates is Audiovox Corporation, a Delaware corporation (the "Company"). The principal executive offices of the Company are located at 150 Marcus Blvd., Hauppauge, New York 11788.

(b) As of the date hereof, there were \$65,000,000 aggregate principal amount of the Company's 6 1/4% Convertible Subordinated Debentures due 2001 (the "Convertible Debentures") outstanding. Upon the terms and subject to the conditions set forth in the Offering Circular dated October 18, 1996 (the "Offering Circular") and the related Letter of Transmittal, copies of which are filed herewith as Exhibits 99.(a)(i) and 99.(a)(ii), respectively, the Company is offering to exchange (the "Exchange Offer") 165 shares of the Company's Class A Common Stock, par value \$.01 per share (the "Class A Common Stock") for each \$1,000 principal amount of Convertible Debentures outstanding. The information under the headings "The Exchange Offer -- General" and "-- Terms of the Exchange Offer" in the Offering Circular is incorporated herein by reference. To the knowledge of the Company, no officer, director or affiliate of the Company beneficially owns any of the Convertible Debentures except Martin

Novick, a Vice President of the Company, who owns \$222,000 principal aggregate amount of the Convertible Debentures. Any such Convertible Debentures owned by Mr. Novick at the time of the Exchange Offer are eligible for exchange if properly tendered pursuant to the Exchange Offer on the same basis as all other Convertible Debentures.

(c) The information under the heading "Description of the Convertible Debentures -- Market Price of Convertible Debentures" in the Offering Circular is incorporated herein by reference.

(d) Not applicable.

Item 2. Source and Amount of Funds or Other Consideration.

(a) The Company has reserved 10,725,000 shares of its authorized but unissued Class A Common Stock for issuance upon exchange of the Convertible Debentures pursuant to the Exchange Offer. If all of the outstanding Convertible Debentures are exchanged pursuant to the Exchange Offer, the Company will have issued 10,725,000 shares of its Class A Common Stock to Debentureholders pursuant to the Exchange Offer.

(b) Not applicable.

Item 3. Purpose of the Exchange Offer and Plans or Proposals of the Issuer or Affiliate.

The information on the cover page and under the headings "Offering Summary -- The Exchange Offer" and "The Exchange Offer -- General" in the Offering Circular

discusses the purpose of the Exchange Offer and is incorporated herein by reference. The Convertible Debentures are to be canceled upon consummation of the Exchange Offer.

(a) The information on the cover page and under the headings "Offering Summary -- The Exchange Offer" and "The Exchange Offer -- General" in the Offering Circular is incorporated herein by reference.

(b) Not applicable.

(c) Not applicable.

(d) Not applicable.

(e) The information under the headings "Pro Forma Financial Data" in the Offering Circular is incorporated herein by reference.

(f) Not applicable.

(g) Not applicable.

(h) The information under the heading "Risk Factors -- Effect of Exchange Offer on Unconverted Securities" is incorporated herein by reference.

(i) The Convertible Debentures are registered pursuant to Section 12(g)(4) of the Exchange Act. Although it has no current plans or proposals to do so, if the Convertible Debentures cease to be listed on AMEX, the Company may seek to terminate the registration of the Convertible Debentures under the Exchange Act upon certification that the Convertible Debentures are held of record by fewer than 500 persons.

(j) Not applicable.

Item 4. Interest in Securities of the Issuer.

The following sets forth each transaction in the Convertible Debentures effected since (and including) August 21, 1996 by the Company, by any person referred to in Instruction C of Schedule 13E-4 (i.e., by each executive officer and director of the Company, any person "controlling" the Company and each director and executive officer of any "controlling" person) or by any associate or subsidiary of such person, including any director or officer of any such subsidiary:

Name	Date	Aggregate Principal Amount of Convertible Debentures	Price Per Convertible Debenture	Where and How Effected
Martin Novick	9/18/96	\$10,000	\$695	AMEX
Martin Novick	9/20/96	\$19,000	\$695	AMEX

Item 5. Contracts, Arrangements, Understandings or Relationships with Respect to the Issuer's Securities.

None.

Item 6. Persons Retained, Employed or to be Compensated.

There have been no persons employed, retained or to be compensated to make solicitations or recommendations in connection with the Exchange Offer.

Item 7. Financial Information.

(a)(1) Audited financial statements of the Company for the two most recent fiscal years are included in the Company's 1995 Annual Report to Stockholders (which are incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 1995 filed with the Securities and Exchange Commission, constituting pages 30 through 74, inclusive thereof and are incorporated herein by reference). A copy of pages 30 through 74, inclusive, of the Company's Annual Report on Form 10-K is annexed hereto as Exhibit 99.(a)(vi).

(a)(2) Unaudited balance sheets and comparative year-to-date statements of operations and cash flows and related earnings or loss per share amounts at August 31, 1996 and for the nine-month period then ended are included on pages 3 through 20, inclusive, in the Company's quarterly report on Form 10-Q for the quarter ended August 31, 1996, and are incorporated herein by reference. A copy of pages 3 through 20, inclusive, of the Form 10-Q is annexed hereto as Exhibit 99.(a)(vii).

(a)(3) The information under the heading "Summary Selected Consolidated Financial Data -- Summary Selected Historical Financial and Operational Data" in the Offering Circular is incorporated herein by reference.

(a)(4) See the response to Item 7(a)(3) above.

(b)(1)-(3) The information under the heading "Pro Forma Financial Data" in the Offering Circular is incorporated herein by reference.

Item 8. Additional Information.

(a) Not applicable.

(b) The Class A Common Stock issued upon exchange of Convertible Debentures will be issued by the Company in reliance on the exemption from the registration requirements of the Securities Act of 1933, as amended, provided in Section 3(a)(9)

thereof. The Company believes that the Class A Common Stock issued by the Company to Debentureholders not deemed affiliates (as defined under Rule 144 of the Securities Act of 1933, as amended) upon the exchange of Convertible Debentures will be freely tradable by such Debentureholders because such Convertible Debentures have been registered pursuant to an effective registration statement under the Securities Act of 1933, as amended. Debentureholders deemed affiliates will be subject to the restrictions contained in Rule 144.

(c) The information under the heading "Risk Factors -- Effect of Exchange Offer on Unconverted Securities" in the Offering Circular is incorporated herein by reference.

(d) Not applicable.

(e) Additional material information is set forth in the Offering Circular and related Letter of Transmittal which are attached hereto as Exhibits 99.(a)(i) and 99.(a)(ii), respectively, and such material information is incorporated herein by reference.

Item 9. Material to be Filed as Exhibits.

99.(a)(i) Form of Offering Circular dated October 18, 1996.

99.(a)(ii) Form of Letter of Transmittal along with guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

99.(a)(iii) Form of Letter from the Company to Brokers, Dealers and Nominees.

99.(a)(iv) Form of Letter from Brokers, Dealers, Commercial Banks, Trust Companies and Nominees to Clients.

99.(a)(v) Form of Notice of Guaranteed Delivery.

99.(a)(vi) Copies of the Report of Independent Auditors and Audited Financial Statements of the Company's 1995 Annual Report to Stockholders (which are incorporated by reference in the Company's Annual Report on Form 10-K, for the fiscal year ended November 30, 1995) constituting pages 30 through 74, inclusive.

99.(a)(vii) Copies of unaudited balance sheets and comparative year-to-date statements of operations and cash flows and related earnings (loss) per share amounts constituting pages 3 through 20, inclusive, of the Company's Quarterly Report on Form 10-Q for the quarter ended August 31, 1996.

99.(a)(viii) Unaudited pro forma data showing the effect of the conversion of \$65,000,000 aggregate principal amount of Convertible Debentures for the Class A Common Stock for the year ended November 30, 1995 and for the nine months ended August 31, 1996, on the Company's balance sheet, statement of operations, loss per share amounts, ratio of earnings to fixed charges and book value as of its most recent fiscal year and latest interim period (which is set forth in Exhibit 99.(a)(i) above under the heading "Pro Forma Financial Data").

99.(a)(ix) Press Release, dated October 17, 1996.

- 99.(a)(x) Letter to holders of Convertible Debentures, dated October 18, 1996.
- 99.(a)(xi) Consent of KPMG Peat Marwick LLP.
- 99.(b) Not applicable.
- 99.(c) None.
- 99.(d) None.
- 99.(e) Not applicable.
- 99.(f) None.

SIGNATURE

After due inquiry and to the best of the Company's knowledge and belief, the undersigned certifies that the information set forth in this Statement is true, complete and correct.

Dated: October 18, 1996

AUDIOVOX CORPORATION

By:

Name: John J. Shalam
Title: President and Chief
Executive
Officer

EXHIBIT INDEX

Number	Exhibit	Sequential Page Number
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99.(a)(xi) Consent of KPMG Peat Marwick LLP.

99.(b) Not applicable.

99.(c) None.

99.(d) None.

99.(e) Not applicable.

99.(f) None.

OFFERING CIRCULAR

AUDIOVOX CORPORATION

OFFER TO EXCHANGE EACH \$1,000 PRINCIPAL AMOUNT OF ITS 6 1/4%
CONVERTIBLE SUBORDINATED DEBENTURES DUE MARCH 15, 2001 INTO
165 SHARES OF ITS CLASS A COMMON STOCK

Audiovox Corporation (the "Company") hereby offers (the "Exchange Offer"), upon the terms and subject to the conditions set forth in this Offering Circular (the "Offering Circular"), and in the accompanying Letter of Transmittal (the "Letter of Transmittal"), to exchange each \$1,000 principal amount of its 6 1/4% Convertible Subordinated Debentures due March 15, 2001 (the "Convertible Debentures") into 165 shares of its Class A Common Stock, par value \$.01 share (the "Class A Common Stock"). As of the date of this Offering Circular, there are Convertible Debentures in the aggregate principal amount of \$65 million outstanding. The Exchange Offer is being made for the entire outstanding principal amount of the Convertible Debentures. The Convertible Debentures currently provide that the holder may convert such securities into Class A Common Stock at a conversion price of \$17.70. After the expiration of the Exchange Offer the holders of Convertible Debentures will only be able to convert such securities into Class A Common Stock at such \$17.70 conversion price (as such price may be adjusted in certain events).

Payment will be made in respect of accrued and unpaid interest on Convertible Debentures exchanged pursuant to the Exchange Offer up to, but not including, the date of the exchange of the Convertible Debentures for the Class A Common Stock. The terms and conditions of the Exchange Offer will not be applicable to any Convertible Debentures that are not accepted pursuant to the Exchange Offer, or which are delivered for exchange after the Expiration Date.

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON NOVEMBER 19, 1996, UNLESS EXTENDED (SUCH DATE AS EXTENDED FROM TIME TO TIME, THE "EXPIRATION DATE"). CONVERTIBLE DEBENTURES TENDERED IN THE EXCHANGE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE. AFTER THE EXPIRATION DATE, CONVERTIBLE DEBENTURES TENDERED IN THE EXCHANGE OFFER MAY NOT BE WITHDRAWN UNLESS THE EXCHANGE OFFER IS TERMINATED OR EXPIRES WITHOUT CONSUMMATION THEREOF.

Notwithstanding any other provision of the Exchange Offer, the Company's obligation to accept for exchange, and to exchange, Convertible Debentures properly tendered and not withdrawn pursuant to the Exchange Offer is conditioned upon certain conditions (including, among others, approval by the shareholders of the Company at a special meeting (the "Special Meeting") of the shareholders of the issuance of the Class A Common Stock necessary to effect the Exchange Offer) set forth under "The Exchange Offer--Conditions to the Exchange Offer." Mr. John J. Shalam, President and Chief Executive Officer of the Company, currently owns or controls approximately 74.4% of the Company's voting power. Mr. Shalam has advised the Company that he intends to vote in favor of the issuance of Class A Common Stock to effect the Exchange Offer and, accordingly, satisfaction of the condition with respect to the above shareholder approval is assured. The Special Meeting to be called to vote upon the issuance of the Class A Common Stock is tentatively scheduled for November 19, 1996. The record date for such Special Meeting is October 21, 1996. However, the proxy materials to be mailed to shareholders in connection with the above Special Meeting is subject to review by the Securities and Exchange Commission, and, accordingly, the date of the Special Meeting (and, consequently, the Expiration Date) may be delayed beyond November 19, 1996. If the conditions of the Exchange Offer are satisfied or waived and the Convertible Debentures are accepted by the Company for exchange, the Class A Common Stock will be exchanged on or promptly after the date on which the Convertible Debentures are accepted for exchange (the "Exchange Offer Acceptance Date"). Under no circumstances will any additional interest be payable because of any delay in the transmission of Common Stock or funds to holders of Convertible Debentures. Subject to applicable securities laws and the terms set forth in this Offering Circular, the Company reserves the right (i) to waive any and all conditions to the Exchange Offer, (ii) to extend the Exchange Offer or (iii) otherwise to amend the Exchange Offer in any respect.

The terms of the Exchange Offer equate to approximately \$6.061 principal amount of Convertible Debentures for each share of Class A Common Stock received in the Exchange Offer. The Class A Common Stock and the Convertible Debentures are both traded on the American Stock Exchange ("AMEX"), the symbols of which are "VOX" and "VOXA," respectively. On October 16, 1996, the last reported sales prices of the Class A Common Stock and the Convertible Debentures on the AMEX was \$6 1/16 per share and \$76 1/2 per Convertible Debenture, respectively.

See "Risk Factors" on page 14 for a discussion of certain factors that should be carefully considered in connection with

the exchange offered hereby.

IMPORTANT

Any beneficial holder of Convertible Debentures desiring to tender all or any portion of his Convertible Debentures should either (1) complete and sign the Letter of Transmittal (or a facsimile thereof) in accordance with the instructions in the Letter of Transmittal and mail or deliver it, together with the certificates representing tendered Convertible Debentures and any other required documents, to Continental Stock Transfer & Trust Company (the "Exchange Agent") or tender such Convertible Debentures pursuant to the procedure for book-entry transfer set forth in "The Exchange Offer -- Procedures for Tendering" or (2) request his broker, dealer, commercial bank, trust company or nominee to effect the transaction for him. BENEFICIAL HOLDERS WHOSE CONVERTIBLE DEBENTURES ARE REGISTERED IN THE NAME OF A BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE MUST CONTACT SUCH PERSON IF THEY DESIRE TO TENDER THEIR CONVERTIBLE DEBENTURES. Holders who wish to tender Convertible Debentures and whose certificates representing such Convertible Debentures are not immediately available or who cannot comply with the procedures for book entry transfer on a timely basis may tender such Convertible Debentures by following the procedures for guaranteed delivery set forth in "The Exchange Offer -- Procedures for Tendering."

The date of this Offering Circular is October 18, 1996.

The Exchange Offer will expire at 5:00 p.m., New York City time, on November 19, 1996 (such time and date, the "Expiration Date"), unless the Company, in its sole discretion, extends the period during which the Exchange Offer is open, in which event the term "Expiration Date" means the latest time and date at which the Exchange Offer, as so extended by the Company, shall expire. As noted earlier, the Expiration Date will be extended should the Special Meeting be held after November 19, 1996. See "The Exchange Offer -- Expiration; Extension; Termination; Amendment." Convertible Debentures may be tendered and will be accepted for exchange only in denominations of \$1,000 principal amount and integral multiples thereof.

NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY RECOMMENDATION ON BEHALF OF THE COMPANY AS TO WHETHER ANY HOLDER OF CONVERTIBLE DEBENTURES SHOULD TENDER CONVERTIBLE DEBENTURES PURSUANT TO THE EXCHANGE OFFER. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS OFFERING CIRCULAR OR IN THE LETTER OF TRANSMITTAL. IF GIVEN OR MADE, SUCH RECOMMENDATIONS, INFORMATION OR REPRESENTATIONS MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY DISTRIBUTION OF SECURITIES HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF OR THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the securities covered by this Offering Circular, nor does it constitute an offer to sell or a solicitation of an offer to buy any such securities by any person in any jurisdiction in which such offer or solicitation would be unlawful.

The Exchange Offer is being made by the Company in reliance on the exemption from the registration requirements of the Securities Act afforded by Section 3(a)(9) thereof. The Company therefore will not pay any commission or other remuneration to any broker, dealer, salesman or other person for soliciting tenders of Convertible Debentures. Officers, directors and regular employees of the Company may solicit tenders of Convertible Debentures but they will not receive additional compensation therefor.

IN DECIDING WHETHER TO ACCEPT THE EXCHANGE OFFER, HOLDERS OF CONVERTIBLE DEBENTURES MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE EXCHANGE OFFER, INCLUDING THE MERITS AND RISKS INVOLVED.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE FAIRNESS OF SUCH TRANSACTION NOR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

For New Hampshire Residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES

A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company hereby incorporates by reference in this Offering Circular: (i) the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 1995, as amended on March 26, 1996 and on April 30, 1996 (the "1995 Form 10-K"); (ii) the Company's Current Report on Form 8-K dated March 7, 1996; (iii) the Company's Quarterly Report on Form 10-Q for the quarter ended February 29, 1996 (the "First Quarter 1996 Form 10-Q"); (iv) the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 1996 (the "Second Quarter 1996 Form 10-Q"); (v) the Company's Quarterly Report on Form 10-Q for the quarter ended August 31, 1996 (the "Third Quarter 1996 Form 10-Q"); (vi) the description of the Company's Class A Common Stock contained in the Company's Registration Statement on Form 8-A dated May 21, 1987; and (vii) the Indenture (as defined herein) contained in Exhibit C of the Company's Current Report on Form 8-K dated March 15, 1994, all of which have been filed with the Commission (File No. 1-9532).

The Company also incorporates herein by reference all documents and reports subsequently filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Offering Circular and prior to termination of this offering. Such documents and reports shall be deemed to be incorporated by reference in this Offering Circular and to be a part hereof from the date of filing of such documents or reports. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Offering Circular to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded, except as so modified or superseded, shall not be deemed to constitute a part of this Offering Circular.

The Company will provide without charge to each person to whom a copy of this Offering Circular has been delivered, on the written or oral request of such person, a copy of any or all of the documents incorporated herein by reference, other than exhibits to such documents unless they are specifically incorporated by reference into such documents. Requests for such copies should be directed to: Chris L. Johnson, Secretary, Audiovox Corporation, 150 Marcus Boulevard, Hauppauge, New York 11788, telephone 516-231-7750.

AVAILABLE INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Schedule 13E-4, which term shall encompass any amendments thereto, under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with respect to the Exchange Offer. This Offering Circular does not contain all the information set forth in the Schedule 13E-4 and the exhibits thereto, to which reference is hereby made for further information about the Company and the Exchange Offer.

The Company is subject to the informational requirements of the Exchange Act and in accordance therewith files periodic reports, proxy and information statements, and other information with the Commission. The Schedule 13E-4 and all reports, proxy and information statements, and other information filed by the Company with the Commission may be inspected at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the Commission located at 7 World Trade Center, New York, New York 10048, and Suite 1400, Citicorp Center, 700 West Madison Street, Chicago, Illinois 60661-2511. Copies of such material may be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Additionally, the Commission maintains an electronic Web Site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission, the address of such Web Site being (<http://www.sec.gov>).

The Company will provide without charge to each person to whom a copy of this Offering Circular has been delivered, on the written and oral request of such person, a copy of the Schedule 13E-4. Requests for such copies should be directed to: Chris L. Johnson, Secretary, Audiovox Corporation, 150 Marcus Boulevard, Hauppauge, New York 11788, telephone 516-231-7750.

The Convertible Debentures and the Common Stock are listed on AMEX, and all reports, proxy and information statements, and other information filed with the Commission also may be inspected at the American Stock Exchange, 86 Trinity Place, New York, New York 10006-1881.

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OFFERING SUMMARY

The following is a summary of certain information included in this Offering Circular or in documents incorporated by reference herein. It is not intended to be complete and is qualified in its entirety by the more detailed information found elsewhere in this Offering Circular or in such documents, which should be read with care. As used herein, unless the context otherwise requires, the "Company" refers to Audiovox Corporation and its consolidated shareholders. As used herein, the term "Offering Circular" shall mean this Offering Circular and all Appendixes and Exhibits hereto, as the same may be amended, supplemented, restated or otherwise modified from time to time. The term "Exchange Offer" shall mean the offering contemplated hereby. References to the Company's fiscal year shall refer to the calendar year in which the Company's fiscal year ends (e.g., fiscal year 1995 refers to the Company's fiscal year ended November 30, 1995).

THE COMPANY

Audiovox Corporation (together with its subsidiaries, the "Company" or "Audiovox") designs and markets cellular telephones and accessories, automotive aftermarket sound and security equipment, other automotive aftermarket accessories, and certain other products. The Company's corporate headquarters is located at 150 Marcus Boulevard, Hauppauge, New York 11788, and its telephone number at that address is 516-231-7750.

THE EXCHANGE OFFER

The Offering The Company is offering to exchange each \$1,000 principal amount of Convertible Debentures tendered to the Company prior to the Expiration Date and accepted by the Company for 165 shares of Class A Common Stock (the "Exchange Offer Consideration"). The terms of the Exchange Offer equate to \$6.061 principal amount of Convertible Debentures for each share of Class A Common Stock received in the Exchange Offer. The Convertible Debentures currently provide that the holders may convert such securities into Class A Common Stock at a conversion price of \$17.70. Although the Company has no current intention to do so, if it should modify the Exchange Offer Consideration, the modified consideration would be applicable with regard to all Convertible Debentures accepted in the Exchange Offer, including those tendered before the announcement of the modification. If the Exchange Offer consideration is modified, the Exchange Offer will remain open at least ten business days from the date the Company gives notice by public announcement or otherwise, of such. See "The Exchange Offer -- Terms of the Exchange Offer."

Purpose of Offering The purpose of the Offering is to increase the Company's equity base to provide it with financial flexibility and increase its ability to take advantage of business opportunities in its markets.

Expiration Date 5:00 p.m., New York City time, on November 19, 1996, unless extended by the Company. See "The Exchange Offer -- Expiration; Extensions; Termination; Amendment. The Expiration Date will be extended in the event the Special Meeting (as defined below) occurs later than November 19, 1996. After expiration of the Exchange Offer, the

Convertible Debentures will be convertible into Class A Common Stock at a conversion price of \$17.70 (as such price may be adjusted in certain events).

Withdrawal of Tenders

Tenders of Convertible Debentures may be withdrawn at any time prior to the expiration of the Exchange Offer. Thereafter, such tenders are irrevocable, except that they may be withdrawn after the expiration of 40 business days from the commencement of the Exchange Offer, unless accepted for exchange prior to that date. See "The Exchange Offer -- Withdrawal Rights."

Accrued Interest on the Convertible Debentures

The Company will pay accrued interest with respect to Convertible Debentures that are tendered and accepted in the Exchange Offer up to but not including the Exchange Offer Acceptance Date promptly following the Expiration Date. Holders of Convertible Debentures that are accepted in the Exchange Offer will have no further right to receive any payment of accrued and unpaid interest in respect of the tendered Convertible Debentures.

Acceptance of Convertible Debentures and Delivery of Common Stock

The Company will accept for exchange any and all Convertible Debentures that are properly tendered prior to the Expiration Date. The Class A Common Stock to be issued pursuant to the Exchange Offer plus any accrued and unpaid interest due will be delivered promptly following the Expiration Date. The Exchange Agent (as defined herein) will act as agent for tendering holders for the purpose of (i) issuing Class A Common Stock and (ii) paying accrued and unpaid interest on tendered Convertible Debentures, to such holders. See "The Exchange Offer -- Acceptance of Convertible Debentures; Delivery of Class A Common Stock."

Conditions to the Tender Offer

The obligation of the Company to consummate the Exchange Offer is subject to certain conditions including, among others, approval by the shareholders of the Company at a special meeting of the shareholders (the "Special Meeting") of the issuance of the Class A Common Stock necessary to effect the Exchange Offer, and the Company reserves the right to amend the Exchange Offer at any time for any reason. Mr. John J. Shalam, President and Chief Executive Officer of the Company, currently owns or controls approximately 74.4% of the Company's voting power. Mr. Shalam has advised the Company that he intends vote in favor of this issuance of the Class A Common Stock to effect the Exchange Offer and, accordingly, satisfaction of this condition is assured. The Special Meeting is tentatively scheduled to be held on November 19, 1996. See "The Exchange Offer -- Conditions to the Exchange Offer."

Procedures for Tendering Convertible Debentures

Each holder of Convertible Debentures wishing to accept the Exchange Offer must complete and sign the Letter of Transmittal, in accordance with the instructions contained herein and therein, and forward or hand deliver such Letter of Transmittal, together with any signature guarantees and any other documents required by the Letter of Transmittal, including certificates representing the tendered Convertible Debentures or confirmations of, or an Agent's Message (as defined) with respect to, book entry transfers of such Convertible Debentures, to the Exchange Agent at one of its

addresses set forth on the back cover page of this Offering Circular. Any beneficial owner of Convertible Debentures whose securities are registered in the name of a broker, dealer, commercial bank, trust company or other nominee is urged to contact the registered holder(s) of such securities promptly to instruct the registered holder(s) whether to tender such beneficial owner's securities. Beneficial Holders whose certificates representing their Convertible Debentures are not immediately available or who cannot deliver their certificates or any other required documents to the Exchange Agent prior to the Expiration Date may tender their Convertible Debentures pursuant to the guaranteed delivery procedure set forth herein. See "The Exchange Offer -- Procedures for Tendering -- Guaranteed Delivery."

Certain Federal Income Tax Consequences

For a discussion of certain federal income tax consequences of the Exchange Offer to holders of Convertible Debentures, see "Certain Federal Income Tax Considerations."

The Convertible Debentures and the Class A Common Stock

As of the date hereof, there were 7,233,834 shares of Class A Common Stock issued and outstanding and 969,500 shares of Class A Common Stock reserved for issuance in connection with options. In addition, the Company has 2,260,954 shares of Class B Common Stock issued and outstanding. The Company also has outstanding privately held warrants to acquire 150,000 shares of Class A Common Stock and publicly-held warrants to acquire 1,668,875 shares of Class A Common Stock. The Company has an option to acquire 1,668,875 shares of Class A Common Stock from John J. Shalam, Chief Executive Officer of the Company under the Shalam Option (as defined) which is described under "Description of Capital Stock -- Other Warrants. Assuming that all of the holders of the outstanding Convertible Debentures accept the Exchange Offer, there would be additional 10,725,000 shares of Class A Common Stock outstanding upon consummation of the Exchange Offer. See "Description of the Convertible Debentures" and "Description of Capital Stock."

Trading

The Class A Common Stock is listed on the American Stock Exchange (the "AMEX") under the symbol "VOX." The Convertible Debentures are listed on the AMEX under the symbol "VOXA." For further information, see "Description of the Convertibles Debentures -- Market Price of Convertible Debentures" and "Description of Capital Stock -- Market Price of Class A Common Stock."

Exchange Agent

Continental Stock Transfer & Trust Company. See "The Exchange Offer -- Exchange Agent."

Risk Factors

See "Risk Factors" beginning on page 12 for discussion of certain factors that should be carefully considered in connection with deciding whether to tender Convertible Debentures in the Exchange Offer.

SUMMARY SELECTED CONSOLIDATED FINANCIAL DATA

The summary selected consolidated financial data set forth below for the fiscal years ended November 30, 1994 and 1995 have been derived from the audited financial statements of the Company for such periods. The data for the nine months ended August 31, 1995 and August 31, 1996 is unaudited. The data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements, and related notes thereto, and

other financial information included in the 1995 Form 10-K and the Third Quarter 1996 Form 10-Q.

In December, 1993, CellStar Corporation ("CellStar") completed the initial public offering (the "CellStar Offering") of 7,935,000 shares of CellStar common stock, par value \$.01 per share ("CellStar Common Stock"). CellStar (the successor to National Auto Center, Inc. and Audiomex Export Corp.) was formed by the Company, as a 50% owned joint venture. CellStar markets and distributes cellular telephones and related products. Prior to the CellStar Offering, the Company recorded income from CellStar from two sources: (i) management fees accrued by the Company in exchange for certain management services and (ii) the Company's share of CellStar's net income as a 50% owner of CellStar. In connection with the CellStar Offering, the Company sold 2,875,000 of its 6,750,000 shares of CellStar Common Stock at the initial public offering price (net of applicable underwriting discount) of \$10.695 per share, and received aggregate net proceeds of approximately \$29,433,000. Subsequent to the CellStar Offering, the Company owned 20.88% of the issued and outstanding CellStar Common Stock. The Company recorded a pre-tax gain of approximately \$27,783,000 on the sale of its shares of CellStar Common Stock. Taxes on such gain amounted to approximately \$12,231,000, which amount was paid on May 15, 1994. The Company also recorded a pre-tax gain of approximately \$10,565,000 on the increase in the carrying value of its remaining shares of CellStar Common Stock due to the CellStar Offering. Of the proceeds received by CellStar from its initial public offering, \$13,656,000 was paid to the Company in satisfaction of amounts owed to the Company by CellStar under certain promissory notes. As a result of the CellStar Offering, the Company will no longer receive management fees from CellStar. In connection with the CellStar Offering, the Company granted the majority investor in CellStar an option to purchase up to an aggregate of 1,500,000 shares of CellStar Common Stock owned by the Company, which was exercised in full on June 1, 1995, at an exercise price of \$11.50 per share. As a result, the Company recorded a gain, before provision for income taxes, of \$8.4 million during 1995. This reduced the Company's ownership in CellStar below 20% and, as such, the Company no longer accounts for CellStar under the equity method of accounting. The remaining 2,375,000 CellStar shares owned by the Company will be accounted for as an investment in marketable equity securities.

SUMMARY SELECTED HISTORICAL FINANCIAL AND OPERATING DATA
(In thousands, except per share and Other Data)

	Years Ended November 30,		(Unaudited) Nine Months Ended August 31,	
	1994	1995	1995	1996
Statement of Operations Data:				
Net sales	\$486,448	\$500,740	\$349,378	\$406,515
Gross profit	84,911	70,742	49,263	66,102
Operating income (loss)	10,486	(9,734)	(13,232)	8,324
Interest and bank charges	(6,535)	(9,694)	(7,306)	(6,407)
Other, net [1]	4,235	1,855	2,138	188
Gain on sale of equity investment	27,783	8,435	8,435	985
Gain on public offering of equity investment	10,565	0	0	0
Expense related to issuance of Warrants	--	(2,921)	(2,921)	--
Income (loss) before provision for (recovery of) income taxes and cumulative effect of change in accounting principle	46,534	(12,059)	(12,886)	3,090
Income (loss) before cumulative effect of change in accounting principle	26,206	(9,256)	(9,621)	1,394
Cumulative effect of change in accounting for income taxes	(178)[3]	--	--	--
Net income (loss)	\$26,028	(9,256)	(9,621)	1,394
Per Share of Common Stock [2]:				
Income (loss) before cumulative effect of change in accounting principle-primary	\$2.88	(\$1.02)	(\$1.06)	\$0.15
Income before cumulative effect of change in accounting principle-fully diluted	\$2.21	(\$1.02)	(\$1.06)	\$0.15
Other Data:				
Outstanding shares of Class A Common Stock	6,777,788	6,777,788	6,777,788	6,983,834
Outstanding shares of Class B Common Stock	2,260,954	2,260,954	2,260,954	2,260,954
Ratio of earnings to fixed				

charges [4]	6.29x	0.03x	[4]	1.39x
Coverage Deficiency [4]	--	(\$12,059)	(\$12,886)	--
Book Value per share of Common Stock	\$10.18	\$12.97	\$13.84	\$10.19

November 30, 1995
August 31, 1996

(Unaudited)

Balance Sheet Data:		
Cash and cash equivalents	\$7,076	\$ 6,509
Total current assets	226,214	211,500
Total assets	311,055	254,874
Short term debt and current maturities of long term debt	13,569	4,730
Total current liabilities	50,668	48,072
Long term debt	119,534	104,279
Other liabilities and minority interests	23,631	8,354
Stockholders' equity:		
Preferred Stock	2,500	2,500
Class A Common Stock	68	70
Class B Common Stock	22	22
Total stockholders' equity	117,222	94,169

- [1] Other, net income consists principally of management fees and equity in income of equity investments.
- [2] See "Selected Consolidated Financial Data" and Note 1(q) of Notes to Consolidated Financial Statements contained in the 1995 Form 10-K incorporated herein by reference.
- [3] Relates to adoption of Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes."
- [4] For purposes of computing the ratio of earnings to fixed charges (i) "earnings" consist of pre-tax earnings plus fixed charges and (ii) "fixed charges" consist of gross interest expense and related bank charges, amortization of debt issuance cost and an estimation of that portion of rental expense from operating leases deemed to be attributable to interest (for these purposes approximately one-third of such rental expense). For the year ended November 30, 1995 and nine months ended August 31, 1995, earnings were insufficient to cover fixed charges by approximately \$12,059,000 and \$12,886,000, respectively.

PRO FORMA FINANCIAL DATA

(In thousands, except per share and Other Data)

The following table sets forth certain financial information of the Company at August 31, 1996 and November 30, 1995 and as adjusted to give effect to the exchange of the Convertible Debentures upon consummation of the Exchange Offer, assuming 100% participation in the Exchange Offer.[6]

	Years Ended	
	November 30, 1995	
	Historical	Pro Forma [1]

Statement of Operations Data:		
Net sales	\$500,740	\$ 500,740
Gross profit	70,742	70,742
Operating income (loss)	(9,734)	(9,734)
Interest and bank charges	(9,694)	(5,631)
Other, net	1,855	2,434
Gain on sale of equity investment	8,435	8,435
Expense related to issuance of Warrants	(2,921)	(2,921)
Debt Exchange Expense	--	(45,785)
Income (loss) before provision for (recovery of) income taxes	(12,059)	(53,202)
Provision for (recovery) income taxes	(2,803)	(947)
Net income (loss)	(9,256)	(52,255)
Per Share of Common Stock:		
Income (loss) - primary	(\$1.02)	(\$2.64)
Income (loss) - fully diluted	(\$1.02)	(\$2.64)
Other Data:		
Outstanding shares of Class A Common Stock	6,777,788	17,502,788
Outstanding shares of Class B Common Stock	2,260,954	2,260,954
Ratio of earnings to fixed charges [2]	0.03x	[2]
Coverage deficiency [2]	(\$12,059)	(\$53,202)
Book Value per share of Common Stock [5]	\$12.97	\$9.07

Nine Months Ended
August 31, 1996

	Historical	Pro Forma [1]
Statement of Operations Data:		
Net sales	\$406,515	\$406,515
Gross profit	66,102	66,102
Operating income (loss)	8,324	8,324
Interest and bank charges	(6,407)	(3,360)
Other, net	188	621
Gain on sale of equity investment	985	985
Expense related to issuance of Warrants	--	--
Debt Exchange Expense	--	--
Income (loss) before provision for (recovery of) income taxes	3,090	6,570
Provision for (recovery) income taxes	1,696	3,088
Net income (loss)	1,394	3,482
Per Share of Common Stock:		
Income (loss) - primary	\$0.15	\$0.17
Income (loss) - fully diluted	\$0.15	\$0.17
Other Data:		
Outstanding shares of Class A Common Stock	6,983,834	17,708,834
Outstanding shares of Class B Common Stock	2,260,954	2,260,954
Ratio of earnings to fixed charges [2]	1.39x	2.51x
Coverage deficiency [2]	--	--
Book Value per share of Common Stock [5]	\$10.19	\$7.84

November 30, 1995

	Historical	Pro Forma [3]
Balance Sheet Data:		
Cash and cash equivalents	\$ 7,076	\$7,076
Total current assets	226,214	226,214
Total assets	311,055	308,027
Short term debt and current maturities of long term debt	13,569	13,569
Total current liabilities	50,668	50,668
Long term debt	119,534	54,534
Other liabilities and minority interests	23,631	23,631
Stockholders' equity:		
Preferred Stock	2,500	2,500
Class A Common Stock	68	175
Class B Common Stock	22	22
Total stockholders' equity	117,222	179,194

August 31, 1996

	Historical	Pro Forma [4]
Balance Sheet Data:		
Cash and cash equivalents	\$6,509	\$6,509
Total current assets	211,500	211,500
Total assets	254,874	252,279
Short term debt and current maturities of long term debt	4,730	4,730
Total current liabilities	48,072	48,072
Long term debt	104,279	39,279
Other liabilities and minority interests	8,354	8,354
Stockholders' equity:		
Preferred Stock	2,500	2,500
Class A Common Stock	70	177
Class B Common Stock	22	22
Total stockholders' equity	94,169	156,574

[1] The pro forma calculations reflect the Exchange Offer as if the transaction had occurred on December 1, 1994. The calculation assumes that 100% of the Convertible Debentures were exchanged for 10,725,000 shares (165 shares per Convertible Debenture) with an assumed fair market value per share equal to the last reported sales price of the Class A Common Stock on the AMEX on October 16, 1996 of \$6.0625 per share. The actual impact to the financial statements will be determined by the fair market value of the Class A Common Stock as determined at the time the Convertible Debentures are actually exchanged.

The pro forma calculations reflect the charge to earnings for the difference in the fair market value of the shares offered in the exchange transaction and the fair market value of the shares that would have been issued under the terms of the original conversion feature. In addition, the pro forma calculations give effect to a reduction in interest expense and a reduction in the amortization of debt issuance costs as well as a write off of the remaining debt issuance costs associated with the Convertible Debentures as of December 1, 1994. The provision for income taxes has been adjusted for reductions in the amortization of debt issuance costs, at an estimated rate of 40%. Such pro forma calculations do not reflect any interest income on cash balances.

- [2] For purposes of computing the ratio of earnings to fixed charges (i) "earnings" consist of pre-tax earnings plus fixed charges and (ii) "fixed charges" consist of gross interest expense and related bank charges, amortization of debt issuance cost and an estimation of that portion of rental expense from operating leases deemed to be attributable to interest (for these purposes approximately one-third of such rental expense). For the year ended November 30, 1995 on a historical and pro forma basis, earnings were insufficient to cover fixed charges by approximately \$12,059,000 and \$53,202,000, respectively.
- [3] The pro forma calculations reflect the Exchange Offer as if the transaction had occurred on November 30, 1995. The calculation assumes that 100% of the Convertible Debentures were exchanged for 10,725,000 shares (165 shares per Convertible Debenture) with an assumed fair market value per share equal to the last reported sales price of the Class A Common Stock on the AMEX on October 16, 1996 of \$6.0625 per share. The actual impact to the financial statements will be determined by the fair market value of the Class A Common Stock as determined at the time the Convertible Debentures are actually exchanged. The pro forma calculations reflect the reduction in long-term debt and retained earnings offset by an increase in additional paid in capital. The reduction in retained earnings represents the difference between the fair market value of the shares offered in the exchange transaction and the fair market value of the shares that would have been issued under the terms of the original conversion feature. In addition, the pro forma calculations give effect to a write off of the remaining debt issuance costs associated with the Convertible Debentures as of November 30, 1995.
- [4] The pro forma calculations reflect the Exchange Offer as if the transaction had occurred on August 31, 1996. The calculation assumes that 100% of the Convertible Debentures were exchanged for 10,725,000 shares (165 shares per bond) with an assumed fair market value per share equal to the last reported sales price of the Class A Common Stock on the AMEX on October 16, 1996 of \$6.0625 per share. The actual impact to the financial statements will be determined by the fair market value of the Class A Common Stock as determined at the time the Convertible Debentures are actually exchanged. The pro forma calculations reflect the reduction in long-term debt and retained earnings offset by an increase in additional paid in capital. The reduction in retained earnings represents the difference between the fair market value of the shares offered in the exchange transaction and the fair market value of the shares that would have been issued under the terms of the original conversion feature. In addition, the pro forma calculations give effect to a write off of the remaining debt issuance costs associated with the Convertible Debentures as of August 31, 1996.
- [5] The pro forma book value per share calculations are based upon the balance sheet pro forma calculations which are described in Notes (3) and (4) above.
- [6] On a pro forma basis using the same assumptions as described in Note (1) above, if 50% of the Convertible Debentures were exchanged, the number of additional shares of Class A Common Stock issued in the Exchange Offer would have been 5,362,500 (165 shares per bond), resulting in a pro forma earnings (loss) per share of \$(2.14) and \$0.17 for the year ended November 30, 1995 and nine months ended August 31, 1996, respectively. Debt exchange expense, assuming 50% of the Convertible Debentures converted on December 1, 1994 would be \$22,892,000 on a pro forma basis for the year ended November 30, 1995.

RISK FACTORS

Prior to deciding whether to exchange Convertible Debentures in the Exchange Offer, holders of the Convertible Debentures should carefully consider all of the information contained or incorporated by reference in this Offering Circular, especially the risk factors described or referred to in the following paragraphs.

CHANGE IN PRIORITY

The Convertible Debentures are debt obligations of the Company and, accordingly, have priority over the Class A Common Stock with respect to payment in the event of a liquidation, dissolution or winding-up of the Company. Upon exchange pursuant

to the Exchange Offer, the Convertible Debentures tendered and accepted will be exchanged for Class A Common Stock. In any liquidation or reorganization of the Company under the United States Bankruptcy Code, the Class A Common Stock, as equity securities of the Company, would rank below all debt claims, including claims of the lenders under the Company's Amended Credit Agreement, and of holders of Convertible Debentures not tendered pursuant to the Exchange Offer. In addition, holders of the Class A Common Stock will not be entitled to receive any payment or other distribution of assets upon the liquidation or dissolution of the Company until after the holders of Preferred Stock, if any, have received the entire preferential amounts to which they may be entitled. See "Description of Capital Stock."

EFFECT OF EXCHANGE OFFER ON UNCONVERTED SECURITIES

The Convertible Debentures are currently traded on the AMEX (the "AMEX"). The Company does not intend to seek a delisting of the Convertible Debentures from the AMEX following the consummation of the Exchange Offer. However, if a substantial percentage of the Convertible Debentures are tendered in the Exchange Offer, the Company believes that the Convertible Debentures may not continue to meet the listing requirements of the AMEX and may, therefore, be delisted by the AMEX.

To the extent that the Convertible Debentures are delisted by the AMEX, the trading market for the Convertible Debentures could be materially adversely effected. If the Convertible Debentures were no longer to trade on the AMEX, it is possible that the Convertible Debentures may trade on other securities exchanges or in the over-the-counter market and that price quotations for the Convertible Debentures may be reported through the National Association of Securities Dealers' Automated Quotation System ("NASDAQ") or other sources. The extent of the public market for the Convertible Debentures and the availability of such quotations would, however, depend upon, among other things, the principal amount of Convertible Debentures held by holders other than the Company and its affiliates and officers and directors of the Company, the number of holders and/or the aggregate market value of the Convertible Debentures remaining at such time, and the interest in maintaining a market in the Convertible Debentures on the part of securities firms. The Company has not been informed by any securities firm that they would make a market in the Convertible Debentures if they were delisted by the AMEX. Even if the Convertible Debentures remain listed after the Exchange Offer, the liquidity of the Convertible Debentures would be significantly decreased which could have a material adverse effect on the market price of the Convertible Debentures.

The terms of the Exchange Offer equate to \$6.061 principal amount of Convertible Debentures for each share of Class A Common Stock received in the Exchange Offer. After the expiration of the Exchange Offer, holders of Convertible Debentures will have the right to convert their Convertible Debentures at \$17.70 (as such conversion price may be adjusted) per share of Class A Common Stock.

POSSIBLE VOLATILITY OF STOCK PRICE; EFFECT OF EXCHANGE OFFER ON STOCK PRICE

Since 1991, the market price of the Class A Common Stock has experienced a high degree of volatility. In addition, as a result of the significant increase in the number of shares of Class A Common Stock which may be issued pursuant to the Exchange Offer (10,725,000 additional shares if 100% participation in the Exchange Offer), the market price of the Class A Common Stock is likely to experience an even higher degree of volatility and may decline materially as a result of the number of shares issued in the Exchange Offer. There can be no assurance that such volatility will not continue or become more pronounced. In addition, recently the stock market has experienced, and is likely to experience in the future, significant price and volume fluctuations which could materially adversely effect the market price of the Class A Common Stock without regard to the operating performance of the Company. The Company believes that factors such as the Exchange Offer, quarterly fluctuations in the financial results of the Company or its competitors and general conditions in the industry, the overall economy and the financial markets could cause the price of the Class A Common Stock to fluctuate substantially.

ABSENCE OF DIVIDENDS ON COMMON STOCK

The Company has not paid any dividends on the Class A Common Stock in the past and does not anticipate paying dividends on the Common Stock at any time in the foreseeable future. Moreover, the Amended Credit Agreement restricts the Company from declaring or paying cash dividends on the Class A Common Stock.

SUBORDINATION OF UNCONVERTED DEBENTURES

The unconverted Convertible Debentures are effectively subordinated to all current and future senior indebtedness of the Company and its subsidiaries. "Senior Indebtedness" includes all indebtedness of the Company, whether existing on or created or incurred after the date of issuance of the unconverted Convertible Debentures, that is not made subordinate to or pari passu with the Convertible Debentures by the instrument creating the indebtedness. Since the Convertible Debentures contain no

restrictions on the incurrence of further indebtedness, the Company would be permitted to incur additional subordinated or Senior Indebtedness. As of August 31, 1996, there was \$38,760,000 aggregate principal amount of Senior Indebtedness. See "Description of the Convertible Debentures."

HISTORY OF LOSSES; EFFECT OF TRANSACTION

Although the Company was profitable for the fiscal years ended November 30, 1993 and 1994, for the fiscal year ended November 30, 1995, the Company reported a net loss of \$9,256,000 which was primarily attributable to a charge of \$2,900,000 for the private placement of the certain warrants of the Company and an \$11,800,000 charge for inventory writedowns and other costs associated with the downsizing of the Company's retail operations. The Company was profitable for the nine months ended August 31, 1996. There can be no assurance that the Company will maintain its profitability, or have earnings or cash flow sufficient to cover its fixed charges. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 1995 Form 10-K and the Third Quarter 1996 Form 10-Q.

The proposed Exchange Offer will result in a non-cash charge to earnings and related reduction in retained earnings of approximately \$45,785,000 and \$22,892,000 assuming (i) 100% and 50% participation in the Exchange Offer, respectively, (ii) the exchange takes place at 165 shares of Class A Common Stock per Convertible Debentures, and (iii) a fair market value per share equal to the last reported sales price of the Class A Common Stock on the AMEX on October 16, 1996 of \$6.0625 per share. The actual impact to the financial statements will be determined by the fair market value of the Class A Common Stock as determined at the time the Convertible Debentures are actually exchanged. See "Pro Forma Financial Data."

CASH FLOW DEFICITS FROM OPERATIONS

During the fiscal years ended November 30, 1994 and 1995, the Company experienced substantial cash flow deficits from operations of \$45,808,000 and \$40,236,000, respectively. In fiscal 1994, the primary components of this deficit were increases in accounts receivable (\$20,337,000) and inventory (\$18,701,000). In fiscal 1995, the Company experienced an additional increase to inventory of \$16,950,000. During 1994, the Company experienced tremendous growth in the cellular market place, particularly during the fourth quarter. The growth in the fourth quarter resulted in an increase in accounts receivable as of November 30, 1994. The cash flow deficits and the increased inventory arose, in part, because the favorable growth in the market did not continue in 1995. Due to the Company's lead time for ordering product and the growth in the market during 1994, the Company continued to order cellular product. When the product became available to sell, the growth in the cellular market had slowed. Since the Company's lead time is approximately three to four months depending on the country of origin, there is an inherent risk that such deliveries may lag behind product demand. This is indicative of the highly competitive market in which the Company operates (see " -- Competition"). As a result of this highly competitive environment, the Company recorded a charge of \$11,800,000 during the third quarter of 1995. This charge was for inventory writedowns of \$9,300,000, primarily for cellular inventory, and \$2,500,000 for the downsizing of the retail operations, including the closing of several retail stores. The Company had positive cash flows from operations for the nine months ended August 31, 1996 of \$17,405,000. There can be no assurances that the Company will continue to generate positive cash flow from operations in the future.

DOWNWARD PRESSURE ON SELLING PRICES AND GROSS MARGINS

Since fiscal 1994, market and customer pricing pressure has required the Company to reduce unit selling prices in order to maintain market share. The Company's customers have continually reduced the cost of cellular telephone products to the end users in order to increase their market penetration. In addition, the Company's competitors have reduced the price of their cellular products during this period. Even though unit sales of cellular telephones increased by 708,000 units or 141.3% from fiscal 1993 through the end of fiscal 1995, over this same period of time average unit selling prices dropped from \$324 per unit to \$203 per unit, a decrease of 37.3%. The average unit cost of goods sold decreased by only 32.3% over the same period of time. Unit gross profits as a percentage of unit gross revenues have decreased from 12.5% in 1993 to 5.5% in fiscal 1995. In fiscal 1995, the Company took an inventory write-off of \$9.3 million to adjust the carrying value of its inventory to market. For the nine months ended August 31, 1996, unit sales increased by approximately 535,000 units or 71.4% over the first nine months of 1995 to 1,284,000. During this same period of time, however, average selling prices declined 25.4% from \$213.00 to \$159.00. Since the Company's lead time for ordering product is approximately three to four months depending on the country of origin, there is an inherent risk that selling prices may be lower than the purchase price from the vendor. This situation may continue to result in lower than anticipated gross margins and/or writedowns of the carrying value of the inventory on the Company's balance sheet. There can be no assurance that continued downward pressure on selling prices would not have a material adverse effect on the financial condition and results of

operations of the Company. Many of the Company's competitors have greater capital resources than the Company and may therefore be able to withstand downward pressure on selling prices better than the Company. See "-- Competition."

UNITED STATES TRADE SANCTIONS COULD LIMIT THE COMPANY'S SOURCES OF SUPPLY

The Company has historically been dependent on foreign sources, particularly Japan and China, for a majority of its products.

The U.S. government historically has sought and is continuing to seek greater access to Japanese markets for U.S. goods. As a result, the U.S. government has threatened from time to time to impose trade sanctions on products imported from Japan if it does not succeed in obtaining greater access for U.S. goods. For example, during fiscal 1994, the United States government announced its intention to publish a list of products imported from Japan on which it might impose trade sanctions in connection with Motorola, Inc.'s inability to obtain "comparable" access in Japan for its cellular products. Thereafter, Motorola, Inc. announced an agreement with the Japanese government, and the list was not published as announced. However, no assurance can be given that the United States government will not, in the future, publish a list of products imported from Japan upon which it may impose trade sanctions, which could include cellular products. Such products could also include products produced outside of Japan made from Japanese components.

In addition, the U.S. government has held discussions with China concerning violations of certain U.S. copyrights and trademarks. The U.S. government proposed sanctions on Chinese products if a satisfactory solution was not reached. Cellular products were included within the proposed sanctions. Subsequently, China and the United States reached an agreement and those sanctions were not imposed. There can be no assurance that the U.S. government will not, in the future, propose a list of products imported from China (or other countries), including cellular products, on which it may impose trade sanctions.

If imposed, such sanctions may include, among other things, tariffs, duties, import restrictions or other measures. These sanctions could also include products produced outside of the sanctioned country with components made in the sanctioned country. The imposition of such sanctions would have a material adverse effect on the Company's financial condition and results of operations, which would include reduced margins due to the Company's inability to access alternative cellular products at a competitive cost, and could also include loss of market share to competitors that are less dependent on Japanese and Chinese suppliers and/or loss of revenue due to unavailability of product.

In fiscal 1993, 1994 and 1995 and in the nine months ended August 31, 1996, the Company purchased 89.7%, 91.8%, 97.0% and 52.4%, respectively, of its total dollar amount of cellular product purchases from Japanese suppliers, and revenues from cellular products from Japanese suppliers comprised 46.3%, 47.8%, 51.8% and 53.3%, respectively, of the total revenues of the Company during those periods.

NO ASSURANCE OF ALTERNATIVE SUPPLY SOURCES

If trade sanctions similar to those referenced above are imposed, there is no assurance that the Company will be able to obtain adequate alternatives to its Japanese and Chinese supply sources. There is no assurance that, if obtained, alternatively sourced products or components would be delivered on a timely basis, of satisfactory quality, competitively priced, comparably featured or acceptable to the Company's customers. The Company believes that it could experience supply shortages as early as 60 days after such trade sanctions were introduced. Additionally, it is likely that the Company would experience interruptions in its supply of mobile, transportable and portable cellular products before any alternative products could be obtained. Any such supply interruptions would have a material adverse effect on the Company's operating and earnings per share performance.

In addition, as a result of conditions in China, there has been, and may be in the future, opposition to the continued extension of "most favored nation" trade status for China. China's current status as "most favored nation" will automatically expire on May 31, 1997 unless extended by Congress and the President before such date. There can be no assurance that Congress and the President will renew China's "most favored nation" status at such time. Loss of China's "most favored nation" trade status would materially increase the cost of the products purchased from Chinese manufacturers, as such products would then become subject to substantially higher rates of duty.

RISKS OF CURRENCY FLUCTUATIONS

The prices that the Company pays for the products purchased from its suppliers are principally denominated in United States dollars. Price negotiations depend in part on the relationship between the foreign currency of the foreign manufacturers and the United States dollar. This relationship is determined by, among other things, market, trade and political factors. Because the Company historically has been dependent on Japanese suppliers for

its cellular products, the yen to dollar relationship has been the most significant to the Company. The value of the United States dollar as of September 30, 1996 was 111.6 yen; over the five years preceding that date the value of the United States dollar ranged from 159.85 yen to 80.15 yen. The Chinese currency is also becoming more important to the Company as its purchases of Chinese products increases.

A decrease in the value of the United States dollar relative to a foreign currency increases the cost in United States dollars of products which the Company purchases from foreign manufacturers. Such an increase could reduce the Company's margins or make the Company's products less price competitive. No assurance is given that, if the value of the United States dollar continues to decrease relative to the yen, because of potential trade sanctions or otherwise, the Company will be able to competitively obtain or market the products it purchases from Japanese sources.

DEPENDENCE ON FOREIGN SUPPLIERS

The Company's business is dependent upon its suppliers' continuing to provide it with adequate quantities of salable product on a timely basis and on competitive pricing terms. Substantially all of the Company's products are imported from suppliers in the Pacific Rim. There are no agreements in effect that require any manufacturer to supply the Company with product. Accordingly, there can be no assurance that the Company's relationships with its suppliers will continue as presently in effect. The loss of any significant supplier, substantial price increases imposed by any such supplier or the inability to obtain sufficient quantities of product on a timely basis, could have a material adverse effect on the Company's financial condition and results of operations.

The Company's arrangements with its suppliers are subject to the risks of purchasing products from foreign suppliers, including risks associated with economic and/or political instability in countries in which such suppliers are located, and risks associated with potential import restrictions, currency fluctuations, foreign tax laws, import/export regulations, tariff, duty and freight rates and work stoppages. These risks may be increased in the Company's case by the concentration of its purchases of cellular products from suppliers in Japan and China. In addition, the Company may be subject to risks associated with the availability of and time required for the transportation of products from foreign countries. Because of the Company's dependence on such foreign suppliers, the Company is required to order products further in advance of customers' orders than would be the case if its products were manufactured domestically.

The Company purchases product from Shintom Co., Limited ("Shintom"), a stockholder who, on November 30, 1994 and November 30, 1995, owned approximately 3.5% of the outstanding Class A Common Stock and all of the Preferred Stock of the Company, and from Talk Corporation ("Talk"), a 33% owned joint venture in Japan with Shintom and other companies. Inventory purchases from Shintom and Talk approximated 4.0%, 7.0%, 20%, and 25% of total inventory purchases for the years ended November 30, 1993, 1994, 1995, and the nine months ended August 31, 1996, respectively.

DEPENDENCE ON TOSHIBA

Since 1984, Toshiba has been the principal supplier of cellular telephone products to the Company, accounting for approximately 83.7%, 83.7%, 67.3% and 43.1% of the total dollar amount of the Company's cellular product purchases and approximately 46.9%, 45.5%, 44.1% and 27.2% of the total dollar amount of all product purchases by the Company in fiscal 1993, fiscal 1994 and fiscal 1995 and in the nine months ended August 31, 1996, respectively. During fiscal 1992 and 1993, the Company was the sole distributor of Toshiba cellular telephone products in the United States. In 1994, Toshiba began to compete directly with the Company in the United States by marketing cellular telephone products through Toshiba's United States distribution subsidiary. During 1996, Toshiba withdrew its U.S. distribution subsidiary from the United States cellular telephone market. There can be no assurance that Toshiba will not reenter the United States cellular telephone market and again directly compete with the Company in the United States.

DEPENDENCE ON CELLULAR CARRIERS

The success of the Company's retail cellular telephone business is dependent upon the Company's relationship with certain cellular carriers. As a practical matter, the Company does not believe that it can operate at the retail level on a profitable basis without agency agreements with cellular carriers. The Company's agency agreements with cellular carriers are subject to cancellation by the carriers and give the carriers the right to unilaterally restructure or revise activation commissions and residual fees, which they have done from time-to-time. The agreements also provide that, for specified periods of time following the expiration or termination of a specific agreement, generally ranging from three months to two years, the Company cannot sell, solicit or refer cellular or wireless communication network services of the kind provided by the cellular carriers to other competing carriers in particular geographic areas. The cancellation or loss of one or more of

these agreements could have a material adverse effect on the Company's financial condition and results of operations.

IMPACT OF ELIMINATION OF MANAGEMENT FEES FROM AND REDUCTION IN EQUITY IN CELLSTAR; SALE OF CELLSTAR COMMON STOCK

For the fiscal years ended November 30, 1991, 1992 and 1993, approximately \$4,825,000, \$5,124,000 and \$5,147,000, respectively, of the Company's income was generated by management fees and equity in undistributed earnings from the operations of CellStar Corporation ("CellStar"), a 50% owned joint venture. In December 1993, CellStar completed the initial public offering (the "CellStar Offering") of CellStar common stock, par value \$.01 per shares ("CellStar Common Stock"). In connection with the CellStar Offering, the Company sold 2,875,000 of its 6,750,000 shares of CellStar Common Stock. After the CellStar Offering, the Company owned 20.88% of the issued and outstanding CellStar Common Stock and stopped accruing such management fees in July, 1993; however, the Company was entitled to its portion of the income from the equity in undistributed earnings of CellStar, if any, for such time as the Company continued to own at least 20% of CellStar's outstanding common stock. If the CellStar Offering had occurred on November 30, 1992, this accounting treatment would have resulted in net earnings being reduced by approximately \$1,692,000 for the fiscal year ended November 30, 1993.

On June 2, 1995, the Company sold 1,500,000 shares of CellStar Common Stock to Alan H. Goldfield, President of CellStar, for \$11.50 per share upon exercise of an option for such shares by Mr. Goldfield. As a result thereof, the Company's ownership percentage in CellStar was reduced below 20% and the Company will no longer account for its investment in CellStar under the equity method of accounting. On a pro forma basis, this change would have decreased pretax earnings for fiscal 1994 and fiscal 1995 by approximately \$3,393,000 and \$2,151,000, respectively. There can be no assurance that income from other sources will offset the loss of this income from CellStar. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 1995 Form 10-K and the Third Quarter 1996 Form 10-Q.

COMPETITION

The Company operates in a highly competitive environment and believes that such competition will intensify in the future. Many of the Company's competitors are larger and have greater capital and management resources than the Company. Competition often is based on price, and therefore wholesale distributors and retailers, including the Company, generally operate with low gross margins. The Company also is affected by competition between cellular carriers. Increased price competition relating not only to cellular telephone products, but also to services provided by the Company to retail customers on behalf of cellular carriers, may result in downward pressure on the Company's gross margins (including that resulting from the loss of residual fees attributable to customers who change cellular carriers) and could have a material adverse effect on the Company's business, financial condition and results of operations. The Company's cellular products compete principally with cellular telephones supplied by Motorola, Inc., Nokia Mobile Phones, Inc., Fujitsu Network Transmission Systems, Inc., Oki Electric Industry Co., Nippon Electric Corp., Sony Wireless Telecommunications Co., Mitsubishi Wireless Communications, Oki Telecom Corporation, NEC America, Ericsson Mobile Communications, Qualcomm Inc., and Toshiba. The Company's non-cellular products compete with other suppliers including Matsushita Electric Corp., Sony Corp. of America, Directed Electronics, Inc. and Code Alarm, Inc., as well as divisions of well-known automobile manufacturers. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 1995 Form 10-K and the Third Quarter 1996 Form 10-Q.

RISK OF INVENTORY OBSOLESCENCE AND TECHNOLOGICAL CHANGE

The markets in which the Company competes are characterized by rapid technological change, frequent new product introductions, declining prices and intense competition. The Company's success depends in large part upon its ability to identify and obtain products necessary to meet the demands of the marketplace. There can be no assurance that the Company will be able to identify and offer products necessary to remain competitive. The Company maintains a significant investment in its product inventory and, therefore, is subject to the risk of inventory obsolescence or reduction in value. If a significant amount of inventory is rendered obsolete, the Company's business and operating results would be materially and adversely affected. Alternative technologies to cellular, including enhanced specialized mobile radio ("ESMR") and personal communications service ("PCS"), may reduce the demand for cellular telephone products. The implementation of communications systems based upon any of these or other technologies could materially change the types of products sold by the Company and the service providers with whom the Company presently does business. Competing communications technologies also may result in price competition which could result in lower activation commission or residual fee rates payable to the Company and could have a material adverse effect on the financial condition and results of operations of the Company. From time to time, cellular carriers' technological limitations may result in a shortage of available

cellular phone numbers, which could have the effect of inhibiting sales of the Company's cellular products.

POSSIBLE HEALTH RISKS FROM CELLULAR TELEPHONES

There have been lawsuits filed (including one such lawsuit against the Company and others) in which claims have been made alleging a link between the non-thermal electromagnetic field emitted by portable cellular telephones and the development of cancer, including brain cancer. To date, there have been relatively few medical studies relating to cellular telephones and the effects of non-thermal electromagnetic fields on health, nor are there any widely accepted theories regarding how exposure to a non-thermal electromagnetic field, such as the type emitted by a portable cellular telephone, could affect living cells or threaten health. The scientific community is divided on whether there is any risk associated with the use of portable cellular telephones and the magnitude of any such risk. There can be no assurance that medical studies or other findings, or continued litigation in this area, will not have a material adverse impact upon the financial condition and results of operations of the cellular telephone industry and the Company.

RISKS ATTRIBUTABLE TO FOREIGN SALES

For the fiscal years ended November 30, 1993, 1994 and 1995 and in the nine months ended August 31, 1996, approximately 12.6%, 13.8%, 18.6% and 24.6%, respectively, of the Company's net sales were generated from sales in Canada, Europe, Latin America, Asia, the Middle East and Australia. The Company is seeking to continue this trend of increasing foreign sales as a percentage of total sales. Foreign sales are subject to political and economic risks, including political instability, currency controls, exchange rate fluctuations, increased credit risks, foreign tax laws, changes in import/export regulations and tariff and freight rates. Political and other factors beyond the control of the Company, including trade disputes among nations or internal instability in any nation where the Company sells products, could have a material adverse effect on the financial condition and results of operations of the Company.

RISKS ATTRIBUTABLE TO RETAIL SALES

A significant portion of the Company's customer base may be susceptible to downturns in the retail economy, particularly in the consumer electronics industry. Additionally, customers specializing in certain automotive sound, security and accessory products may be negatively impacted by fluctuations in automotive sales. Certain of the Company's significant customers are also believed by the Company to be highly leveraged. Accordingly, a downturn in the retail economy could have a material adverse effect on the financial condition and results of operations of the Company.

LEVERAGE AND DEBT SERVICE

As of August 31, 1996, the Company had outstanding total interest bearing indebtedness of approximately \$109.0 million and a total debt-to-total capital ratio of .54 to 1. The amount of indebtedness of the Company will be reduced by the principal amount of Convertible Debentures that are tendered into the Exchange Offer. Although a portion of the net proceeds from the sale of the Convertible Debentures and the CellStar Offering was used to retire a significant portion of the Company's existing indebtedness, the Company continues to have substantial annual fixed debt service requirements including those attributable to the Convertible Debentures and the Company's Credit Agreement, as last amended on September 10, 1996 (the "Amended Credit Agreement"). The ability of the Company to make principal and interest payments under the Company's long-term indebtedness and bank loans will be dependent upon the Company's future performance, which is subject to financial, economic and other factors affecting the Company, some of which are beyond its control. There can be no assurance that the Company will be able to meet its fixed charges as such charges become due. See " -- History of Losses; Effect of Transaction" and "Cash Flow Deficits From Operations."

RESTRICTIVE COVENANTS

The Amended Credit Agreement contains certain restrictive covenants which impose prohibitions or limitations on the Company with respect to, among other things, (i) the ability to make payments of principal, interest or premium on, subordinated indebtedness of the Company, (ii) the incurrence of indebtedness, (iii) capital expenditures, (iv) the creation or incurrence of liens, (v) the declaration or payment of dividends or other distributions on, or the acquisition, redemption or retirement of, any shares of capital stock of the Company, and (vi) mergers, consolidations and sales or purchases of substantial assets. The Amended Credit Agreement also requires that the Company satisfy certain financial tests, maintain certain financial ratios, maintain minimum pre-tax earnings, and maintain minimum net worth. Failure to comply with such covenants could result in a default under the Amended Credit Agreement which could have a material adverse effect on the financial condition and results of operations of the Company.

SHARES ELIGIBLE FOR FUTURE SALE; DILUTION

Prior to the Exchange Offer, the Company had approximately 3,871,602 shares of Class A Common Stock held by members of the public that are able to trade without restriction. Pursuant to the Exchange Offer, up to an additional 10,725,000 shares of Class A Common Stock could be issued into the public market (assuming 100% participation in the Exchange Offer). All of the shares issued in the Exchange Offer should be freely tradeable without restriction. The issuance of the shares of Class A Common Stock in the Exchange Offer and sales of a substantial number of additional shares of Class A Common Stock in the public market could materially adversely affect the market price of the Class A Common Stock. As of October 9, 1996, 3,672,317 shares of Class A Common Stock were issuable upon conversion of the Convertible Debentures (assuming no participation in the Exchange Offer), 100,000 shares of Class A Common Stock were issuable upon exercise of the Blau Warrant (as defined herein), 50,000 shares of Class A Common Stock were issuable upon exercise of the Maxim Warrant (as defined herein) and 1,668,875 shares of Class A Common Stock were issuable upon exercise of the Warrants (as defined herein). The shares of Class A Common Stock issuable upon the exercise of such securities (other than the Maxim Warrant) should all be freely tradeable without restriction. Consummation of the Exchange Offer or exercise or conversion, as the case may be, of a substantial amount of the Company's presently outstanding warrants or the Convertible Debentures, or sale of the Class A Common Stock underlying such debenture or warrants described above also could adversely affect the market price of the Class A Common Stock, due to the large number of shares issuable upon exchange, conversion or exercise of such debentures or warrants in comparison to the relatively small number of shares held by members of the public that are able to trade without restriction. In addition, as of October 9, 1996, (i) John J. Shalam owned 3,355,330 shares of Class A Common Stock (including for this purpose all of the shares subject to the Shalam Option (as defined below)) and 1,883,198 shares of Class B Common Stock of the Company, par value \$.01 per share ("Class B Common Stock"), which are convertible into an equal number of shares of Class A Common Stock and (ii) other affiliates (as such term is defined in the Exchange Act) of the Company owned 6,902 shares of Class A Common Stock and 377,756 shares of Class B Common Stock, which are convertible into an equal number of shares of Class A Common Stock. All of such shares (other than the shares subject to the Shalam Option) may be sold pursuant to Rule 144 under the Securities Act of 1933, as amended ("Rule 144"). Also, Mr. Shalam has granted the Company the Shalam Option to acquire 1,668,875 shares held by Mr. Shalam. See "Description of Capital Stock -- Shalam Option." Sales by such persons of a substantial number of shares of Class A Common Stock or Class B Common Stock (collectively, "Common Stock") could materially adversely affect the market price of the Class A Common Stock. See "Possible Volatility of Stock Price; Effect of Exchange Offer on Stock Price."

In general, under Rule 144 as currently in effect, any affiliate of the Company or any person (or persons whose shares are aggregated in accordance with the Rule) who has beneficially owned Class A Common Stock which is treated as "Restricted Securities" (as such term is defined under Rule 144) for at least two years would be entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of the outstanding shares of Class A Common Stock or the reported average weekly trading volume in the Class A Common Stock during the four weeks preceding the date on which notice of such sale was filed under Rule 144. Sales under Rule 144 are also subject to certain manner of sale restrictions and notice requirements and to the availability of current public information concerning the Company. In addition, affiliates of the Company must comply with the restrictions and requirements of Rule 144 (other than the two-year holding period requirements) in order to sell Class A Common Stock that are not Restricted Securities (such as Class A Common Stock acquired by affiliates in market transactions). Further, if a period of at least three years has elapsed from the date Restricted Securities were acquired from the Company or an affiliate of the Company, a holder of such Restricted Securities who is not an affiliate at the time of the sale and who has not been an affiliate for at least three months prior to such sale would be entitled to sell the shares immediately without regard to the volume, manner of sale, notice and public information requirements of Rule 144.

DEPENDENCE ON EXISTING MANAGEMENT

The continued success of the Company is substantially dependent on the efforts of John J. Shalam, President and Chief Executive Officer, Philip Christopher, Executive Vice President, Charles M. Stoehr, Senior Vice President and Chief Financial Officer and Patrick Lavelle, Senior Vice President, Automotive Electronics. The loss or interruption of the continued full time services of any of such individuals could have a material adverse impact on the Company's business operations, prospects and relations with its suppliers. The Company does not have employment contracts with any of these persons, nor have any of these persons signed agreements binding them not to compete with the Company following the termination of their employment with the Company. The Company maintains a "key man" life insurance policy only on John J. Shalam.

FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISK

This Offering Circular, including the information

incorporated by reference, contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, including statements regarding, among other items, (i) the Company's growth strategies; (ii) anticipated trends in the Company's business and demographics; (iii) the Company's ability to continue to control costs and maintain quality of products; (iv) the Company's ability to respond to changes in regulations; and (v) the Company's ability to enter into contracts with certain suppliers and customers. These forward-looking statements are based largely on the Company's expectations and are subject to a number of risks and uncertainties, certain of which are beyond the Company's control. Actual results could differ materially from these forward-looking statements as a result of the factors described in "Risk Factors" including, among others (a) changes in the cellular and other industries as a result of political, economic or regulatory influences; (b) changes in regulations governing the cellular and other industries; (c) changes in the competitive marketplace and (d) continuing downward pressure on the prices of the Company's products. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Offering Circular will in fact transpire.

VOTING RIGHTS OF CLASS A COMMON STOCK AND VOTING CONTROL BY PRINCIPAL STOCKHOLDER

The voting rights of holders of Class A Common Stock for which the Convertible Debentures are exchangeable pursuant to the Exchange Offer are entitled to one vote per share and each share of Class B Common Stock is entitled to ten votes per share. Both classes vote together as a single class except with respect to the election and removal without cause of directors and as otherwise may be required by Delaware law. With respect to the election of directors, the holders of shares of Class A Common Stock, voting as a separate class, are entitled to elect 25% (rounded up to the nearest whole number) of the authorized number of directors of the Company and the holders of the Class B Common Stock, voting as a separate class, are entitled to elect the remaining directors. See "Description of Capital Stock--Class A Common Stock and Class B Common Stock." John J. Shalam has effective voting control of the Company and can elect a majority of the directors through his ownership of 3,355,330 shares of Class A Common Stock (including the shares of Class A Common Stock subject to the Shalam Option) and 1,883,198 shares of Class B Common Stock, which gives him approximately 74.35% of the aggregate voting power of the issued and outstanding Common Stock. Pending exercise of the Shalam Option, Mr. Shalam will have voting control of the shares of Class A Common Stock subject to the Shalam Option. Assuming the Exchange Offer is consummated with 100% participation, Mr. Shalam will continue to have effective voting control of the Company and will be able to elect a majority of the directors through his ownership of 3,355,330 shares of Class A Common Stock (including the shares of Class A Common Stock subject to the Shalam Option) and 1,883,198 shares of Class B Common Stock, which will give him approximately 54.7% of the aggregate voting power of the issued and outstanding Common Stock (50.6% of the aggregate voting power of the issued and outstanding Common Stock, assuming the full exercise of the Shalam Option). The holders of the Warrants of the Company do not have any voting rights as shareholders of the Company prior to exercise. The disproportionate voting rights of the Class A Common Stock and the Class B Common Stock may effectively preclude the Company from being taken over in a transaction not supported by John J. Shalam, may render more difficult or discourage a merger proposal or a tender offer, may preclude a successful proxy contest or may otherwise have an adverse effect on the market price of the Class A Common Stock. See "Description of Capital Stock--Class A Common Stock and Class B Common Stock." and "Description of Capital Stock--Effects of Disproportionate Voting Rights."

THE EXCHANGE OFFER

GENERAL

The Company hereby offers, upon the terms and subject to the conditions set forth in this Offering Circular and in the accompanying Letter of Transmittal, to exchange each \$1,000 principal amount of the Company's Convertible Debentures for 165 shares of Common Stock. Subject to the date that the Special Meeting is ultimately held, the Company proposes to consummate the Exchange Offer promptly after November 19, 1996. It is the Company's intention to exchange and retire all Convertible Debentures tendered to and accepted by the Company pursuant to the Exchange Offer.

PURPOSE

The purpose of the Exchange Offer is to increase the Company's equity base to provide it with financial flexibility for future growth.

TERMS OF THE EXCHANGE OFFER

Convertible Debentures may be tendered and will be accepted for exchange only in denominations of \$1,000 principal amount and integral multiples thereof. Holders of Convertible Debentures delivered to the Exchange Agent will be entitled to any payment in respect of accrued and unpaid interest on the converted

securities up to, but not including, the Exchange Offer Acceptance Date.

Although the Company has no present intention to do so, if it should modify the Exchange Offer Consideration offered for the Convertible Debentures in the Exchange Offer, that modified consideration would be provided with regard to all Convertible Debentures accepted in the Exchange Offer. If the Company modifies the Exchange Offer Consideration, the Exchange Offer will remain open at least 10 business days from the date the Company first publishes, sends or gives notice, by public announcement or otherwise, of such modification to the holders of Convertible Debentures.

After the Expiration Date, if fewer than all of the Convertible Debentures have been tendered and exchanged in the Exchange Offer, the Company may, or may cause any affiliate to, purchase additional Convertible Debentures in the open market, in privately negotiated transactions, through subsequent exchange offers or otherwise or may seek to cause the Convertible Debentures to be retired or defeased. Any future purchases or exchanges may be for other securities or for cash and may be on the same terms or on terms that are more or less favorable to holders than the terms of the Exchange Offer. Any future purchases or exchanges by the Company or any affiliate will depend on various factors at that time.

Tendering holders of Convertible Debentures will not be required to pay brokerage commissions or fees or, subject to the instructions in the Letter of Transmittal, transfer taxes with respect to the exchange of Convertible Debentures pursuant to the Exchange Offer. The Company will pay all charges and expenses, other than certain applicable taxes, in connection with the Exchange Offer.

SHAREHOLDER APPROVAL OF ISSUANCE OF CLASS A COMMON STOCK TO EFFECT EXCHANGE OFFER

At the request of the American Stock Exchange, shareholders of Class A Common Stock and Class B Common Stock are being asked to approve the issuance of Class A Common Stock necessary to effect the Exchange Offer in accordance with rules of the American Stock Exchange which require shareholder approval prior to issuance of common stock equal to 20% or more of the presently outstanding stock in certain circumstances. Mr. John J. Shalam, President and Chief Executive Officer of the Company, currently owns or controls approximately 74.4% of the Company's voting power. Mr. Shalam has advised the Company that he intends to vote in favor of this issuance of the Class A Common Stock to effect the Exchange Offer and, accordingly, approval by the shareholders is assured. The special meeting of shareholders (the "Special Meeting") to be called to vote upon the issuance of the Class A Common Stock is tentatively scheduled for November 19, 1996. The record date for such Special Meeting is October 21, 1996. However, the proxy materials to be mailed to shareholders in connection with the above Special Meeting is subject to review by the Securities and Exchange Commission, and, accordingly, the date of the Special Meeting (and, consequently, the Expiration Date) may be delayed beyond November 19, 1996.

CONDITIONS TO THE EXCHANGE OFFER

Notwithstanding any other provision of the Exchange Offer, the Company will not be required to accept for exchange or subject to any applicable rules or regulations of the Commission, any Convertible Debentures tendered for exchange and may postpone the exchange of any Convertible Debentures tendered and to be exchanged by it, and may terminate or amend the Exchange Offer as provided herein if any of the following conditions exist:

(1) the holders of the Class A Common Stock and Class B Common Stock, voting together, do not approve the issuance of the number of shares of Class A Common Stock required to effect the Exchange Offer by the Expiration Date (the "Shareholder Approval Condition");

(2) there shall have been instituted or threatened or be pending any action or proceeding before or by any court or governmental, regulatory or administrative agency or instrumentality, or by any other person, (a) that challenges the making of the Exchange Offer, or might, directly or indirectly, prohibit, prevent, restrict or delay consummation of the Exchange Offer or otherwise adversely affect, in any material manner the Exchange Offer or which requires the Company to file a registration statement in respect of the Class A Common Stock being offered as consideration in the Exchange Offer or (ii) that is, or is reasonably likely to be, in the sole judgment of the Company, materially adverse to the business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects of the Company;

(3) there shall have occurred any material adverse development, in the sole judgment of the Company, with respect to any action or proceeding concerning the Company;

(4) an order, statute, rule, regulation,

executive order, stay, decree, judgment or injunction shall have been proposed, enacted, entered, issued, promulgated, enforced or deemed applicable by any court or governmental, regulatory or administrative agency or instrumentality that, in the sole judgment of the Company, would or might prohibit, prevent, restrict or delay consummation of the Exchange Offer or that is, or is reasonably likely to be, materially adverse to the business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects of the Company;

(5) there shall have occurred or be likely to occur any event affecting the business or financial affairs of the Company or which, in the sole judgment of the Company, would or might prohibit, prevent, restrict or delay consummation of the Exchange Offer, or that will, or is reasonably likely to, materially impair the contemplated benefits to the Company of the Exchange Offer, or otherwise result in the consummation of the Exchange Offer not being or not reasonably likely to be in the best interests of the Company;

(6) the Trustee shall have objected in any respect to, or taken any action that could, in the sole judgment of the Company, adversely affect the consummation of the Exchange Offer, or shall have taken any action that challenges the validity or effectiveness of the procedures used by the Company in the making of the Exchange Offer or the acceptance of, or exchange for, any of the Convertible Debentures;

(7) the Company shall not have received from any federal, state or local governmental, regulatory or administrative agency or instrumentality, any approval, authorization or consent that, in the sole judgment of the Company, is necessary to effect the Exchange Offer; and

(8) there shall have occurred (a) any general suspension of, or limitation on prices for, trading in securities in the United States securities or financial markets, (b) any significant adverse change in the price of the Convertible Debentures or the Class A Common Stock in the United States securities or financial markets, (c) a material impairment in the trading market for debt or equity securities, (d) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, (e) any limitation (whether or not mandatory) by any government or governmental, administrative or regulatory authority or agency, domestic or foreign, on, or other event that, in the reasonable judgment of the Company, might affect, the extension of credit by banks or other lending institutions, (f) a commencement of a war or armed hostilities or other national or international calamity directly or indirectly involving the United States, (g) any imposition of a general suspension of trading or limitation of prices on the New York Stock Exchange or the AMEX, or (h) in the case of any of the foregoing existing on the date hereof, a material acceleration or worsening thereof.

All the foregoing conditions are for the sole benefit of the Company and may be asserted by the Company at any time regardless of the circumstances giving rise to such conditions and may be waived by the Company, in whole or in part, at any time and from time to time, in the sole discretion of the Company. The failure by the Company at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right, and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

If any of the conditions set forth in this section shall not be satisfied, the Company may, subject to applicable law, (i) terminate the Exchange Offer and return all Convertible Debentures tendered pursuant to the Exchange Offer to tendering holders; (ii) extend the Exchange Offer and retain all tendered Convertible Debentures until the Expiration Date for the extended Exchange Offer; (iii) amend the terms of the Exchange Offer or modify the consideration to be provided by the Company pursuant to the Exchange Offer; or (iv) waive the unsatisfied conditions with respect to the Exchange Offer and accept all Convertible Debentures tendered pursuant to the Exchange Offer.

EXPIRATION; EXTENSION; TERMINATION; AMENDMENT

The Exchange Offer is scheduled to expire at 5:00 PM, New York City time, on November 19, 1996. The Expiration Date will be extended should the Special Meeting be held later than November 19, 1996. Additionally, the Company expressly reserves the right, in its sole discretion, at any time or from time to time, to extend the period of time during which the Exchange Offer is open by giving oral or written notice of such extension to the Exchange Agent and making a public announcement thereof as described in the second succeeding paragraph. There can be no assurance that the Company will exercise its right to extend the Exchange Offer. During any extension of the Exchange Offer, all Convertible Debentures previously tendered pursuant thereto and not exchanged or withdrawn will remain subject to the Exchange

Offer and may be accepted for exchange by the Company at the expiration of the Exchange Offer subject to the right of a tendering holder to withdraw his Convertible Debentures. See "The Exchange Offer -- Withdrawal of Tenders." Under no circumstances will interest on the Exchange Offer Consideration be paid by the Company by reason of any such extension.

The Company also expressly reserves the right, subject to applicable law, (i) to delay acceptance for exchange of any Convertible Debentures or, regardless of whether such Convertible Debentures were theretofore accepted for exchange, to delay the exchange of any Convertible Debentures pursuant to the Exchange Offer or to terminate the Exchange Offer and not accept for exchange any Convertible Debentures, if any of the conditions to the Exchange Offer specified herein fail to be satisfied by giving oral or written notice of such delay or termination to the Exchange Agent; (ii) to waive any condition to the Exchange Offer and accept all the Convertible Debentures tendered; and (iii) at any time, or from time to time, to amend the terms of Exchange Offer in any respect, including the Exchange Offer Consideration. The reservation by the Company of the right to delay exchange or acceptance for exchange of Convertible Debentures is subject to the provisions of Rule 13e-4(f)(5) under the Exchange Act, which requires that the Company pay the consideration offered or return the Convertible Debentures deposited by or on behalf of holders thereof promptly after the termination or withdrawal of the Exchange Offer.

Any extension, delay, termination or amendment of the Exchange Offer will be followed as promptly as practicable by a public announcement thereof. Without limiting the manner in which the Company may choose to make a public announcement of any extension, delay, termination or amendment of the Exchange Offer, the Company shall have no obligation to publish, advertise or otherwise communicate any such public announcement, other than by issuing a release to the Dow Jones News Service, except in the case of an announcement of an extension of the Exchange Offer, in which case the Company shall have no obligation to publish, advertise or otherwise communicate such announcement other than by issuing a notice of such extension by press release or other public announcement, which notice shall be issued no later than 9:00 A.M., New York City time, on the next business day after the previously scheduled Expiration Date.

If the Company makes a material change in the terms of the Exchange Offer or the information concerning the Exchange Offer, or if the Company waives any condition of the Exchange Offer that results in a material change to the circumstances of the Exchange Offer, the Company will disseminate additional Exchange Offer materials in a manner reasonably calculated to inform holders of Convertible Debentures of such change, and will provide holders of Convertible Debentures adequate time to consider such materials and their participation in the Exchange Offer. The minimum period during which the Exchange Offer must remain open following a material change in the terms of the Exchange Offer or the information concerning the Exchange Offer, other than a change in the Exchange Offer Consideration or the percentage of the Convertible Debentures sought in the Exchange Offer, will depend upon the facts and circumstances, including the relative materiality, of the changed terms or information.

If the Company increases or decreases the Exchange Offer Consideration or the amount of Convertible Debentures sought in the Exchange Offer, the Exchange Offer will remain open at least ten business days from the date that the Company first publishes, sends or gives notice, by public announcement or otherwise, of such increase or decrease. The Company has no current intention to increase or decrease the Exchange Offer Consideration currently offered or the amount of Convertible Debentures sought to be purchased.

PROCEDURES FOR TENDERING

TENDERS OF SECURITIES. For a Registered Holder to validly tender Convertible Debentures pursuant to the Exchange Offer, a properly completed and validly executed Letter of Transmittal (or a facsimile thereof), together with any signature guarantees or, in the case of a Book-Entry Transfer (as defined below), an Agent's Message (as defined below), and any other documents required by the instructions to the Letter of Transmittal, must be received by the Exchange Agent prior to the Expiration Date at one of its addresses set forth on the back cover page of this Offering Circular. In addition, the Exchange Agent must receive either certificates for tendered Convertible Debentures at any of such addresses or such Convertible Debentures must be transferred pursuant to the procedures for book-entry transfer described below and a confirmation of, or an Agent's Message with respect to, such book-entry transfer must be received by the Exchange Agent prior to the Expiration Date. A Registered Holder who desires to tender Convertible Debentures and who cannot comply with the procedures set forth herein for tender on a timely basis or whose Convertible Debentures are not immediately available must comply with the procedures for guaranteed delivery set forth below. Letters of Transmittal, certificates representing Convertible Debentures and confirmations of, or an Agent's Message with respect to, book-entry transfer should be sent only to the Exchange Agent, and not to the Company or the Trustee.

The term "Agent's Message" means a message transmitted by a Book-Entry Facility to, and received by, the Exchange Agent and

forming a part of a Book-Entry Confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility, tendering the Convertible Debentures that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Company may enforce such agreement against the participant.

DELIVERY OF LETTERS OF TRANSMITTAL. If the certificates for Convertible Debentures are registered in the name of a person other than the signer of the Letter of Transmittal relating thereto, then, in order to tender such Convertible Debentures pursuant to the Exchange Offer, the certificates evidencing such Convertible Debentures must be endorsed or accompanied by appropriate bond powers signed exactly as the name or names of the registered owner or owners appear on the certificates, with the signatures on the certificates or bond powers guaranteed as provided below.

ANY BENEFICIAL OWNER WHOSE CONVERTIBLE DEBENTURES ARE REGISTERED IN THE NAME OF A BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE AND WHO WISHES TO TENDER CONVERTIBLE DEBENTURES IN THE EXCHANGE OFFER SHOULD CONTACT SUCH REGISTERED HOLDER PROMPTLY AND INSTRUCT SUCH REGISTERED HOLDER TO TENDER THE CONVERTIBLE DEBENTURES ON SUCH BENEFICIAL OWNER'S BEHALF. IF ANY BENEFICIAL OWNER WISHES TO TENDER CONVERTIBLE DEBENTURES HIMSELF, THAT BENEFICIAL OWNER MUST, PRIOR TO COMPLETING AND EXECUTING THE LETTER OF TRANSMITTAL AND, WHERE APPLICABLE, DELIVERING HIS CONVERTIBLE DEBENTURES, EITHER MAKE APPROPRIATE ARRANGEMENTS TO REGISTER OWNERSHIP OF THE CONVERTIBLE DEBENTURES IN SUCH BENEFICIAL OWNER'S NAME OR FOLLOW THE PROCEDURES DESCRIBED IN THE IMMEDIATELY PRECEDING PARAGRAPH. THE TRANSFER OF RECORD OWNERSHIP MAY TAKE A CONSIDERABLE AMOUNT OF TIME.

The method of delivery of Convertible Debentures, Letters of Transmittal and all other required documents to the Exchange Agent is at the election and risk of the holder tendering the Convertible Debentures. If delivery is to be made by mail, it is suggested that the holder use properly insured, registered mail with return receipt requested, and that the mailing be made sufficiently in advance of the Expiration Date to permit delivery to the Exchange Agent prior to that date and time.

BOOK-ENTRY TRANSFER. Promptly after the commencement of the Exchange Offer, the Exchange Agent and the Company will seek to establish a new account or utilize an existing account with respect to the Convertible Debentures at The Depository Trust Company (a "Book-Entry Transfer Facility"). Any financial institution that is a participant in the Book-Entry Transfer Facility system and whose name appears on a security position listing as the owner of Convertible Debentures may make book-entry delivery of such Convertible Debentures by causing the Book-Entry Transfer Facility to transfer such Convertible Debentures into the Exchange Agent's account in accordance with the Book-Entry Transfer Facility's procedures for such transfer. However, although delivery of Convertible Debentures may be effected through book-entry transfer at a Book-Entry Transfer Facility, the applicable Letter of Transmittal (or a facsimile or electronic copy thereof or an electronic agreement to comply with the terms thereof), properly completed and validly executed, with any required signature guarantees, an Agent's Message and any other required documents, must, in any case, be received by the Exchange Agent at one of its addresses set forth on the back cover page of this Offering Circular on or prior to the Expiration Date, or the tendering holder must comply with the guaranteed delivery procedures described below. The Company may elect to waive receipt of a written Letter of Transmittal if delivery is properly effected through the Book-Entry Transfer Facility.

IN ORDER TO BE ASSURED OF PARTICIPATING IN THE EXCHANGE OFFER, ANY BENEFICIAL OWNER WHOSE CONVERTIBLE DEBENTURES ARE REGISTERED IN THE NAME OF A BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE OR WHO WISHES TO TENDER CONVERTIBLE DEBENTURES SHOULD CONTACT SUCH REGISTERED HOLDER PROMPTLY (LEAVING SUCH REGISTERED HOLDER WITH SUFFICIENT TIME TO TENDER THE CONVERTIBLE DEBENTURES ON THE BENEFICIAL HOLDERS BEHALF) AND INSTRUCT SUCH REGISTERED HOLDER TO TENDER THE CONVERTIBLE DEBENTURES ON SUCH BENEFICIAL OWNER'S.

SIGNATURE GUARANTEES. Signatures on the Letter of Transmittal must be guaranteed by a firm which is a member of a registered national securities exchange or of the National Association of Securities Dealers, Inc., or by a commercial bank or trust company having an office or correspondent in the United States or by any other "eligible guarantor institution" as defined in Rule 17Ad-15 under the Exchange Act (each of the foregoing being an "Eligible Institution") unless (a) the Letter of Transmittal is signed by the registered holder of the Convertible Debentures tendered therewith (or by a participant in one of the Book-Entry Transfer Facilities whose name appears on a security position listing as the owner of such Convertible Debentures) and neither the "Special Payment Instructions" box nor the "Special Delivery Instructions" box of the Letter of Transmittal is completed, or (b) such Convertible Debentures are tendered for the account of an Eligible Institution.

GUARANTEED DELIVERY. If a holder desires to tender Convertible Debentures pursuant to the Exchange Offer and (a)

certificates representing such Convertible Debentures are not immediately available, (b) time will not permit such holder's Letter of Transmittal, certificates evidencing such Convertible Debentures or other required documents to reach the Exchange Agent prior to the Expiration Date or (c) such holder cannot complete the procedures for book-entry transfer prior to the Expiration Date, a tender may be effected if all the following are complied with:

(a) such tender is made by or through an Eligible Institution;

(b) on or prior to the Expiration Date, the Exchange Agent has received from such Eligible Institution, at one of the addresses of the Exchange Agent set forth on the back cover page of this Offering Circular, a properly completed and validly executed Notice of Guaranteed Delivery (by telegram, telex, facsimile transmission, mail or hand delivery) in substantially the form accompanying this Offering Circular, setting forth the name and address of the registered holder and the principal amount or number of Convertible Debentures being tendered and stating that the tender is being made thereby and guaranteeing that, within three New York Stock Exchange trading days after the date of the Notice of Guaranteed Delivery, the Letter of Transmittal validly executed (or a facsimile thereof), together with certificates evidencing the Convertible Debentures (or confirmation of, or an Agent's Message with respect to, book-entry transfer of such Convertible Debentures into the Exchange Agent's account with a Book-Entry Transfer Facility), and any other documents required by the Letter of Transmittal and the instructions thereto, will be deposited by such Eligible Institution with the Exchange Agent; and

(c) such Letter of Transmittal (or a facsimile thereof), properly completed and validly executed, together with certificates evidencing all physically delivered Convertible Debentures in proper form for transfer (or confirmation of, or an Agent's Message with respect to, book-entry transfer of such Convertible Debentures into the Exchange Agent's account with a Book-Entry Transfer Facility) and any other required documents are received by the Exchange Agent within three New York Stock Exchange trading days after the date of such Notice of Guaranteed Delivery.

LOST OR MISSING CERTIFICATES. If a holder desires to tender Convertible Debentures pursuant to the Exchange Offer but the certificates evidencing such Convertible Debentures have been mutilated, lost, stolen or destroyed, such holder should write to or telephone the Trustee, at the address or telephone number listed below, about procedures for obtaining replacement certificates for such Convertible Debentures or arranging for indemnification or any other matter that requires handling by the Trustee:

Continental Stock Transfer & Trust Company
Two Broadway, 19th Floor
New York, New York 10004
Telephone No. (212) 509-4000

TENDER CONSTITUTES AN AGREEMENT. The tender of Convertible Debentures into the Exchange Offer pursuant to any of the procedures described above, including tendering through a book-entry delivery, will constitute a binding agreement between the tendering holder and the Company upon the terms and conditions of the Exchange Offer, and a representation that (i) such holder owns the Convertible Debentures being tendered and is entitled to tender such Convertible Debentures as contemplated by the Exchange Offer all within the meaning of Rule 14e-4 under the Exchange Act, and (ii) the tender of such Convertible Debentures complies with Rule 14e-4.

Further, by executing or transmitting a Letter of Transmittal (as set forth above, including book-entry transfer, and subject to and effective upon acceptance for exchange for the Convertible Debentures tendered therewith or effectively agreeing to the terms of the Letter of Transmittal pursuant to a book-entry delivery), a tendering holder irrevocably sells, assigns and transfers to or upon the order of the Company or its assignee all right, title and interest in and to all such Convertible Debentures tendered thereby, waives any and all rights with respect to the Convertible Debentures (including, without limitation, the tendering holder's waiver of any existing or past defaults and their consequences with respect to the Convertible Debentures, and releases and discharges any obligor or parent of any obligor of the Convertible Debentures from any and all claims such holder may have now, or may have in the future, arising out of or related to the Convertible Debentures, including, without limitation, any claims that such holder is entitled to receive additional principal or interest payments with respect to the Convertible Debentures or to participate in any redemption or defeasance of the Convertible Debentures, and each such holder irrevocably selects and appoints the Exchange Agent the true and lawful agent and attorney-in-fact of such holder (with full knowledge that the Exchange Agent also acts as agent of the Company and as the Trustee under the Indenture) with respect to such Convertible Debentures, with full power of substitution and

resubstitution (such power of attorney being deemed to be an irrevocable power coupled with an interest) to (a) deliver certificates representing such Convertible Debentures, or transfer ownership of such Convertible Debentures on the account books maintained by a Book-Entry Transfer Facility, together, in each case, with all accompanying evidences of transfer and authenticity, to or upon the order of the Company, (b) present such Convertible Debentures for transfer on the relevant security register and (c) receive all benefits or otherwise exercise all rights of beneficial ownership of such Convertible Debentures (except that the Depositary will have no rights to or control over funds from the Company).

OTHER MATTERS. Notwithstanding any other provision of the Exchange Offer, delivery of the shares of Class A Common Stock for Convertible Debentures tendered and accepted pursuant to the Exchange Offer will occur only after timely receipt by the Exchange Agent of such Convertible Debentures (or confirmation of, or an Agent's Message with respect to, book-entry transfer of such Convertible Debentures into the Exchange Agent's account with a Book-Entry Transfer Facility), together with properly completed and validly executed Letters of Transmittal (or a facsimile or electronic copy thereof or an electronic agreement to comply with the terms thereof) and any other required documents.

All questions as to the form of all documents, the validity (including time of receipt) and acceptance of tenders of the Convertible Debentures will be determined by the Company, in its sole discretion, the determination of which shall be final and binding. Alternative, conditional or contingent tenders of Convertible Debentures will not be considered valid. The Company reserves the absolute right to reject any or all tenders of Convertible Debentures that are not in proper form or the acceptance of which, in the Company's opinion, would be unlawful. The Company also reserves the right to waive any defects, irregularities or conditions of tender as to particular Convertible Debentures. If the Company waives its right to reject a defective tender of Convertible Debentures, the holder will be entitled to the Exchange Offer Consideration. The Company's interpretation of the terms and conditions of the Exchange Offer (including the instructions in the Letter of Transmittal) will be final and binding. Any defect or irregularity in connection with tenders of Convertible Debentures must be cured within such time as the Company determines, unless waived by the Company. Tenders of Convertible Debentures shall not be deemed to have been made until all defects and irregularities have been waived by the Company or cured. None of the Company, the Exchange Agent, the Trustee or any other person will be under any duty to give notice of any defects or irregularities in tenders of Convertible Debentures, or will incur any liability to holders for failure to give any such notice.

WITHDRAWAL OF TENDERS

Tenders of Convertible Debentures may be withdrawn at any time until the Expiration Date as such date may be extended. Thereafter, such tenders are irrevocable, except that they may be withdrawn after the expiration of 40 business days from the commencement of the Exchange Offer (December 16, 1996) unless accepted for exchange prior to that date.

Holders who wish to exercise their right of withdrawal with respect to a Exchange Offer must give written notice of withdrawal, delivered by mail or hand delivery or facsimile transmission, to the Exchange Agent at one of its addresses set forth on the back cover page of this Offering Circular prior to the Expiration Date or at such other time as otherwise provided for herein. In order to be effective, a notice of withdrawal must specify the name of the person who deposited the Convertible Debentures to be withdrawn (the "Depositor"), the name in which the Convertible Debentures are registered, if different from that of the Depositor, and the principal amount of the Convertible Debentures to be withdrawn prior to the physical release of the certificates to be withdrawn. If tendered Convertible Debentures to be withdrawn have been delivered or identified through confirmation of book-entry transfer to the Exchange Agent, the notice of withdrawal also must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with withdrawn Convertible Debentures. The notice of withdrawal must be signed by the registered holder of such Convertible Debentures in the same manner as the applicable Letter of Transmittal (including any required signature guarantees), or be accompanied by evidence satisfactory to the Company that the person withdrawing the tender has succeeded to the beneficial ownership of such Convertible Debentures. Withdrawals of tenders of Convertible Debentures may not be rescinded, and any Convertible Debentures withdrawn will be deemed not validly tendered thereafter for purposes of the Exchange Offer. However, properly withdrawn Convertible Debentures may be tendered again at any time prior to the Expiration Date by following the procedures for tendering not previously tendered Convertible Debentures described elsewhere herein.

All questions as to the form, validity and eligibility (including time of receipt) of any withdrawal of tendered Convertible Debentures will be determined by the Company, in its sole discretion, which determination shall be final and binding. None of the Company, the Exchange Agent, the Trustee or any other person will be under any duty to give notification of any defect

or irregularity in any withdrawal of tendered Convertible Debentures, or will incur any liability for failure to give any such notification.

If the Company is delayed in its acceptance for conversion and payment for any Convertible Debentures or is unable to accept for conversion or convert any Convertible Debentures pursuant to the Exchange Offer for any reason, then, without prejudice to the Company's rights hereunder, tendered Convertible Debentures may be retained by the Exchange Agent on behalf of the Company and may not be withdrawn (subject to Rule 13e-4(f)(5) under the Exchange Act, which requires that the issuer making the tender offer pay the consideration offered, or return the tendered securities, promptly after the termination or withdrawal of a tender offer), except as otherwise permitted hereby.

FRACTIONAL SHARES

Exchanging holders of Convertible Debentures will not receive fractional shares of Class A Common Stock since the Company has agreed to accept Convertible Debentures in a principal amount of \$1,000 (or integral multiples thereof) and such principal amount of Convertible Debentures is convertible into a whole number of shares of Class A Common Stock. If a holder of Convertible Debentures seeks to exchange a principal amount that is not an integral multiple of \$1,000, the Company if it determines to accept such exchange will, at its option, issue fractional shares or issue a cash payment in lieu thereof equal to each such holder's proportionate interest in the net proceeds (following the deduction of applicable transaction costs) from the sale by the Exchange Agent, on behalf of such holders, of shares of Class A Common Stock representing the aggregate of such fractional shares of Class A Common Stock reasonably promptly after the consummation of the Exchange Offer. See "The Exchange Offer."

ACCEPTANCE OF CONVERTIBLE DEBENTURES; DELIVERY OF CLASS A COMMON STOCK

The acceptance of the Convertible Debentures validly tendered for exchange and not withdrawn will be made as promptly as practicable after the Expiration Date. For purposes of the Exchange Offer, the Company will be deemed to have accepted for exchange validly tendered Convertible Debentures if, as and when the Company gives oral or written notice thereof to the Exchange Agent. Such notice of acceptance shall constitute a binding contract between the Company and the tendering holder pursuant to which the Company will be obligated to provide the Exchange Offer Consideration therefor plus any accrued and unpaid interest due on such tendered Convertible Debentures. Subject to the terms and conditions of the Exchange Offer, (i) delivery of Class A Common Stock in respect of Convertible Debentures accepted and exchanged pursuant to the Exchange Offer and (ii) payment of accrued and unpaid interest will be made by the Exchange Agent as soon as practicable after receipt of such notice. The Exchange Agent will act as agent for the tendering holders of Convertible Debentures for the purposes of receiving Class A Common Stock and funds to pay accrued and unpaid interest from the Company and transmitting the Class A Common Stock (through Book-Entry Transfer or otherwise) and payment by wire transfer of accrued and unpaid interest to the tendering holders. Tendered Convertible Debentures not accepted for conversion by the Company, if any, will be returned without expense to the tendering holder of such Convertible Debentures (or, in the case of Convertible Debentures tendered by book-entry transfer into the Exchange Agent's account at a Book-Entry Transfer Facility, such Convertible Debentures will be credited to an account maintained at a Book-Entry Transfer Facility) as promptly as practicable following the Expiration Date.

EXCHANGE AGENT

Continental Stock Transfer & Trust Co. has been appointed Exchange Agent for the Exchange Offer. All deliveries and correspondence sent to the Exchange Agent should be directed to one of its addresses set forth on the back cover page of this Offering Circular. Requests for assistance or additional copies of this Offering Circular and the Letter of Transmittal should be directed to the Exchange Agent, at its address set forth on the back cover page of this Offering Circular. The Company has agreed to pay the Exchange Agent customary fees for its services and to reimburse the Exchange Agent for its reasonable out-of-pocket expenses in connection therewith. The Company also has agreed to indemnify the Exchange Agent for certain liabilities, including liabilities under the federal securities laws. The Exchange Agent also acts as Trustee under the Indenture for the Convertible Debentures.

MISCELLANEOUS

The Company has not retained any dealer manager or similar agent in connection with the Exchange Offer and will not make any payments to brokers, dealers or others for soliciting tenders of Convertible Debentures. However, directors, officers and employees of the Company (who will not be separately compensated for such services) may solicit exchanges by use of the mails, personally or by telephone, facsimile or similar means of electronic transmission. The Company also will pay brokerage houses and other custodians, nominees and fiduciaries their reasonable out-of-pocket expenses incurred in forwarding copies

of this Offering Circular and related documents to the beneficial owners of the Convertible Debentures and in handling or forwarding tenders of Convertible Debentures by their customers.

THE COMPANY

Audiovox Corporation (together with its subsidiaries, the "Company" or "Audiovox") designs and markets cellular telephones and accessories, automotive aftermarket sound and security equipment, other automotive aftermarket accessories, and certain other products. Over the past thirty years, the Company has grown from a supplier of automotive sound equipment to a leading supplier of cellular telephones to the Regional Bell Operating Companies ("RBOCs"), other cellular carriers and their respective agents in the United States. As of August 31, 1996, the Company also operated approximately 30 administrative and retail outlets, licensed its trade name, or entered into concessionaire arrangements with, approximately 11 additional retail outlets in selected markets in the United States, and had two mobile vans. These outlets focus on the sale and servicing of cellular telephones. Each of the Company's retail outlets acts as a licensed agent for one of the two cellular carriers operating in its geographic area. In addition to generating product revenue from the sale of cellular telephone products, the Company's retail outlets, as agents for cellular carriers, are typically paid activation commissions and residual fees from such carriers.

Through its international distribution network, the Company also sells cellular telephones in Canada, Europe, Latin America, Asia, the Middle East and Australia. In fiscal 1993, fiscal 1994 and fiscal 1995, and the nine months ended August 31, 1996, net sales of cellular telephone products and related fees and commissions represented 60%, 63%, 64% and 64%, respectively, of the Company's total net sales. The Company also sells aftermarket sound, security and accessory products through its international distribution network.

The Company's automotive aftermarket sound, security and accessory products include stereo cassette radios, compact disc players and changers, amplifiers and speakers; key based and remote control security systems; and cruise controls, door and trunk locks and rear window defoggers. In fiscal 1994, the Company introduced a satellite based security system to its product line. These products are marketed through mass merchandise chain stores, specialty automotive accessory installers, distributors and automobile dealers.

Cellular phone service was developed as a mobile alternative to conventional landline systems. Since its inception over ten years ago, the industry has grown rapidly. From approximately one million subscribers in the United States in 1987, the Company estimates that the industry has grown to more than 31 million subscribers as of year end 1995. In 1995, the number of cellular subscribers in the United States grew by approximately 8.9 million, representing a 39.6% increase in the number of cellular subscribers from the end of 1994. Cellular phone service is now available in geographic areas that include a substantial majority of the United States population. In recent years, as retail prices for cellular telephones have declined, sales of cellular telephones for personal use have grown more rapidly than sales for business use. The Company estimates that as of the end of 1995, approximately 12.8% of the U.S. population owned a cellular telephone. Total domestic cellular subscribers is estimated to have grown 40% in 1995, and is estimated to increase at a 15% compounded annual growth rate through the year 2000. Total international cellular subscribers are estimated to have grown 58% in 1995.

A key component of the Company's operating strategy has been to bring to market quality products under its own brand names, in response to established consumer demand, while limiting its investment in fixed plant and, accordingly, its capital risk exposure. The Company seeks to accomplish this by controlling the design of its products through its in-house engineering and design staff, while having such products produced by contract manufacturers.

The Company sells its products under several brand names it owns or licenses, including Audiovox[RT], SPS[RT], Prestige[RT], Pursuit[RT], Minivox[TM], Minivox Lite[RT], The Protector[RT], American Radio[RT] and Quintex[RT]. The Company uses several techniques to promote Company brand awareness, including trade and customer advertising, attendance at trade shows, and use of a variety of sales promotional material including brochures and other literature and point-of-sale displays.

The Company employs a value added marketing approach in connection with its wholesale sales. In this regard, the Company typically participates with its wholesale customers in joint marketing and promotional programs such as sales contests and cooperative advertising campaigns. The Company also typically offers its customers customized sales and product training, inventory management assistance, telemarketing assistance (including the scripting of telemarketing presentations) and Company-created advertising materials. In addition, the Company maintains several Company-operated warranty repair centers to assist its network of authorized warranty service stations in technical training and parts procurement. The Company intends to expand the breadth of its product line (for example, by introducing a line of moderately priced cellular telephone

products) in order to enable its customers to conveniently obtain a broad line of products from only one supplier.

The Company has formed a majority-owned subsidiary with its local distributor in Malaysia as a minority owner and is considering forming ventures with its distributors in Greece, Thailand and Venezuela. By joining with an established local business with an existing customer base, the Company believes that it can enter a new market more quickly and with minimum capital expenditures. The Company also believes that its relationships with North American cellular carriers may aid the Company's expansion into international markets as such markets are developed by those carriers.

In August 1994, the Company formed a new joint venture (known as "Talk Corporation") with Shintom Co., Ltd. ("Shintom") and others for the purpose of developing, manufacturing and distributing cellular telephone and other consumer electronic products. In connection with the formation of the joint venture, the Company was granted certain exclusive distribution rights with respect to cellular products manufactured by Shintom. Talk Corporation commenced operations in October 1994. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations" in the 1995 Form 10-K.

Historically, the Company has been dependent on foreign suppliers, particularly Japan and China, for a majority of its products. In 1994 and 1995, the United States government announced proposed trade sanctions on cellular products imported from foreign countries, particularly Japan and China. Although the United States government has not implemented such proposed trade sanctions, as the Company sources a majority of its cellular products from Japan and China, if such trade sanctions (or trade sanctions on other of the Company's products) were to be imposed, there is no assurance that the Company would be able to obtain alternatives to its supply sources. The Company is considering sourcing products from several countries. Such purchases would be subject to the risks of purchasing products from foreign suppliers. See "Risk Factors--United States Trade Sanctions Could Limit the Company's Sources of Supply," "-- No Assurance of Alternative Supply Sources," "-- Dependence on Foreign Suppliers," and "--Dependence on Toshiba."

For the nine months ended August 31, 1996, the Company recorded net income of \$1,394,000, or \$0.15 per share (both primary and fully diluted, without giving effect to the Exchange Offer).

The Company was incorporated in Delaware on April 10, 1987 as a successor to the business of Audiovox Corp., a New York corporation founded in 1960 by John J. Shalam, the Company's President, Chief Executive Officer and controlling stockholder. The Company's corporate headquarters is located at 150 Marcus Boulevard, Hauppauge, New York 11788, and its telephone number at that address is 516-231-7750.

DESCRIPTION OF THE CONVERTIBLE DEBENTURES

The Convertible Debentures have been issued under an Indenture, dated as of March 15, 1994 (the "Indenture"), between the Company and Continental Stock Transfer & Trust Company, as trustee (the "Trustee"). As used in this "Description of the Convertible Debentures," the term "Company" refers only to Audiovox Corporation and the term "Subsidiary" refers to any Person (as herein defined) of which more than 50% of the outstanding voting stock is owned by the Company and/or one or more other Subsidiaries of the Company.

The following summary of certain provisions of the Indenture and the Convertible Debentures does not purport to be complete, and where reference is made to particular provisions of the Indenture or the Convertible Debentures, such provisions are qualified in their entirety by reference to all of the provisions of the Indenture and the Convertible Debentures, as the case may be, including the definitions therein of certain terms.

GENERAL

The Convertible Debentures are limited to \$65,000,000 aggregate principal amount, are unsecured subordinated obligations of the Company and will mature on March 15, 2001. As of the date hereof, the aggregate principal amount of Convertible Debentures outstanding is \$65,000,000. The Convertible Debentures bear interest from the date of issuance and authentication at a rate of 6 1/4% per annum. Interest is payable semiannually on March 15 and September 15 (each, an "Interest Payment Date"), which payments commenced September 15, 1994, to the person in whose name the Convertible Debentures are registered, subject to certain exceptions, at the close of business on February 28 and August 31 (each, a "Regular Record Date"), as the case may be, next preceding such Interest Payment Date. Principal of (and premium and any Liquidated Damages, if any) and interest on the Convertible Debentures are payable, and the Convertible Debentures are convertible and transfers thereof are registrable, at the office of the Trustee, Two Broadway, New York, New York 10004, Attention: Steven G. Nelson, provided that, at the option of the Company, payments of interest and Liquidated Damages may be made by check mailed to the address of the person entitled thereto as it appears on the Security Register (as such

term is defined in the Indenture). (Sections 202 and 301.)

The Convertible Debentures and the underlying Class A Common Stock currently trade on the AMEX. See -- "Market Price of Convertible Debentures" and -- "Description of Capital Stock -- Market Price of Class A Common Stock."

The covenants and provisions contained in the Indenture and the Convertible Debentures would not necessarily afford the Holders of the Convertible Debentures protection in the event of a highly leveraged transaction involving the Company, including a leveraged transaction initiated or supported by the Company, the management of the Company or any Affiliate of such Persons (as such terms are hereinafter defined).

CONVERSION RIGHTS

The Convertible Debentures or portions thereof (which are \$1,000 or integral multiples thereof), unless called for prior redemption, are convertible into shares of Class A Common Stock, at the Holders' option, at any time prior to maturity, at the initial Conversion Price of \$17.70 per share of Class A Common Stock, subject to adjustment as described below. The right to convert Convertible Debentures, or portions thereof (which are \$1,000 or integral multiples thereof), will terminate at the close of business on the Redemption Date or the Purchase Date (as each such term is hereinafter defined). (Section 1201.) Pursuant to the Exchange Offer the Convertible Debentures will be effectively convertible into Class A Common Stock at a conversion price of \$6.061 per share.

No adjustment will be made on conversion of any Convertible Debenture for interest or dividends. Convertible Debentures surrendered for conversion during the period from the close of business on any Regular Record Date to the next succeeding Interest Payment Date (unless called for redemption during that period) must be accompanied by payment of an amount equal to the interest payable on such Interest Payment Date on the principal amount of Convertible Debentures being surrendered for conversion. In the case of any Convertible Debenture which has been converted after any Regular Record Date but on or before the next Interest Payment Date, interest payable on such Interest Payment Date shall be paid to the registered Holder of such Convertible Debenture on the Regular Record Date notwithstanding such conversion. Fractional shares of Class A Common Stock will not be issued upon conversion, but, in lieu thereof, the Company will pay a cash adjustment based upon the market price of the Class A Common Stock. (Section 1202 and Section 1203.)

The Conversion Price is subject to adjustment in certain events under formulas set forth in the Indenture, including: (i) the issuance of any shares of Common Stock to holders of any class of Common Stock as a dividend or distribution; (ii) the issuance to the holders of any class of Common Stock of rights, options or warrants entitling them to subscribe for or purchase shares of any class of Common Stock for a price per share less than the then current market price per share of Class A Common Stock (excluding for this purpose rights, options and warrants issued under the Company's existing benefit plans ("Existing Options"), additional rights, options and warrants issued to employees to purchase up to an aggregate of 500,000 shares of Common Stock exercisable on a per share basis for at least 85% of the current per share market price of Class A Common Stock on the date of grant ("Additional Options"), and certain rights, options and warrants ("Special Stockholder Rights") which are not exercisable until the occurrence of a specified event or events (the adjustment for the issuance of such Special Stockholder Rights to be made if and when such Special Stockholders Rights become exercisable)); (iii) subdivisions, combinations and reclassifications of any class of Common Stock; (iv) the distribution to holders of Common Stock of evidences of indebtedness or assets of the Company (including securities, but excluding those rights, warrants, dividends and distributions referred to above, Existing Options, Additional Options, Special Stockholder Rights and the cash portion of any dividends and distributions paid in whole or in part in cash); (v) distributions consisting of cash (excluding any cash distributed upon a merger or consolidation to which the third succeeding paragraph applies or cash paid in connection with the purchase of outstanding Common Stock at a per share price equal to or less than the then current market price per share of Class A Common Stock or purchases of Convertible Debentures upon the occurrence of a Risk Event or Redemption Event (as such terms are defined herein)) to holders of Common Stock in an aggregate amount that, combined together with (a) other such cash distributions made within the preceding 12 months in respect of which no adjustment has been made and (b) the amount by which any cash and the fair market value (as determined in good faith by the Company's Board of Directors) of other consideration paid in excess of the then current aggregate market price of shares tendered in respect of any tender offer by the Company or any of its Subsidiaries for any shares of Common Stock concluded within the preceding 12 months in respect of which no adjustment has been made, exceeds 12.5% of the then current aggregate market price of the Common Stock (assuming the market price of each share of Common Stock is equal to the per share market price of Class A Common Stock) then outstanding; and (vi) the successful completion of a tender offer made by the Company or any of its Subsidiaries for all or a portion of any class of Common Stock to the extent the fair market value (as determined in good faith by the Company's Board

of Directors) of the aggregate consideration paid in excess of the current aggregate market price of the shares tendered in connection with such tender offer, together with (a) the amount by which any cash and other consideration paid in excess of the then current market price of shares tendered in any tender offers by the Company or any of its Subsidiaries for any class of Common Stock concluded within the 12 months preceding the expiration of such tender offer and in respect of which no adjustment has been made and (b) the aggregate amount of any cash distributions referred to in (v) above to holders of Common Stock within the 12 months preceding the expiration of such tender offer and in respect of which no adjustments have been made, exceeds 12.5% of the then current aggregate market price of the Common Stock on the expiration of such tender offer (assuming the market price of each share of Common Stock is equal to the per share market price of Class A Common Stock). If previously adjusted in respect of any rights, options or warrants referred to in (ii) above, the Conversion Price shall be re-adjusted to the extent any such rights, options or warrants expire unexercised. There will be no permanent adjustment in the Conversion Price as a result of the Exchange Offer. (Section 1204.)

Except as stated in the preceding provisions, the initial Conversion Price will not be adjusted for issuances of shares of Class A Common Stock at less than the then current market price of the Class A Common Stock or the then current Conversion Price of the Convertible Debentures upon the exercise of present or future stock options granted by the Company to its employees. Moreover, no adjustment will be made unless such adjustment would require a change of at least 1% in the Conversion Price then in effect, but any adjustment that would otherwise be required to be made shall be carried forward and taken into account in any subsequent adjustment. The Company has reserved the right to make such reductions in the Conversion Price in addition to those required in the foregoing provisions as it considers to be advisable in order that any event treated for Federal tax purposes as a dividend of stock or stock rights shall not be taxable to the recipients. (Section 1204.)

In the event that the Company shall distribute rights, options or warrants (other than those referred to in (ii) in the second preceding paragraph) ("Rights") pro rata to holders of the Class A Common Stock, so long as any such Rights have not expired or been redeemed, the Holder of any Convertible Debenture surrendered for conversion, in whole or in part, will be entitled to receive upon such conversion, in addition to the shares of Class A Common Stock issuable upon such conversion (the "Conversion Shares"), a number of Rights to be determined as follows: (i) if such conversion occurs on or prior to the date for the distribution to the holders of Rights of separate certificates evidencing such Rights (the "Distribution Date"), the same number of Rights to which a holder of a number of shares of Class A Common Stock equal to the number of Conversion Shares is entitled at the time of such conversion in accordance with the terms and provisions of and applicable to the Rights; and (ii) if such conversion occurs after such Distribution Date, the same number of Rights to which a holder of the number of shares of Class A Common Stock into which such Convertible Debenture, or portion thereof, so converted was convertible immediately prior to such Distribution Date would have been entitled on such Distribution Date in accordance with the terms and provisions of and applicable to the Rights. The Conversion Price of the Convertible Debentures will not be subject to adjustment on account of any declaration, distribution or exercise of such Rights. (Section 1204.)

In case either of the following occurs: (i) any consolidation or merger involving the Company other than a consolidation or merger which does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Class A Common Stock; or (ii) any sale or transfer of all or substantially all of the assets of the Company, each Convertible Debenture will, without the consent of any Holder thereof, become convertible only into the kind and amount of securities, cash or other property receivable upon such consolidation, merger, sale or transfer by a holder of the number of shares of Class A Common Stock into which such Convertible Debenture could have been converted immediately prior to such consolidation, merger, sale or transfer (assuming such holder of shares of Class A Common Stock is not a Person with which the Company consolidated or into which the Company merged or which merged into the Company or to which such sale or transfer was made (or an Affiliate of such Person), and failed to exercise any rights of election and received per share of Class A Common Stock the kind and amount of cash or other property received per share of Class A Common Stock by a plurality of non-electing shares). The foregoing provision will not affect the right of any Holder of the Convertible Debentures to receive the Purchase Price (as such term is hereinafter defined) in the event of such Holder's election to require the Company to purchase the Convertible Debentures upon a Risk Event or a Redemption Event (as each such term is hereinafter defined). (Section 1211.)

In the event of a distribution of property to the Company's stockholders which would be taxable as a dividend for Federal income tax purposes (e.g., distributions of evidences of indebtedness or assets of the Company, but generally not stock dividends on or rights to subscribe for Class A Common Stock) to holders of the Class A Common Stock that results in an adjustment of the Conversion Price of the Convertible Debentures pursuant to

the antidilution provisions described above, the Holders of the Convertible Debentures may, in certain circumstances, be deemed to have received a taxable dividend for Federal income tax purposes.

The Company agreed to use its best efforts to cause all registrations with, and to obtain any approvals by, any governmental authority under any Federal or state law of the United States that may be required in connection with the conversion of the Convertible Debentures into shares of Class A Common Stock. If at any time during the three-year period following the Closing Date a registration statement under the Securities Act covering the Conversion Shares is not effective, such shares (the "Restricted Shares") may not be sold or otherwise transferred except in accordance with or pursuant to an exemption from or otherwise in a transaction not subject to, the registration requirements of the Securities Act, and, although an effective registration statement exists as of the date hereof, if a registration statement under the Securities Act is not effective at the time of a conversion, the Restricted Shares will bear a legend to that effect. The transfer agent for the Class A Common Stock will not be required to accept for registration or transfer any Restricted Shares, except upon presentation of satisfactory evidence that these restrictions on transfer have been complied with, all in accordance with such reasonable regulations as the Company may from time to time agree with the transfer agent.

The Indenture contains a covenant which prevents the Company from granting any voting rights (other than as required by applicable law) to any share of Preferred Stock (as such term is defined in the Certificate of Incorporation of the Company). (Section 1007.)

REDEMPTION AT OPTION OF THE COMPANY

The Convertible Debentures are not redeemable by the Company prior to March 15, 1997. On or after March 15, 1997, the Convertible Debentures are redeemable on at least 30 days' notice and not more than 60 days' notice, at the option of the Company, in whole at any time or in part from time to time at the redemption prices set forth below. (Sections 1101 and 1105.)

The redemption prices (expressed as percentages of principal amount), to which are added accrued interest and Liquidated Damages, if any, to the date fixed for redemption (the "Redemption Date"), if redeemed during the 12-month period beginning March 15 of the years indicated, are as follows:

YEAR	PERCENTAGE
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1997	103.12%
1998	102.08%
1999	101.04%

and from March 15, 2000 and thereafter at 100% of the principal amount. (Section 203.)

If less than all of the Convertible Debentures are to be redeemed, the Trustee will select the Convertible Debentures or portions thereof to be redeemed on a pro rata basis, or by such other method that complies with the requirements of any exchange or market, if any, on which the Convertible Debentures are listed or traded, as the Trustee deems fair and appropriate, that provides for the selection for redemption of portions (equal to \$1,000 or any integral multiple thereof) of the principal amount of the Convertible Debentures of a denomination larger than \$1,000. In the event of redemption of a Convertible Debenture in part only, a new Convertible Debenture of like tenor for the unredeemed portion will be issued in the name of the Holder of the Convertible Debenture upon the cancellation thereof. (Sections 1104 and 1108.)

Any Convertible Debentures called for redemption, unless surrendered for conversion on or before the Redemption Date, are subject to being purchased from the Holder at the then applicable redemption price set forth above plus accrued interest and Liquidated Damages, if any, by one or more investment banks or other purchasers who may agree with the Company to purchase such Convertible Debentures and convert them into shares of Class A Common Stock. The Company will, at least 60 days (in case of any redemption at the election of the Company of less than all of the Convertible Debentures) or 45 days (in the case of a redemption at the election of the Company of all of the Convertible Debentures) prior to the Redemption Date fixed by the Company (unless a shorter notice is satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date and of the principal amount of Convertible Debentures to be redeemed. (Sections 1103 and 1109.)

PURCHASE AT OPTION OF DEBENTUREHOLDERS UPON A RISK EVENT OR A REDEMPTION EVENT

In the event that a Risk Event or a Redemption Event (as such terms are hereinafter defined) shall occur, each Holder of Convertible Debentures will have the right, at the Holder's option, to require the Company to purchase such Holder's Convertible Debentures, in whole or in part (which are \$1,000 or integral multiples thereof), on the date (the "Purchase Date")

that is 45 days after the date of the Company Notice (as such term is hereinafter defined), at 101% of the principal amount of the Convertible Debentures to be purchased, plus accrued interest and any accrued Liquidated Damages to the Purchase Date (the "Purchase Price"). However, the Company's bank credit facility includes as an event of default the occurrence of a Risk Event or a Redemption Event, and any repurchase of Convertible Debentures by the Company from any Holder following the occurrence of a Risk Event or a Redemption Event could be blocked pursuant to the subordination provisions of the Indenture (See "Subordination" below). Thus, Holders of Convertible Debentures would be effectively precluded from exercising their rights to require the Company to repurchase Convertible Debentures following a Risk Event or a Redemption Event during the effectiveness of the Amended Credit Agreement. Future credit facilities the Company may enter into are also likely to contain provisions which would allow the lenders thereunder to prevent repurchase of the Convertible Debentures following a Risk Event or Redemption Event.

In the event that a Risk Event or a Redemption Event shall occur and the Company shall have not called for the redemption of all the outstanding Convertible Debentures prior to the occurrence of such Risk Event or Redemption Event, the Company (or at the Company's request, the Trustee) shall give notice (the "Company Notice") of such occurrence on or before the thirtieth day after the occurrence of such Risk Event or Redemption Event. The Company Notice shall state the Purchase Date, the date by which the Holder must notify the Company of such Holder's intention to exercise the purchase right, the procedure which such Holder must follow to exercise such right, the Conversion Price then in effect, the Purchase Price and, in the case of a Risk Event, that the Company will pay all or a portion of the Purchase Price in cash, and if not all in cash, that the non-cash portion will be paid in shares of Class A Common Stock having a current market price not less than the non-cash portion of the Purchase Price, or, in the case of a Redemption Event, that the Purchase Price shall be paid all in cash. The Company must deliver a copy of such Company Notice to the Trustee. To exercise such purchase right, the Holder of a Convertible Debenture must deliver written notice to the Trustee on or before the thirtieth day after the date of the Company Notice, together with the Convertible Debenture or Convertible Debentures with respect to which the right is being exercised, duly endorsed for transfer. An exercise of the option to require the Company to purchase a Convertible Debenture is irrevocable, except that a Holder retains the right to require Convertible Debentures submitted for such purchase to be converted into shares of Class A Common Stock prior to the close of business on the Purchase Date so long as the Holder has complied with the procedures for conversion. (Sections 1401 and 1402.)

A "Risk Event" will be deemed to have occurred at such time after the original issuance of the Convertible Debentures as: (i) all or substantially all of the Company's assets are sold, leased or transferred, in one or a series of related transactions, to any Person other than to the Company or any of its Subsidiaries; (ii) a plan relating to the liquidation or dissolution of the Company is adopted other than following a transaction in compliance with the Merger and Sale of Assets by the Company restrictions described below; or (iii) any Person other than John J. Shalam and/or any of his Affiliates or Associates becomes the beneficial owner, directly or indirectly, of more than 50% of the voting power of the voting Equity Interests (as such term is defined hereinafter) of the Company. (Section 1403.)

A "Redemption Event" will be deemed to have occurred at such time after the original issuance of the Convertible Debentures as the Class A Common Stock (or other common stock or securities into which the Convertible Debentures are then convertible) is not listed for trading on a United States national securities exchange or admitted for trading in the NASDAQ-National Market System. (Section 1403.)

"Affiliate" means, with respect to any specified Person: (i) any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person; (ii) any other Person that owns, directly or indirectly, 5% or more of the aggregate voting power of such Person's voting Equity Interests or any officer or director of any such Person; or (iii) with respect to any natural Person, any natural Person having a relationship with such Person by blood, marriage or adoption, not more remote than first cousin. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. (Section 101.)

"Associate" means, with respect to John J. Shalam: (i) any Person having a relationship with John J. Shalam by blood, marriage or adoption, not more remote than first cousin ("Family Members"); (ii) any trust or other estate in which John J. Shalam or any Family Member or Family Members have, individually or in the aggregate, a substantial beneficial interest; (iii) upon his death or incapacity, the legal representative (or any Person acting in a similar fiduciary capacity) of John J. Shalam's estate or assets and the beneficiaries, heirs and distributees thereof; or (iv) any Person as to which John J. Shalam and/or any

Family Member or Family Members are the beneficial owners of more than 50% of the voting power of the voting Equity Interests of such Person. For the purposes of this definition, "beneficial ownership" shall be determined in accordance with Rule 13d-3 promulgated under the Exchange Act. (Section 1403.)

"Corporation" means a corporation, association, company, joint-stock company or business trust. (Section 101.)

"Equity Interest" of: (i) a partnership means any and all interests, units, participations or other equivalents (however designated and whether or not voting) of partnership interests in such partnership, including all classes and series of such interests; and (ii) a Corporation means any and all shares, interests and participations (however designated and whether or not voting) in such Corporation's preferred or common equity (or comparable equity interests), including all classes and series of such equity. (Section 101.)

"Person" means any individual, Corporation, limited or general partnership, joint venture, trust, unincorporated organization, "group" (as such term is used in Section 13(d)(3) of the Exchange Act) or any other entity, including a government or any agency or political subdivision thereof. (Section 101.)

The right to require the Company to purchase Convertible Debentures as a result of a Risk Event or a Redemption Event is limited by the terms of the Amended Credit Agreement, and may be limited by the terms of loan or credit agreements which the Company may enter into from time to time. However, the bank which loaned funds to the Company under the Amended Credit Agreement has consented to the Exchange Offer. As a result, any purchase could, absent a waiver, be prohibited by the subordination provisions of the Indenture. Accordingly, the purchase of the Convertible Debentures as a result of a Risk Event or a Redemption Event could be subject to the prior payment by the Company of outstanding Senior Indebtedness. Failure by the Company to purchase the Convertible Debentures within 30 days of when required upon a Risk Event or a Redemption Event, absent a waiver, will result in an Event of Default under the Indenture whether or not such purchase is permitted by the subordination provisions of the Indenture.

The purchase option of a Holder upon a Risk Event or a Redemption Event could constitute an "issuer tender offer" as defined in Rule 13e-4 promulgated under the Exchange Act. Rule 13e-4 requires the dissemination of certain information to security holders in such an event. The Company will be obligated to comply with this Rule to the extent applicable at that time.

SUBORDINATION OF CONVERTIBLE DEBENTURES

The payment on account of the principal (and premium, if any), interest on, Liquidated Damages with respect to, and the Redemption Price or Purchase Price of, the Convertible Debentures is subordinated in right of payment to the extent set forth in the Indenture to the prior payment in full of all Senior Indebtedness of the Company. (Section 1301.)

Senior Indebtedness means: (a) all indebtedness of the Company, including the principal of and premium, if any, and interest on such indebtedness, whether outstanding on the date of the Indenture, or thereafter created, (i) for borrowed money (including certain fees and expenses and other amounts owing under the Company's bank credit facility), (ii) constituting purchase money indebtedness for which the Company is liable; (iii) for reimbursement obligations under bank letters of credit and standby letters of credit, (iv) under any lease of any real or personal property, which obligations are capitalized on the Company's books, (v) in respect of periodic, settlement or maturity payments under interest rate and currency swaps, caps, floors, collars or similar agreements or arrangements, (vi) under documentary acceptances and bankers' acceptances, (vii) under airway releases and steamship guarantees, (viii) relating to indebtedness of others of the kinds referred to in (i) through (vii) above guaranteed or assumed, directly or indirectly, by the Company, and (ix) under the Series AA Convertible Debentures or the Series BB Convertible Debentures, or the agreement pursuant to which such Convertible Debentures are outstanding, unless in each such case the instrument creating or evidencing such indebtedness provides that such indebtedness is not superior in right of payment to the Convertible Debentures or other indebtedness which is pari passu with, or subordinated to, the Convertible Debentures; and (b) any modifications, refundings, deferrals, renewals or extensions of any such Senior Indebtedness, or securities, notes or other evidences of indebtedness issued in exchange for such Senior Indebtedness. At August 31, 1996, approximately \$38,760,000 of Senior Indebtedness was outstanding. The Convertible Debentures are effectively subordinated to all liabilities of the Company's Subsidiaries. The Indenture does not limit the amount of Senior Indebtedness which the Company may incur nor the amount of liabilities such Subsidiaries may incur. (Section 1301.)

No payment on account of principal, premium, if any, or interest on, or Liquidated Damages with respect to, or redemption or purchase of, the Convertible Debentures shall be made if, at the time of such payment or immediately after giving effect thereto: (i) there shall exist a default in the payment of principal, premium, if any, or interest (including a default

under any purchase, reimbursement or redemption obligations, or in respect of any periodic, settlement or maturity payments under interest rate and currency swaps, caps, floors, collars or similar agreements and arrangements) with respect to any Senior Indebtedness; or (ii) there shall have occurred an event of default (other than a default referred to in clause (i) above) with respect to any Senior Indebtedness, as defined therein or in the instrument under which the same is outstanding, permitting the holders thereof to accelerate the maturity thereof, and written notice of such existence or occurrence shall have been given to the Company and to the Trustee under the Indenture by the holder or holders of such Senior Indebtedness and such event of default shall not have been cured or waived or shall not have ceased to exist; provided, however, that payments on account of principal, premium or Liquidated Damages, if any, or interest on, or a redemption or purchase of, the Convertible Debentures shall resume in the case of any nonpayment default referred to in clause (ii) above, notwithstanding cure or waiver, 179 days after notice of such default is given if the default is not the subject of judicial proceedings or the holders of such Senior Indebtedness have not accelerated the maturity thereof. Notwithstanding the foregoing, the Company may make and the Trustee may receive and shall apply any payment in respect of the Convertible Debentures (for principal, premium or Liquidated Damages, if any, or interest, or purchase or redemption) if such payment was made prior to the occurrence of any of the contingencies specified in clauses (i) and (ii) above. By reason of such subordination, in the event of insolvency, creditors of the Company who are not Holders of the Convertible Debentures may recover more ratably than Holders of the Convertible Debentures. The Company's ability to pay, redeem or purchase the Convertible Debentures may be limited in certain circumstances by restrictions on the ability of its Subsidiaries and Affiliates to pay dividends and certain fees. (Section 1302.)

MODIFICATION OF THE INDENTURE

Modifications and amendments of the Indenture may be made by the Company and the Trustee with the consent of the Holders of at least a majority in principal amount of the outstanding Convertible Debentures; provided that no such modification or amendment may, without the consent of the Holder of each outstanding Convertible Debenture affected thereby: (i) change the stated maturity date of the principal of, or any installment of interest on, the Convertible Debentures; (ii) reduce the principal amount of, the premium, if any, or interest on, or the Liquidated Damages with respect to, any Convertible Debenture; (iii) change the place or currency of payment; (iv) impair the right to institute suit for the enforcement of any such payment when due; (v) adversely affect the conversion rights of the Holders of the Convertible Debentures; (vi) reduce the percentage in principal amount of Convertible Debentures, the consent of whose Holders is required for modification or amendment of the Indenture or the waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults; (vii) impair the right of any Holder to require the Company to purchase such Holder's Convertible Debentures upon the occurrence of a Risk Event or a Redemption Event; or (viii) modify any provision of the Indenture with respect to the subordination of the Convertible Debentures so as to affect adversely the rights of any Holder of the Convertible Debentures under the Indenture. (Section 902.)

The Indenture (including the terms and conditions of the Convertible Debentures) may be modified or amended by the Company and the Trustee without the consent of the Holder of any Convertible Debenture, for certain specified purposes not adversely affecting the rights of the Holders of the Convertible Debenture. (Section 901.)

EVENTS OF DEFAULT, NOTICE AND WAIVER

The following are defined in the Indenture as Events of Default: (i) default in the payment of any interest on any Convertible Debenture, when due, continuing for 30 days, whether or not such payment is prohibited by the subordination provisions of the Indenture; (ii) default in the payment of principal of, premium or Liquidated Damages, if any, with respect to any Convertible Debenture, when due, whether or not such payment is prohibited by the subordination provisions of the Indenture; (iii) failure on the part of the Company to observe or perform the covenant contained in Section 1007 of the Indenture relating to the granting of voting rights to the Preferred Stock (See "Conversion Rights" above); (iv) default in the payment of any amounts due to the Holder of any Convertible Debenture pursuant to the exercise of the purchase right upon the occurrence of any Risk Event or Redemption Event continuing for 30 days; (v) default in the performance of any other covenant or breach of any other warranty in the Indenture continuing for 60 days after notice of such default is provided to the Company by Holders of at least 25% in principal amount of the outstanding Convertible Debentures; (vi) default by the Company or any Subsidiary under any instrument or instruments governing or securing debt of the Company for borrowed money (other than the Convertible Debentures), which default shall have resulted in indebtedness in an amount in excess of \$10,000,000 not being paid at the stated maturity thereof or the maturity of such debt being accelerated and such acceleration shall not have been rescinded or such indebtedness shall not have been paid within five business days; (vii) final judgments or orders rendered against the Company or

any Subsidiary to the extent not fully covered by insurance and which require the payment of more than an aggregate of \$6,500,000, assuming such judgments or orders remain unstayed, unbonded or unsatisfied for specified periods; and (viii) certain events in bankruptcy, insolvency or reorganization with respect to the Company or a Subsidiary; provided, however, that an event specified in clauses (vi), (vii) and (viii) with respect to any Subsidiary shall not be deemed an Event of Default if, after the occurrence of such event, (i) the consolidated net worth of the Company (excluding any amount attributable to such Subsidiary) is at least \$70,000,000, (ii) (a) there shall be no Rating Decline (as herein defined) and (b) the Convertible Debentures shall not be rated below B- by Standard & Poor's Corporation ("S&P") or B3 by Moody's Investor Service, Inc. ("Moody's") (or the equivalent by another nationally recognized securities rating agency), in the case of either (a) or (b), at any time during the 12 months prior to and the 90 days after public notice of such event, or (iii) the reduction in the consolidated net worth of the Company as a result of the occurrence of such event, together with any other reductions in such net worth during the 12 months preceding such event attributable to the Subsidiary with respect to which such event has occurred, shall be equal to or less than \$10,000,000. If an Event of Default shall occur and be continuing, the Trustee or the Holders of not less than 25% in principal amount of the outstanding Convertible Debentures may declare due and payable the principal amount of, premium and Liquidated Damages, if any, plus any accrued interest on, the outstanding Convertible Debentures. At any time after a declaration of acceleration with respect to the Convertible Debentures has been made, but before a judgment or decree based on acceleration has been obtained, the Holders of not less than a majority in principal amount of the outstanding Convertible Debentures may, under certain circumstances, rescind and annul such acceleration and its consequences. (Sections 501 and 502.)

A "Rating Decline" shall mean a decrease in the rating of the Convertible Debentures by two or more gradations (including gradations within Rating Categories as well as between Rating Categories) with the effect that the Convertible Debentures shall be rated lower than the rating of the Convertible Debentures as of the date of their original issuance by S&P or by Moody's (or the equivalent of any such rating used by another nationally recognized securities rating agency), as the case may be. (Section 101.)

"Rating Category" shall mean (i) with respect to S&P, any of the following categories: AAA, AA, A, BBB, BB, B, CCC, CC, C and D (or equivalent successor categories); (ii) with respect to Moody's, any of the following categories: Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C and D (or equivalent successor categories); and (iii) the equivalent of any such category of S&P or Moody's used by another nationally recognized securities rating agency. In determining whether the rating of the Convertible Debentures has decreased by two or more gradations, gradations within Rating Categories (+ and - for S&P; 1, 2 and 3 for Moody's; or the equivalent gradations for another nationally recognized securities rating agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from BB+ to BB, as well as from BB- to B+, will constitute a decrease of one gradation). (Section 101.)

The Indenture provides that the Trustee will be under no obligation (subject to the duty of the Trustee while an Event of Default is continuing to act with the required standard of care) to exercise any of its rights or powers under the Indenture at the request or direction of any of the Holders, unless such Holders shall have offered to the Trustee security and indemnification reasonably satisfactory to the Trustee. Subject to such provisions for indemnification of the Trustee, the Holders of a majority in principal amount of the outstanding Convertible Debentures have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee. (Sections 602 and 512.)

The Holders of a majority in principal amount of the Convertible Debentures may, on behalf of the Holders of the Convertible Debentures, waive compliance by the Company with certain covenants of the Company in the Indenture. The Holders of a majority in principal amount of the outstanding Convertible Debentures may on behalf of the Holders of all Convertible Debentures waive any defaults except a default in payment of the principal of (or premium, if any), interest on, or Liquidated Damages with respect to, any Convertible Debenture or in respect of a provision which under the Indenture cannot be modified or amended without the consent of the Holder of each outstanding Convertible Debenture affected thereby. (Sections 513 and 1009.)

The Company is required to notify the Trustee in writing promptly upon the occurrence of any default (or Event of Default) in the performance by the Company of its obligations under the Indenture. The Company is also required to inform the Trustee within 90 days after the end of each fiscal year of the Company whether the Company is in default of any of its covenants under the Indenture, specifying any such defaults and the nature and status thereof. (Sections 517 and 1008.)

MERGER AND SALE OF ASSETS BY THE COMPANY

The Indenture provides that the Company may not consolidate

or merge with any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless: (i) the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation, partnership, limited liability company or trust organized and existing under the laws of the United States, any state thereof or the District of Columbia and such Person shall assume by a supplemental indenture the due and punctual payment of the principal of (and premium, if any), interest on, and Liquidated Damages with respect to, all of the Convertible Debentures and the performance of every covenant of the Indenture required to be performed or observed by the Company and shall have provided for conversion rights in accordance with the terms of the Indenture; (ii) immediately after giving effect to such transaction, no Event of Default (and no event which after notice or lapse of time or both would become an Event of Default) shall have happened and be continuing; and (iii) certain other conditions are met. Upon compliance with these provisions by such Person, the Company would be relieved of its obligations under the Indenture and the Convertible Debentures (except in the case of a lease). (Sections 801 and 802.)

TRANSFER AND EXCHANGE

A Holder may transfer or exchange the Convertible Debentures in accordance with the Indenture. The Company may require a Holder, among other things, to furnish appropriate endorsements and transfer documents, and to pay any taxes and fees required by law or permitted by the Indenture. The Company is not required to transfer or exchange any Convertible Debenture selected for redemption except the unredeemed portion of any Convertible Debenture being redeemed in part. (Section 305.)

The registered Holder of a Convertible Debenture may be treated as the owner of it for all purposes. (Section 308.)

BOOK ENTRY; DELIVERY AND FORM

Certificates representing the Convertible Debentures are issued in fully registered form without interest coupons. The Convertible Debentures were initially issued in book-entry form through the facilities of The Depository Trust Company, New York, New York ("DTC"), and are represented by a permanent global certificate in definitive, fully registered form without interest coupons (the "Global Convertible Debenture") which have been deposited with the Trustee as custodian for DTC and registered in the name of a nominee of DTC, Cede & Co. Beneficial interests in the Global Convertible Debentures may be exchanged for definitive securities ("Certificated Convertible Debentures") in accordance with the terms of the Indenture.

DTC or its custodian credits on its internal system, the respective principal amount of Convertible Debentures of the individual beneficial interests represented by the Global Convertible Debenture to the accounts of persons who have accounts with DTC. Ownership of beneficial interests in the Global Convertible Debenture will be limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Ownership of beneficial interests in the Global Convertible Debenture will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants). So long as DTC, or its nominee, is the registered owner or holder of the Global Convertible Debenture, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Convertible Debentures represented by the Global Convertible Debenture for all purposes under the Indenture and the Convertible Debentures. No beneficial owner of an interest in the Global Convertible Debenture will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture.

Payments of the principal of, premium (if any), interest on the Global Convertible Debenture, will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither the Company, the Trustee nor any agent of the Trustee or the Company will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Convertible Debenture or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that DTC or its nominee, upon receipt of any payment of principal, premium, interest in respect of the Global Convertible Debenture, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amounts of the Global Convertible Debenture as shown on the records of DTC or its nominee. The Company also expects that payments by participants to owners of beneficial interests in the Global Convertible Debenture held through such participants will be governed by standing instructions and customary practice, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled

in same-day funds. If a person holding a beneficial interest in the Global Convertible Debenture requires physical delivery of a Certificated Convertible Debenture for any reason, including to sell Convertible Debentures to persons in states which require physical delivery of a Certificated Convertible Debenture or to pledge such Convertible Debentures, such Holder must transfer its interest in the Global Convertible Debenture in accordance with the normal procedures of DTC and the procedures set forth in the Indenture.

DTC has advised the Company that it will take any action permitted to be taken by a holder of Convertible Debentures only at the direction of one or more participants to whose account the DTC interests in the Global Convertible Debenture is credited and only in respect of such portion of the aggregate principal amount of Convertible Debentures as to which such participant or participants has or have given such direction.

DTC has advised the Company as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants").

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the New Global Convertible Debenture among participants of DTC, it is under no obligation to perform such procedures, and such procedures may be discontinued at any time. Neither the Company nor the Trustee will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their respective operations.

If DTC is at any time unwilling or unable to continue as a depository for the Global Convertible Debentures and a successor depository is not appointed by the Company within 90 days, the Company will issue Certificated Convertible Debentures in exchange for the Global Convertible Debentures.

CONCERNING THE TRUSTEE

Continental Stock Transfer & Trust Company acts as Trustee under the Indenture. The address of the Trustee's corporate trust office is Two Broadway, New York, New York 10004, Attention: Steven G. Nelson.

MARKET PRICE OF CONVERTIBLE DEBENTURES

The Convertible Debentures are listed on the AMEX under the symbol "VOXA." The following table sets forth the high and low sale prices for the Convertible Debentures during the periods indicated as reported by the AMEX:

Fiscal Periods	High	Low
1995		
Third Quarter (partial period)*	80	63
Fourth Quarter	67 1/2	63
1996		
First Quarter	66 1/2	60
Second Quarter	65 1/2	59 1/4
Third Quarter	72 3/4	67 1/2
Fourth Quarter (partial period through October 16, 1996)	78 1/4	68 1/2

* Note that prior to this period, there was no public market for the Convertible Debentures.

The Convertible Debentures are currently traded on the American Stock Exchange. The Company does not intend to seek a delisting of the Convertible Debentures from the AMEX following the consummation of the Exchange Offer. However, the Company believes that, following the consummation of the Exchange Offer and depending on the extent of participation in the Exchange Offer, the Convertible Debentures may not be able to meet the listing requirements of the AMEX, and, therefore, the Convertible Debentures could be delisted by the AMEX. For a discussion of the possible consequences of delisting, see "Risk Factors -- Effect of Exchange Offer on Unconverted Securities." For comparable information regarding the Class A Common Stock, see "Description of Capital Stock -- Market Price of Class A Common Stock."

The authorized capital stock of the Company consists of 30,000,000 shares of Class A Common Stock, 10,000,000 shares of Class B Common Stock (the "Class B Common Stock"), 50,000 shares of Preferred Stock, par value \$50 per share, and 1,500,000 shares of Series Preferred Stock, par value \$.01 per share. As of October 16, 1996, there were 7,233,834 shares of Class A Common Stock outstanding. As of October 16, 1996, 2,260,954 shares of Class B Common Stock and 50,000 shares of Preferred Stock were issued and outstanding. There are no shares of Series Preferred Stock outstanding. Assuming that all holders of the outstanding Convertible Debentures accept the Exchange Offer, there would be up to an additional 10,725,000 shares of Class A Common Stock outstanding upon consummation of the Exchange Offer.

The following summary description relating to the Class A Common Stock, the Class B Common Stock, the Preferred Stock (as defined below), Series Preferred Stock (as defined below), the Blau Warrant (as defined below), the Maxim Warrant (as defined below) and the Warrants (as defined below) does not purport to be complete. A description of the Company's Class A Common Stock, Class B Common Stock, Preferred Stock and Series Preferred Stock is contained in the Certificate of Incorporation of the Company. Additionally, a description of the Blau Warrant, the Maxim Warrant and the Warrants are contained in their respective warrant agreements. Reference is made to such Certificate of Incorporation and, with respect to the Warrants, the warrant agreement for a detailed description of the provisions thereof summarized below.

CLASS A COMMON STOCK AND CLASS B COMMON STOCK

VOTING RIGHTS

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Except for the election or removal without cause of directors, as required by the Certificate of Incorporation, and except for such separate class votes as may be required by Delaware law and the Certificate of Incorporation, holders of both classes of Common Stock vote as a single class on all matters, including amendment of the Certificate of Incorporation to increase or decrease the aggregate number of authorized shares of any class or classes of stock. In all cases, each share of Class A Common Stock is entitled to cast one vote per share and each share of Class B Common Stock is entitled to cast ten votes per share.

Holders of Class A Common Stock, voting separately as a class, are entitled to elect 25% of the Board of Directors (rounded up to the nearest whole number) so long as the number of outstanding shares of Class A Common Stock is at least 10% of the total number of outstanding shares of both classes of Common Stock. If the number of outstanding shares of Class A Common Stock should become less than 10% of the total number of outstanding shares of both classes of Common Stock, directors would then be elected by all stockholders voting as one class, except holders of Class A Common Stock would have one vote per share and holders of Class B Common Stock would have ten votes per share. In such event, the American Stock Exchange may consider delisting the Class A Common Stock.

The holders of a majority of the Class B Common Stock, voting separately as a class, will continue to be able to elect the directors not elected by holders of the Class A Common Stock, so long as the number of outstanding shares of Class B Common Stock is at least 12.5% of the number of outstanding shares of both classes of Common Stock. If the number of outstanding shares of Class B Common Stock falls below that percentage, directors not elected by the holders of Class A Common Stock will be elected by the holders of both classes of Common Stock, with holders of Class A Common Stock having one vote per share and holders of Class B Common Stock having ten votes per share.

Directors may be removed, with or without cause, provided that any removal of directors without cause may be made only by the holders of the class or classes of Common Stock that elected them. Vacancies in a directorship may be filled by the vote of the class of shares that had previously filled that vacancy, or by the remaining directors elected by that class however, if there are no such directors, the vacancy may be filled by the remaining directors.

The outstanding shares of Class A Common Stock equal approximately 75.0% of the shares of both classes outstanding, and the holders of Class A Common Stock have approximately 23.0% of the combined voting power of both classes of Common Stock. The holders of Class B Common Stock, therefore, have the power to amend the Company's Certificate of Incorporation to authorize the issuance of enough additional Class B Common Stock to decrease the outstanding amount of Class A Common Stock to less than 10%. Because of limitations on dividends in shares of Class A Common Stock and Class B Common Stock, stock dividends will have the effect of strengthening the control position of holders of Class B Common Stock.

DIVIDENDS

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The holders of Class A Common Stock and Class B Common Stock are entitled to receive dividends or distributions declared by

the Board of Directors in equal amounts, share for share, except as hereafter noted. With respect to a cash dividend, the Board may pay an equal or greater amount per share on the Class A Common Stock than on the Class B Common Stock or declare and pay a cash dividend on the Class A Common Stock without any such dividend being declared and paid on the Class B Common Stock. The Company has never declared or paid cash dividends on this Common Stock.

In addition, dividends paid in shares of Class A Common Stock or Class B Common Stock may be paid only as follows:

(i) shares of Class A Common Stock may be paid only to holders of shares of Class A Common Stock and shares of Class B Common Stock may be paid only to holders of Class B Common Stock; and

(ii) the same number of shares shall be paid in respect of each outstanding share of Class A Common Stock and Class B Common Stock.

CONVERSION

At the option of the holder, each share of Class B Common Stock is convertible at any time into one share of Class A Common Stock. Conversion of a significant number of shares of Class B Common Stock into Class A Common Stock could put control of the entire Board of Directors into the hands of such holders of the Class B Common Stock who so convert.

RESTRICTIONS ON TRANSFER OF CLASS B COMMON STOCK

Without the written consent of holders of two-thirds of the outstanding shares of Class B Common Stock, shares of Class B Common Stock may not be transferred except to another holder of Class B Common Stock, certain family members of the holder and certain other permitted transferees. Upon any nonpermitted sale or transfer, shares of Class B Common Stock will automatically convert into an equal number of shares of Class A Common Stock. Accordingly, no trading market will develop in the Class B Common Stock and the Class B Common Stock will not be listed or traded on any exchange or in any market.

OTHER RIGHTS

Stockholders of the Company have no preemptive or other rights to subscribe for additional shares. Subject to any rights of holders of any Preferred Stock and Series Preferred Stock, all holders of Common Stock, regardless of class, are entitled to share ratably in any assets available for distribution on liquidation, dissolution or winding up of the Company. No shares of either class of Common Stock are subject to redemption. All outstanding shares are, and all shares issuable upon conversion of the Debentures offered hereby will be, when issued upon such conversion in accordance with the terms of the Debentures, legally issued, fully paid and nonassessable. The Company may not subdivide or combine shares of either class of Common Stock without at the same time proportionally subdividing or combining shares of the other class of Common Stock.

EFFECTS OF DISPROPORTIONATE VOTING RIGHTS

The disproportionate voting rights of Class A Common Stock and Class B Common Stock could have an adverse effect on the market price of the Class A Common Stock. Such disproportionate voting rights may effectively preclude the Company from being taken over in a transaction not supported by holders of Class B Common Stock, may render more difficult or discourage a merger proposal or tender offer or may preclude a successful proxy contest, even if such actions were favored by stockholders of the Company other than the holders of the Class B Common Stock. Accordingly, such disproportionate voting rights may deprive stockholders of an opportunity to sell their shares at a premium over prevailing market prices, since takeover bids frequently involve purchases of stock directly from stockholders at such a premium price.

TRANSFER AGENT

The transfer agent and registrar for shares of the Class A Common Stock and Class B Common Stock is Continental Stock Transfer & Trust Company, New York, New York.

PREFERRED STOCK

PREFERRED STOCK

The Company is authorized to issue up to 50,000 shares of Preferred Stock (the "Preferred Stock"), all of which have been issued and are outstanding. Such shares are nonvoting and have preference over the Common Stock in the event of liquidation, dissolution or winding up of the Company to the extent of its par value of \$50 per share.

SERIES PREFERRED STOCK

The Company is authorized to issue up to 1,500,000 shares of Series Preferred Stock, par value \$.01 per share (the "Series Preferred Stock"), none of which has been issued. The Certificate of Incorporation provides that the Board of Directors may issue by resolution shares of Series Preferred Stock from time to time in one or more series and fix, as to each such series, the designations, preferences and relative, participating, optional and other special rights, and the qualifications, limitations or restrictions pertaining thereto, including voting rights (including the right to vote as a series on particular matters), preferences as to dividends and liquidation and conversion rights. However, the Company may not issue shares of Series Preferred Stock carrying in excess of one vote per share or convertible into Class B Common Stock without prior approval of a majority in interest of the holders of Class B Common Stock. The Company has no present plans for the issuance of any shares of Series Preferred Stock.

It is not possible to state the actual effect of the authorization of the Series Preferred Stock upon the rights of holders of Class A Common Stock, Class B Common Stock and Preferred Stock until the Board determines the specific rights thereof. However, such effects might include (a) restrictions on dividends on either class of Common Stock if dividends on Series Preferred Stock have not been paid; (b) dilution of the voting power of the Class A Common Stock to the extent that the Series Preferred Stock has voting rights; (c) dilution of the equity interest of the Class A Common Stock to the extent that the Preferred Stock is convertible into Class A Common Stock; or (d) either class of Common Stock and Preferred Stock not being entitled to share in the Company's assets upon liquidation, dissolution or winding up until satisfaction of any liquidation preference granted to holders of Series Preferred Stock. The Company has been advised that under its current listing requirements the American Stock Exchange would consider delisting the Class A Common Stock if any Series Preferred Stock diluted the class voting rights of the Class A Common Stock. Issuance of Series Preferred Stock, while providing desirable flexibility in connection with possible acquisition and other corporate purposes, could make it more difficult for a third party to acquire a majority of the outstanding voting stock. Accordingly, the issuance of Series Preferred Stock may be used as an anti takeover device without further action on the part of the stockholders of the Company.

WARRANTS

BLAU WARRANT

The Company and Harvey R. Blau ("Blau") have entered into a letter agreement, dated April 1, 1993 (the "Consulting Agreement"). Pursuant to the Consulting Agreement, the term of which was from April 1, 1993 to March 31, 1995, Blau was to render up to 20 hours of consulting services to the Company per year. In connection with the Consulting Agreement, Blau was awarded a warrant (the "Blau Warrant") to purchase 100,000 shares of Class A Common Stock at a purchase price of \$7.50 per share (subject to adjustment upon certain events described in the Blau Warrant). The Blau Warrant is exercisable in whole or in part, from time-to-time, until December 31, 1998. On December 15, 1993, the Company and Blau executed a letter agreement pursuant to which it was agreed that Blau had performed in excess of 40 aggregate hours of consulting services under the Consulting Agreement, that no further services were required to be performed by Blau under the Consulting Agreement and that the consideration for the Blau Warrant was deemed fully paid.

MAXIM WARRANT

The Company and James Maxim ("Maxim") have entered into an Agreement, dated September 23, 1993 and effective December 1, 1993, pursuant to which the Company acquired all of the issued and outstanding stock of H & H Eastern Distributors, Inc. owned by Maxim, and as a result, the Company became the sole stockholder of H & H Eastern Distributors, Inc. In connection with such Agreement, the Company issued to Maxim a warrant (the "Maxim Warrant") to purchase 50,000 shares of Class A Common Stock, at a purchase price of \$14.375 per share. The per share purchase price and number of shares purchasable pursuant to the Maxim Warrant are each subject to adjustment upon the occurrence of certain events described in the Maxim Warrant. The Maxim Warrant is exercisable, in whole or in part, from time-to-time, until September 22, 2003. In connection with the Maxim Warrant, Maxim has the right to require the Company to file with the SEC, on or after September 22, 1995, a registration statement relating to the sale by Maxim of the Class A Common Stock purchasable pursuant to the Maxim Warrant.

OTHER WARRANTS

On May 9, 1995 (the "Warrant Closing Date"), the Company closed an offering of warrants (the "Warrants") pursuant to the Warrant Agreement between the Company and Continental Stock Transfer & Trust Company, as Warrant Agent, a copy of which is

included as an exhibit to this Registration Statement, and is incorporated herein by reference. 1,668,875 warrants (the "Warrants") were issued with each Warrant entitling the holder thereof to purchase one share of Class A Common Stock, par value \$.01 per share (the "Class A Common Stock"), of the Company at any time on or prior to March 15, 2001 (the "Expiration Date"). The exercise price of each Warrant is \$7-1/8 per share (the "Warrant Exercise Price"). The Warrant Exercise Price and the number of shares of Class A Common Stock acquirable upon exercise of a Warrant is subject to adjustment in certain limited circumstances.

Each beneficial holder of the Convertible Debentures as of June 3, 1994 who elected to invest in the Warrants acquired 30 Warrants per \$1,000 principal amount of Convertible Debentures (except for Oppenheimer & Co., Inc., which acquired 25 Warrants per \$1,000 principal amount of Convertible Debentures) held as of such date in consideration for the delivery by such person of a release which released the Company, the Initial Purchasers, and their respective directors, officers, partners, employees and agents, from liability for any and all potential claims, if any, such beneficial holder may have against such persons in connection with such purchaser's investment in the Convertible Debentures and the offering of the Convertible Debentures.

The Warrants may not be exercised (a) until the later of (x) one year after issuance and (y) the date a registration statement with respect to the Class A Common Stock issuable upon exercise of the Warrants has been filed and declared effective by the Securities and Exchange Commission (the "SEC") or (b) after March 15, 2001 (the "Expiration Date") unless the Warrants are terminated sooner under certain circumstances. The Warrants are currently exercisable.

The Company filed with the SEC within 300 days of the Warrant Closing Date of the offering and caused such filing to become effective within 365 days of the Warrant Closing Date, a registration statement with respect to the issuance of the Class A Common Stock underlying the Warrants upon exercise thereof. Had such registration statement with respect to the Common Stock not been filed within such 300-day period or declared effective within such 365-day period, the exercise price of the Warrants would have decreased by \$1/8 per share of Class A Common Stock; subject to additional decreases of \$1/8 per share for each additional six-month period for which such registration statement was not filed or declared effective, as the case may be. In addition, the Warrant Exercise Price will also decrease by \$1/8 per share of Class A Common Stock should such registration statement cease to be effective for more than 90 days (180 days in certain circumstances) in any 365-day period, subject to additional decreases of \$1/8 per share of Class A Common Stock for each additional six-month period for which such registration statement ceases to be effective. Notwithstanding the foregoing, the maximum number of \$1/8 per share decreases shall be 10 and there shall be no more than one such decrease in any six-month period (each of such events which results in a decrease in the Warrant Exercise Price being referred to herein as a "Warrant Registration Default"). The Company will be obligated to use its reasonable best efforts to cause the registration statement relating to the Class A Common Stock to remain effective until the Expiration Date.

If less than 5% of the Warrants initially issued remain outstanding, the Company may elect, by written notice to each holder of the Warrants, that the Warrants will expire on the 30th day after delivery of such notice.

In connection with the Warrant offering, John J. Shalam, Chief Executive Officer of the Company, granted the Company the Shalam Option to purchase 1,668,875 shares of Class A Common Stock. The Shalam Option Price is equal to the sum of (a) the Warrant Exercise Price (without giving effect to any decreases of such price as a result of a Registration Default) plus (b) an additional amount (the "Tax Amount") intended to reimburse Mr. Shalam for any additional taxes per share required to be paid by Mr. Shalam as a result of the payment of the Shalam Option Price being treated for federal, state and local income tax purposes as the distribution to Mr. Shalam of a dividend (taxed at ordinary income rates without consideration of Mr. Shalam's basis), rather than as a payment to Mr. Shalam for the sale of his Class A Common Stock to the Company (taxed at the capital gains rate with consideration of Mr. Shalam's basis and considering any stepped up basis to Mr. Shalam's heirs, successors or assigns (a "Successor")) pursuant to the Shalam Option. The shares of Class A Common Stock underlying the Shalam Option have been legended with a description of the Shalam Option. Any Successor acquiring the shares of Class A Common Stock underlying the Shalam Option (whether by sale, transfer or upon Mr. Shalam's death) will acquire such shares subject to the terms of the Shalam Option. Mr. Shalam and any Successor will be entitled to the Tax Amount upon delivery of a satisfactory notice to the Company that the payment of a Tax Amount is required to reimburse such person for such additional taxes. The Shalam Option will be exercisable in the sole discretion of the then-independent members of the Board of Directors (which shall in no event include Mr. Shalam). The Company will be able to exercise the Shalam Option in whole or in part only if the Warrants are exercised and then only for the same number of shares of Class A Common Stock as are purchased under the Warrants.

The Company is subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, this statute prohibits a publicly held Delaware corporation from engaging, under certain circumstances in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person becomes an interested stockholder, unless either: (i) prior to the date at which the stockholder became an interested stockholder, the Board of Directors approved either the business combination or the transaction in which the person becomes an interested stockholder; (ii) the stockholder acquires more than 85% of the outstanding voting stock of the corporation (excluding shares held by directors who are officers or held in certain employee stock plans) upon consummation of the transaction in which the stockholder becomes an interested stockholder; or (iii) the business combination is approved by the Board of Directors and by at least 66 2/3% of the outstanding voting stock of the corporation (excluding shares held by the interested stockholder) at a meeting of stockholders (and not by written consent) held on or subsequent to the date of the business combination. An "interested stockholder" is a person who, together with affiliates and associates, owns (or at any time within the prior three years did own) 15% or more of the corporation's voting stock. Section 203 defines a "business combination" to include, without limitation, mergers, consolidations, stock sales and asset based transactions and other transactions resulting in a financial benefit to the interested stockholder.

Section 203 of the Delaware General Corporation Law contains provisions normally considered to have the effect of inhibiting a non-negotiated merger or other business combination. Consequently, the market price of the Class A Common Stock may be less likely to reflect a "premium for control."

MARKET PRICE OF CLASS A COMMON STOCK

The Class A Common Stock is listed on the AMEX under the symbol "VOX." The following table sets forth the high and low sales price for the Class A Common Stock during the periods indicated as reported by the AMEX.

Fiscal Periods - - - - -	High -----	Low ----
1994		
First Quarter	\$ 18 3/8	\$14 1/4
Second Quarter	16	11 7/8
Third Quarter	12 3/4	6 1/4
Fourth Quarter	9 3/8	6 3/4
1995		
First Quarter	8 1/2	6 3/8
Second Quarter	7	5 1/16
Third Quarter	7 3/8	4 7/16
Fourth Quarter	6 13/16	4 3/8
1996		
First Quarter	6 3/8	4 3/4
Second Quarter	7 7/16	4 1/16
Third Quarter	6 5/16	4
Fourth Quarter (partial period through October 16, 1996)	6 3/4	4 7/8

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following general discussion is a summary of certain United States federal income tax aspects with respect to the Exchange Offer and is for general information only and does not consider all aspects of United States federal income tax that may be relevant to a holder of Convertible Debentures in light of his or her personal circumstances. The discussion assumes that the Convertible Debentures are properly classified as indebtedness for federal income tax purposes. The discussion does not address the United States federal income tax consequences to holders of Convertible Debentures who do not hold the Convertible Debentures and the Class A Common Stock to be issued pursuant to the Exchange Offer as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). This discussion also does not address the United States federal income tax consequences to holders of Convertible Debentures subject to special treatment under the federal income tax laws, such as dealers in securities or foreign currency, tax-exempt entities, banks, thrifts, insurance companies, and investors in pass-through entities. In addition, the discussion is generally limited to the United States federal income tax consequences to holders of Convertible Debentures tendering such Convertible Debentures in the Exchange Offer. The discussion does not describe any tax consequences arising out of the tax laws of any state, local or foreign jurisdiction.

This summary is based upon the Code, existing and proposed regulations thereunder, and current administrative rulings and court decisions. All of the foregoing are subject to change, and any such change could affect the continuing validity of this discussion.

The following discussion is limited to the United States federal income tax consequences relevant to a holder of

Convertible Debentures that is (i) a citizen or resident of the United States, (ii) a corporation organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate or trust, the income of which is subject to United States federal income tax regardless of the source, or (iv) a "U.S. Trust." For this purpose, for taxable years beginning prior to January 1, 1997, unless the trustee makes the election described below, a "U.S. Trust" is any trust, the income of which is subject to United States federal income tax regardless of the source; for taxable years beginning after December 31, 1996, or if the trustee elects to apply the following definition, a "U.S. Trust" is any trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and (ii) one or more United States fiduciaries have the authority to control all substantial decisions of the trust. Trusts should consult their own tax advisers regarding their status as U.S. Trusts under these rules.

PERSONS TENDERING CONVERTIBLE DEBENTURES IN EXCHANGE FOR CLASS A COMMON STOCK IN THE TENDER OFFER SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE APPLICATION OF UNITED STATES FEDERAL INCOME TAX LAWS, AS WELL AS THE LAWS OF ANY STATE, LOCAL OR FOREIGN TAXING JURISDICTION, TO THEIR PARTICULAR SITUATIONS.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS OF CONVERTIBLE DEBENTURES

THE EXCHANGE OFFER

The determination of whether the exchange of Convertible Debentures for Class A Common Stock is a tax-free "recapitalization" for federal income tax purposes depends upon whether the Convertible Debentures are "securities" for federal income tax purposes. The term "security" is not defined in the Code or regulations, and has not been clearly defined by court decisions. Important factors to be considered in determining whether the Convertible Debentures constitute securities include, among other things, length of time to maturity, degree of continuing interest in the issuer, similarity of the debt instrument to a cash payment, and the purpose of the borrowing. Generally, corporate debt instruments with maturities when issued of less than five years are not considered securities and corporate debt instruments with maturities when issued of ten years or more generally are considered securities. Although the issue is not free from doubt, the Company intends to take the position that the Convertible Debentures will be treated as "securities" for federal income tax purposes and, except when otherwise indicated, the balance of this discussion is based on the assumption that such treatment will be respected.

If the Convertible Debentures are "securities" for federal income tax purposes, a holder exchanging Convertible Debentures for Class A Common Stock in the Exchange Offer will not recognize gain or loss in respect of such exchange for federal income tax purposes, except with respect to cash received for accrued but unpaid interest or in lieu of receipt of fractional shares of Class A Common Stock. A holder's adjusted tax basis in the Class A Common Stock received will be equal to the holder's adjusted tax basis in the Convertible Debentures exchanged therefor (other than any basis attributable to accrued interest). A holder's holding period in the Class A Common Stock received in the exchange will include the holder's holding period in the Convertible Debentures exchanged therefor.

If the exchange of Convertible Debentures for Class A Common Stock is not treated as a recapitalization for federal income tax purposes (e.g., because the Convertible Debentures are not treated as "securities" for federal income tax purposes), a holder of Convertible Debentures would recognize gain or loss for federal income tax purposes in an amount equal to the difference between the fair market value of the Class A Common Stock received and the holder's tax basis in the Convertible Debentures. (not including tax basis attributable to any accrued and unpaid interest thereon). Subject to the discussion of accrued interest and "Market Discount" below, gain or loss recognized by a holder on the exchange generally would be capital gain or loss and would be long-term capital gain or loss if such holder's holding period for the Convertible Debentures exceeded one year at the time of the exchange. If the exchange is not treated as a recapitalization for federal income tax purposes, a holder's tax basis in the Class A Common Stock received would equal its fair market value, and the holding period for such Class A Common Stock would begin on the day after the date of the exchange.

Cash will be paid to holders for accrued but unpaid interest and in lieu of the receipt of fractional shares of Class A Common Stock in the Exchange. Regardless of whether or not the Exchange is treated as a recapitalization for tax purposes, holders will be required to include as ordinary income the amount of cash received for accrued interest, to the extent such amount has not previously been included in income. A holder who receives cash in lieu of a fractional share of Class A Common stock will generally be treated as having received the cash in exchange for a fractional share which the holder is deemed to have received, provided that the distribution of that cash is not "essentially equivalent to a dividend." Gain or loss recognized as a result of that deemed exchange will be equal to the cash amount received less the holder's basis in the fractional share deemed received.

MARKET DISCOUNT

Holders of Convertible Debentures who acquire them at a "market discount" will be subject to the market discount rules of the Code applicable to the exchange. Subject to a de minimus exception, "market discount" is generally defined as the excess (if any) of (i) the "stated redemption price at maturity" (as such phrase is defined in the Code) of a debt obligation over (ii) the tax basis of the obligation in the hands of the holder immediately after its acquisition. Unless the holder elects otherwise, the amount of accrued market discount as of a date generally would be the amount calculated by multiplying the market discount by a fraction, the numerator of which is the number of days the Convertible Debentures have been held by the holder, and the denominator of which is the number of days from the date of the holder's acquisition of the Convertible Debentures to their maturity date.

The market discount rules provide that gain recognized on the disposition of a market discount bond must be included as ordinary income, rather than as capital gain, to the extent of the market discount accrued during the holder's period of ownership, unless the holder elected to include market discount in income as it accrued. It is possible, though unlikely, that these rules could require recognition of ordinary income even in the case of an otherwise tax-free recapitalization. Regulations have not been issued concerning the recognition of market discount in the case of tax-free transactions; thus, it is unclear how these rules will apply to the exchange. Regulations are expected to be issued which would provide that any accrued market discount not treated as ordinary income upon an exchange of market discount bonds in which gain or loss is not recognized in whole or in part (such as in the Exchange Offer if such exchange is treated as a recapitalization for federal income tax purposes) would carry over to the nonrecognition property received in the exchange (i.e., the Class A Common Stock). If such regulations are promulgated and are applicable to the Exchange Offer, any accrued market discount not treated as ordinary income as a result of the exchange would carry over to the Class A Common Stock. On the disposition of such Class A Common Stock, any gain recognized generally would be treated as ordinary income to the extent of the accrued market discount as of the time of the Exchange Offer not previously included in the holder's income.

CLASS A COMMON STOCK

Under Section 301(c) of the Code, distributions made with respect to shares of Class A Common Stock generally will be treated as ordinary income to the extent of the Company's current and accumulated earnings and profits for the taxable year of the distribution. Amounts distributed in excess of such earnings and profits are treated as a tax-free return of capital to the extent of the holder's tax basis in its shares of Class A Common Stock, with any amount distributed in excess of such tax basis being treated as an amount received on a sale or exchange of the stock. A 70% dividends received deduction (80% for corporate holders owning 20% or more in voting power and fair market value of the Company's stock) may be available for certain corporate holders, subject to numerous conditions and exceptions.

Generally, gain or loss is recognized on a sale or other disposition of Class A Common Stock to the extent of the difference between the amount of cash (and the fair market value of other property) received in the disposition and the holder's tax basis in its Class A Common Stock. Such gain or loss will be subject to the discussion of market discount above, be capital gain or loss and will be long-term capital gain or loss if the Class A Common Stock has been held for more than one year. Currently, net capital gains and ordinary income of corporations are taxable at the same maximum rate (35%), whereas net long-term capital gains of individuals are taxable at a maximum rate (28%) that is lower than the maximum rate applicable to ordinary income (39.6%). In the case of both individuals and corporations, capital losses generally may be used to offset only capital gains, subject to a de minimis exception of \$3,000 per annum in the case of individuals.

BACKUP WITHHOLDING

A holder of Class A Common Stock may be subject to backup withholding at the rate of 31% with respect to dividends paid on the Class A Common Stock, unless the holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact or (ii) provides a correct taxpayer identification number, certifies as to no loss of exemption from backup withholding and otherwise complies with the applicable requirements of the backup withholding rules. Holders receiving Class A Common Stock in exchange for Convertible Debentures should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining such an exemption. Any amount paid as backup withholding will be creditable against the holder's federal income tax liability.

HOLDERS OF CONVERTIBLE DEBENTURES WHO DO NOT PARTICIPATE IN THE EXCHANGE OFFER

Holders of Convertible Debentures who elect not to participate in the Exchange Offer and who consequently do not

exchange their Convertible Debentures for Class A Common Stock will not recognize gain or loss as a consequence of the Exchange Offer.

THE FOREGOING IS INTENDED ONLY AS A SUMMARY OF CERTAIN FEDERAL INCOME TAX ASPECTS OF THE TENDER OFFER AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF CONVERTIBLE DEBENTURES. HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE CONSEQUENCES TO THEM OF THE EXCHANGE.

INTEREST IN CONVERTIBLE DEBENTURES

Based upon the Company's records and upon information provided to the Company by its directors, executive officers and affiliates, except as provided below, neither the Company nor any of its subsidiaries or affiliates nor any of the directors or executive officers of the Company, nor any associates of any of the foregoing, including the directors or executive officers of its subsidiaries, has effected any transactions in the Convertible Debentures during the forty business day period prior to the date hereof. Martin Novick, Vice President, Consumer Electronics, owns \$222,000 aggregate principal amount of Convertible Debentures, \$29,000 of which were purchased in the last forty business days. Any Convertible Debentures owned directly or indirectly by officers/directors at the time of the Exchange Offer are eligible for exchange if properly tendered pursuant to the Exchange Offer on the same basis as all other Convertible Debentures.

CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO THE CONVERTIBLE DEBENTURES

Other than the Indenture none of the Company nor any of its affiliates, directors or executive officers, or any of the executive officers or directors of its subsidiaries, is a party to any contract, arrangement, understanding or relationship with any other person relating, directly or indirectly, to the Exchange Offer with respect to any securities of the Company (including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies, consents or authorizations).

Facsimile copies of the Letter of Transmittal will be accepted. Letters of Transmittal, certificates for the Convertible Debentures and any other required documents should be sent by each Debentureholder or his broker, dealer, commercial bank, trust company or other nominee to the Exchange Agent at one of the addresses set forth below:

THE EXCHANGE AGENT:

CONTINENTAL STOCK TRANSFER & TRUST COMPANY

By Mail: By Hand: Overnight Delivery:

c/o Continental Stock Transfer & Trust Company Two Broadway New York, NY 10004	c/o Continental Stock Transfer & Trust Company Two Broadway New York, NY 10004	c/o Continental Stock Transfer & Trust Company Two Broadway New York, NY 10004 Attn: Reorganization Department.
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By Facsimile:
(212) 509-5150

Toll Free Number
(800) 509-5586

Any questions or requests for assistance or additional copies of this Offering Circular, the Letter of Transmittal and/or the Notice of Guaranteed Delivery may be directed to the Exchange Agent at its telephone number and address set forth above. You may also contact your broker, dealer, commercial bank or trust company or other nominee for assistance concerning the Exchange Offers.

LETTER OF TRANSMITTAL
To Exchange
6 1/4% Convertible Subordinated Debentures Due March 15, 2001
Of
Audiovox Corporation
Pursuant To The Offering Circular Dated October 18, 1996
Of
Audiovox Corporation
(The "Company")

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON NOVEMBER 19, 1996, UNLESS EXTENDED (THE "EXPIRATION DATE"). TENDERS OF 6 1/4% CONVERTIBLE SUBORDINATED DEBENTURES DUE MARCH 15, 2001 MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE.

TO:
CONTINENTAL STOCK TRANSFER & TRUST COMPANY, EXCHANGE AGENT

By Mail, By Hand or Overnight Delivery:

c/o Continental Stock Transfer & Trust Company
Two Broadway, 19th Floor
New York, New York 10004

Attention: Reorganization Department

By Facsimile:
(212) 509-5150

Phone Number
(212) 509-4000 Ext. 227

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE OR TELEX, OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

The instructions accompanying this Letter of Transmittal should be read carefully before this Letter of Transmittal is completed. Except as otherwise provided herein, all signatures on this Letter of Transmittal must be guaranteed in accordance with the procedures set forth herein. See Instruction 1.

HOLDERS WHO WISH TO BE ELIGIBLE TO RECEIVE THE EXCHANGE OFFER CONSIDERATION PURSUANT TO THE EXCHANGE OFFER MUST VALIDLY TENDER

(AND NOT WITHDRAW) THEIR CONVERTIBLE DEBENTURES TO THE EXCHANGE AGENT PRIOR TO THE EXPIRATION DATE.

This Letter of Transmittal is to be used only if 6 1/4% Convertible Subordinated Debentures due March 15, 2001 (the "Securities" or the Convertible Debentures") of the Company are to be physically delivered to the Exchange Agent or delivered by book-entry transfer to the Exchange Agent's account at The Depository Trust Company ("DTC") (a "Book-Entry Transfer Facility") pursuant to the book-entry transfer procedures set forth in the Offering Circular of the Company dated October 18, 1996 (as the same may be amended or supplemented from time to time, the "Offering Circular") under the heading "The Exchange Offer -- Procedures for Tendering -- Book-Entry Transfer." See Instruction 2. Delivery of documents to a Book-Entry Transfer Facility does not constitute delivery to the Exchange Agent.

Holders whose Convertible Debentures are not immediately available or who cannot deliver their Convertible Debentures and all other required documents to the Exchange Agent, or who cannot complete the procedure for book-entry transfer, prior to the Expiration Date, may nevertheless tender their Convertible Debentures in accordance with the guaranteed delivery procedures set forth in the Offering Circular under the heading "The Exchange Offer -- Procedures for Tendering -- Guaranteed Delivery." See Instruction 2.

All capitalized terms used herein and not otherwise defined herein are used herein with the meanings ascribed to them in the Offering Circular.

HOLDERS WHO WISH TO TENDER THEIR CONVERTIBLE DEBENTURES MUST, AT A MINIMUM, COMPLETE COLUMNS (1) THROUGH (3) IN THE BOX HEREIN ENTITLED "DESCRIPTION OF SECURITIES TENDERED" AND SIGN IN THE APPROPRIATE BOX BELOW. If only those columns are completed, the holder will be deemed to have tendered all the Convertible Debentures, listed in the table. If a holder wishes to tender less than all of such Convertible Debentures, column (4) must be completed in full, and such holder should refer to Instruction 5.

//CHECK HERE IF TENDERED CONVERTIBLE DEBENTURES ARE BEING
DELIVERED BY BOOK-ENTRY TRANSFER TO THE EXCHANGE AGENT'S
ACCOUNT AT A BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE
FOLLOWING:

Name of Tendering Institution:

Account Number:

Transaction Code Number:

// CHECK HERE IF TENDERED CONVERTIBLE DEBENTURES ARE BEING
DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY AND
COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s):

Window Ticket No. (if any):

Date of Execution of Notice of Guaranteed Delivery:

Name of Institution which Guaranteed Delivery:

Account Number:

Transaction Code Number:

DESCRIPTION OF SECURITIES TENDERED

(1)	(2)	(3)	(4)
NAMES(S) AND ADDRESS(ES) OF HOLDER(S) (PLEASE FILL IN, IF BLANK, EXACTLY AS NAME(S) APPEAR(S) ON SECURITIES)	SECURITY NUMBER(S)	TOTAL PRINCIPAL AMOUNT OF SECURITIES*	PRINCIPAL AMOUNT TENDERED (IF LESS THAN ALL)

Total:

 Need not be completed by holders tendering by book-entry transfer (see below).
 Completion of column (3) will constitute the tender by you of all Securities delivered unless otherwise specified in column (4). See Instruction 5.

NOTE: SIGNATURES MUST BE PROVIDED BELOW
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

By execution hereof, the undersigned hereby acknowledges he has received and reviewed the Offering Circular and this Letter of Transmittal relating to the Company's offer to exchange (the "Exchange Offer") each outstanding \$1,000 principal amount of the Convertible Debentures into 165 shares of the Company's Class A Common Stock, par value \$.01 per share (the "Exchange Offer Consideration") and otherwise upon the terms and subject to the conditions set forth in the Offering Circular. The undersigned hereby acknowledges that the undersigned will be entitled to any payment in respect of accrued and unpaid interest on the Securities tendered herewith and accepted pursuant to the Exchange Offer.

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Company the principal amount of Securities indicated above. The undersigned understands that the obligation of the Company to consummate the Exchange Offer is subject to several conditions (including, among others, approval by the Company's Shareholders of the issuance of Class A Common Stock necessary to effect the Exchange Offer) as set forth in Offering Circular under "The Exchange Offer -- Conditions to the Exchange Offer."

The undersigned acknowledges that all the foregoing conditions are for the sole benefit of the Company and may be asserted by the Company regardless of the circumstances giving rise to such conditions and may be waived by the Company, in whole or in part, at any time and from time to time, in the sole discretion of the Company. The failure by the Company at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right, and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time. If any of the conditions set forth in this section shall not be satisfied, the Company may, subject to applicable law, (i) terminate the Exchange Offer and return all Convertible Debentures tendered pursuant to the Exchange Offer to tendering holders; (ii) extend the Exchange Offer and retain all tendered Convertible Debentures until the Expiration Date for the extended Exchange Offer; (iii) amend the terms of the Exchange Offer or modify the consideration to be provided by the Company pursuant to the Exchange Offer; or (iv) waive the unsatisfied conditions with respect to the Exchange Offer and accept all Convertible Debentures tendered pursuant to the Exchange Offer. Notwithstanding anything to the contrary, the Company may extend the period of the Exchange Offer in its sole discretion.

In any such event, the tendered Convertible Debentures not accepted for exchange will be returned to the undersigned without cost to the undersigned as soon as practicable following the date on which the Exchange Offer is terminated or expires without any Convertible Debentures being purchased thereunder, at the address shown below the undersigned's

signature(s) unless otherwise indicated under "Special Payment Instructions" below.

Subject to, and effective upon, the acceptance by the Company of the principal amount of Securities tendered hereby for exchange pursuant to the terms of the Exchange Offer, the undersigned hereby irrevocably sells, assigns and transfers to, or upon the order of, the Company, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of the undersigned's status as a holder of, all Securities tendered hereby, waives any and all rights with respect to the Securities tendered hereby (including, without limitation, the undersigned's waiver of any existing or past defaults and their consequences with respect to the Securities) and releases and discharges any obligor or parent of any obligor of the Securities from any and all claims the undersigned may have now, or may have in the future, arising out of or related to the Securities, including, without limitation, any claims that the undersigned is entitled to receive additional principal or interest payments with respect to the Securities or to participate in any redemption or defeasance of the Securities. The undersigned hereby irrevocably constitutes and appoints the Exchange Agent (with full knowledge that the Exchange Agent also acts as agent of the Company) as the true and lawful agent and attorney-in-fact of the undersigned with respect to such Securities, with full power of substitution (such power-of-attorney being deemed to be an irrevocable power coupled with an interest) to (a) deliver such Securities, or transfer ownership of such Securities on the account books maintained by a Book-Entry Transfer Facility, together, in either case, with all accompanying evidences of transfer and authenticity, to or upon the order of the Company, (b) present such Securities for transfer on the books of the Company, and (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Securities, all in accordance with the terms of the Exchange Offer.

The undersigned hereby represents and warrants that (i) the undersigned has full power and authority to tender, sell, assign and transfer the Securities tendered hereby, and that when such Securities are accepted for exchange by the Company, the Company will acquire good, marketable and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and that none of such Securities will be subject to any adverse claim or right; (ii) the undersigned owns the Securities being tendered hereby and is entitled to tender such Securities as contemplated by the Exchange Offer, all within the meaning of Rule 14e-4 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and (iii) the tender of such Securities complies with Rule 14e-4. The undersigned, upon request, will execute and deliver all additional documents deemed by the Exchange Agent or the Company to be necessary or desirable to complete the sale, assignment and transfer of the Securities tendered hereby.

The undersigned understands that tenders of Securities pursuant to any of the procedures described in the Offering Circular under the caption "The Exchange Offer -- Procedures for Tendering" and in the instructions hereto will constitute the undersigned's acceptance of the terms and conditions of the Exchange Offer. The Company's acceptance of such Securities for exchange pursuant to the terms of the Exchange Offer will constitute a binding agreement between the undersigned and the Company upon the terms and subject to the

conditions of the Exchange Offer. The undersigned has read and agrees to all terms and conditions of the Exchange Offer. Delivery of the enclosed Securities shall be effected, and risk of loss and title of such Securities shall pass, only upon proper delivery thereof to the Exchange Agent.

All authority conferred or agreed to be conferred by this Letter of Transmittal shall survive the death or incapacity of the undersigned and every obligation of the undersigned under this Letter of Transmittal shall be binding upon the undersigned's heirs, personal representatives, executors, administrators, successors, assigns, trustees in bankruptcy and other legal representatives. SECURITIES TENDERED PURSUANT TO THE EXCHANGE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE. See the information set forth under the heading "The Exchange Offer -- Withdrawal of Tenders" in the Offering Circular.

Unless otherwise indicated herein in the box entitled "Special Payment Instructions," please issue the Exchange Offer Consideration with respect to Securities accepted for exchange, and return any certificates for Securities not tendered or not accepted for exchange, in the name(s) of the registered holder(s) appearing in the box entitled "Description of Securities Tendered" (and, in the case of Securities tendered by book-entry transfer, by credit to the account at the Book-Entry Transfer Facility designated above). Similarly, unless otherwise indicated herein in the box entitled "Special Delivery Instructions," please deliver the Exchange Offer Consideration with respect to Securities accepted for exchange, together with any certificates for Securities not tendered or not accepted for exchange (and accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing in the box entitled "Description of Securities Tendered." If both the "Special Payment Instructions" box and the "Special Delivery Instructions" box are completed, please issue the Exchange Offer Consideration with respect to any Securities accepted for exchange, and return any certificates for Securities not tendered or not accepted for exchange, in the name(s) of, and deliver such Exchange Offer Consideration and any such certificates to, the person(s) at the address(es) so indicated. Please credit any Securities tendered hereby and delivered by book-entry transfer, but which are not accepted for exchange, by crediting the account at the Book-Entry Transfer Facility designated above. The undersigned recognizes that the Company has no obligation pursuant to the "Special Payment Instructions" box or "Special Delivery Instructions" box provisions of this Letter of Transmittal to transfer any Securities from the name of the registered holder(s) thereof if the Company does not accept any of such Securities for exchange pursuant to the terms of the Exchange Offer.

SPECIAL PAYMENT INSTRUCTIONS
(SEE INSTRUCTIONS 1, 6, 7 AND 8)

To be completed ONLY if the payment of accrued and unpaid interest due on the Convertible Debentures accepted for exchange and/or certificates for Securities in a principal amount not tendered or not accepted for exchange, and/or the certificates representing the Exchange Offer Consideration, are to be issued in the name of someone other than the undersigned or if Securities delivered by book-entry transfer not accepted for purchase are to be returned by credit to a participant number maintained at the Book-Entry Transfer Facility other than the participant number indicated above.

Issue: / / Securities
/ / Exchange Offer Consideration to:

Name: -----
(Please Print)

Address: -----
Zip Code

Wire Transfer Instructions -----

Please complete the Substitute Form W-9 below.

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 1, 6, 7 AND 8)

To be completed ONLY if certificates for Securities in a principal amount not tendered or not accepted for exchange, and/or the certificates representing the Exchange Offer Consideration, are to be sent to someone other than the undersigned, or to the undersigned at an address other than that shown above.

Deliver: / / Securities
/ / Exchange Offer Consideration to:

Name: -----
(Please Print)

Address: -----
Zip Code

Please complete the Substitute Form W-9 below.

SIGN HERE

(TO BE COMPLETED BY ALL TENDERING HOLDERS OF SECURITIES REGARDLESS OF WHETHER SECURITIES ARE BEING PHYSICALLY DELIVERED HEREWITH)

X -----

X -----

Signature(s) of Holder(s) and Authorized Signatory
Date _____, 1996

Must be signed by the registered holder(s) of the Securities tendered hereby exactly as their name(s) appear(s) on the certificate(s) for such Securities or, if tendered by a participant in one of the Book-Entry Transfer Facilities, exactly as such participant's name appears on a security position listing as the owner of the Securities, or by person(s) authorized to become registered holder(s) by endorsements and documents transmitted with this Letter of Transmittal. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, agent or other person acting in a fiduciary or representative capacity, please provide the following information and see Instruction 6.

Name(s): -----

(Please Print)

Capacity (full title): -----

Address: -----

(Including Zip Code)

Area Code and Telephone No. -----

Tax Identification Number or Social Security Number -----

Wire Transfer Instructions -----

SIGNATURE GUARANTEE (See Instructions 1 and 6 below)

(Name of Eligible Institution Guaranteeing Signatures)

(Address (including zip code) and Telephone Number (including area code) of Eligible Institution)

(Authorized Signature)

(Printed Name)

(Title)

Date: _____ 1996

INSTRUCTIONS
FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

1. GUARANTEE OF SIGNATURES. All signatures on this Letter of Transmittal must be guaranteed by a firm which is a member of a registered national securities exchange or of the National Association of Securities Dealers, Inc., by a commercial bank or trust company having an office or correspondent in the United States or by any other "Eligible Guarantor Institution" as such term is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended (each of the foregoing being referred to herein as an "Eligible Institution") unless (a) this Letter of Transmittal is signed by the registered holder of the Securities tendered herewith (or by a participant in one of the Book-Entry Transfer Facilities whose name appears on a security position listing as the owner of such Securities) and neither the "Special Payment Instructions" box nor the "Special Delivery Instructions" box of this Letter of Transmittal has been completed or (b) such Securities are tendered for the account of an Eligible Institution. See Instruction 6.

2. DELIVERY OF LETTER OF TRANSMITTAL AND SECURITIES; GUARANTEED DELIVERY PROCEDURES. This Letter of Transmittal is to be used only if Securities tendered hereby are to be physically delivered to Exchange Agent or delivered by book-entry transfer to the Exchange Agent's account at a Book-Entry Transfer Facility pursuant to the procedures set forth in the Offering Circular under the heading "The Exchange Offer -- Procedures for Tendering -- Book-Entry Transfer." All physically tendered Securities or confirmations of, or an Agent's Message with respect to, book-entry transfer into the Exchange Agent's account with a Book-Entry Transfer Facility, together with a properly completed and validly executed Letter of Transmittal (or facsimile or electronic copy thereof or an electronic agreement to comply with the terms thereof) and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at one of its addresses set forth on the cover page hereof prior to the Expiration Date. If Securities are forwarded to the Exchange Agent in multiple deliveries, a properly completed and validly executed Letter of Transmittal must accompany each such delivery. The Company may elect to waive receipt of a written Letter of Transmittal if delivery is properly effected through a Book-Entry Transfer Facility.

If a holder desires to tender Securities pursuant to the Exchange Offer and (a) certificates representing such Securities are not immediately available, (b) time will not permit this Letter of Transmittal, certificates representing such Securities and all other required documents to reach the Exchange Agent prior to the Expiration Date, or (c) the procedures for book-entry transfer cannot be completed prior to the Expiration Date, such holder may effect a tender of Securities in accordance with the guaranteed delivery procedure set forth in the Offering Circular under the caption "The Exchange Offer -- Procedures for Tendering -- Guaranteed Delivery."

Pursuant to such procedure:

(a) such tender must be made by or through an Eligible Institution;

(b) prior to the Expiration Date, the Exchange Agent must have received from such Eligible Institution, at one of the addresses of the Exchange Agent set forth on the cover page hereof, a properly completed and validly executed Notice of Guaranteed Delivery (by telegram, facsimile, mail or hand delivery) substantially in the form provided by the Company, setting forth the name and address of the registered holder and the principal amount or number of Securities being tendered and stating that the tender is being made thereby and guaranteeing that, within three New York Stock Exchange trading days after the date of the Notice of Guaranteed Delivery, this Letter of Transmittal validly executed (or a facsimile hereof), together with certificates evidencing the Convertible Debentures (or confirmation of, or an Agent's Message with respect to, book-entry transfer of such Convertible Debentures into the Exchange Agent's account with a Book-Entry Transfer Facility), and any other documents required by this Letter of Transmittal and these instructions, will be deposited by such Eligible Institution with the Exchange Agent; and

(c) this Letter of Transmittal or a facsimile hereof, properly completed and validly executed, with any required signature guarantees, certificates representing the Securities in proper form for transfer (or confirmation of book-entry transfer into the Exchange Agent's account with a Book-Entry Transfer Facility) and all other documents required by this Letter of Transmittal must be received by the Exchange Agent within three New York Stock Exchange trading days after the date of such Notice of Guaranteed Delivery.

THE METHOD OF DELIVERY OF THIS LETTER OF TRANSMITTAL, SECURITIES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH ANY BOOK-ENTRY TRANSFER FACILITY, TO THE EXCHANGE AGENT IS AT THE ELECTION AND RISK OF THE TENDERING HOLDER, AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE EXCHANGE AGENT. IF SUCH DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, THE MAILING SHOULD BE MADE SUFFICIENTLY IN ADVANCE OF THE EXPIRATION DATE, TO PERMIT DELIVERY TO THE EXCHANGE AGENT PRIOR TO SUCH DATE. NO ALTERNATIVE, CONDITIONAL OR CONTINGENT TENDERS OF SECURITIES WILL BE ACCEPTED. BY EXECUTION OF THIS LETTER OF TRANSMITTAL (OR A FACSIMILE HEREOF), ALL TENDERING HOLDERS WAIVE ANY RIGHT TO RECEIVE ANY NOTICE OF THE ACCEPTANCE OF THEIR SECURITIES FOR PAYMENT.

3. INADEQUATE SPACE. If the space provided herein under "Description of Securities Tendered" is inadequate, the certificate numbers of the Securities and the principal amount of Securities tendered should be listed on a separate schedule and attached hereto.

4. WITHDRAWAL OF TENDERS. Tenders of Convertible Debentures may be withdrawn at any time until the Expiration Date. Thereafter, such tenders are irrevocable, except that they may be withdrawn after the expiration of 40 business days from the commencement of the Exchange Offer (December 16, 1996) unless accepted for exchange prior to that date.

Holders who wish to exercise their right of withdrawal with respect to a Exchange Offer must give written notice of withdrawal, delivered by mail or hand delivery or facsimile transmission, to the Exchange Agent at one of its addresses set forth on the back cover page of this Offering Circular prior to the Expiration Date or at such other time as otherwise provided for herein. In order to be effective, a notice of withdrawal must specify the name of the person who deposited the Convertible Debentures to be withdrawn (the "Depositor"), the name in which the Convertible Debentures are registered, if different from that of the Depositor, and the principal amount of the Convertible Debentures to be withdrawn prior to the physical release of the certificates to be withdrawn. If tendered Convertible Debentures to be withdrawn have been delivered or identified through confirmation of book-entry transfer to the Exchange Agent, the notice of withdrawal also must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with withdrawn Convertible Debentures. The notice of withdrawal must be signed by the registered holder of such Convertible Debentures in the same manner as the applicable Letter of Transmittal (including any required signature guarantees), or be accompanied by evidence satisfactory to the Company that the person withdrawing the tender has succeeded to the beneficial ownership of such Convertible Debentures. Withdrawals of tenders of Convertible Debentures may not be rescinded, and any Convertible Debentures withdrawn will be deemed not validly tendered thereafter for purposes of the Exchange Offer. However, properly withdrawn Convertible Debentures may be tendered again at any time prior to the Expiration Date by following the procedures for tendering not previously tendered Convertible Debentures described elsewhere herein.

If the Company is delayed in its acceptance for conversion and payment for any Convertible Debentures or is unable to accept for conversion or convert any Convertible Debentures pursuant to the Exchange Offer for any reason, then, without prejudice to the Company's rights hereunder, tendered Convertible Debentures may be retained by the Exchange Agent on behalf of the Company and may not be withdrawn (subject to Rule 13e-4(f)(5) under the Exchange Act, which requires that the issuer making the tender offer pay the consideration offered, or return the tendered securities, promptly after the termination or withdrawal of a tender offer), except as otherwise permitted hereby.

5. PARTIAL TENDERS (NOT APPLICABLE TO HOLDERS WHO TENDER BY BOOK-ENTRY TRANSFER). Tenders of Securities will be accepted only in integral multiples of \$1,000 principal amount. The aggregate principal amount of all Securities delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated. If tenders of Securities are made with respect to less than the entire principal amount of Securities delivered herewith, certificate(s) for the principal amount of Securities not tendered will be issued and sent to the registered holder, unless otherwise specified in the "Special Payment Instructions" or "Special

Delivery Instructions" boxes in this Letter of Transmittal.

6. SIGNATURES ON LETTER OF TRANSMITTAL; BOND POWERS AND ENDORSEMENTS. If this Letter of Transmittal is signed by the registered holder(s) of the Securities tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the certificates representing such Securities without alteration, enlargement or any other change whatsoever. If this Letter of Transmittal is signed by a participant in one of the Book-Entry Transfer Facilities whose name is shown on a security position listing as the owner of the Securities tendered hereby, the signature must correspond with the name shown on the security position listing as the owner of the Securities.

If any Securities tendered hereby are owned of record by two or more persons, all such persons must sign this Letter of Transmittal.

If any Securities tendered hereby are registered in the names of different holders, it will be necessary to complete, sign and submit as many separate Letters of Transmittal, and any necessary accompanying documents, as there are different registrations of such Securities.

If this Letter of Transmittal is signed by the registered holder of Securities tendered hereby, no endorsements of such Securities or separate bond powers are required, unless the Exchange Offer Consideration is to be issued to, or Securities not tendered or not accepted for exchange are to be issued in the name of, a person other than the registered holder(s), in which case the Securities tendered hereby must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on such Securities (and with respect to a participant in a Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Securities, exactly as the name(s) of the participant(s) appear(s) on such security position listing as the owner of the Securities). Signatures on such Securities and bond powers must be guaranteed by an Eligible Institution. See Instruction 1.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Securities tendered hereby, the Securities must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on the certificates representing such Securities. Signatures on such Securities and bond powers must be guaranteed by an Eligible Institution. See Instruction 1.

If this Letter of Transmittal or any Securities or bond powers are signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to the Company of such person's authority so to act must be submitted with this Letter of Transmittal.

7. TRANSFER TAXES. Except as otherwise provided in this Instruction 7, the Company will pay all transfer taxes with respect to the delivery and conversion of Securities pursuant to the Exchange Offer. If, however, issuance of the Exchange Offer Consideration is to be made to, or Securities not tendered or not accepted for exchange are to be issued in the name of, a person other than the registered holder(s), the amount of any transfer taxes (whether imposed on the registered holder(s), such other person or otherwise) payable on account of the transfer to such other person will be deducted from the Exchange Offer Consideration unless evidence satisfactory to the Company of the payment of such taxes, or exemption therefrom, is submitted. Except as provided in this Instruction 7, it will not be necessary for transfer tax stamps to be affixed to the Securities tendered hereby.

8. SPECIAL PAYMENT AND DELIVERY INSTRUCTIONS. If the Exchange Offer Consideration with respect to any Securities tendered hereby is to be issued, or Securities not tendered or not accepted for exchange are to be issued, in the name of a person other than the person(s) signing this Letter of Transmittal or to the person(s) signing this Letter of Transmittal but at an address other than that shown in the box entitled "Description of Securities Tendered," the appropriate boxes in this Letter of Transmittal must be completed. All Securities tendered by book-entry transfer and not accepted for exchange will be returned by crediting the account at the Book-Entry Transfer Facility designated above as the account from which such Securities were delivered.

9. TAXPAYER IDENTIFICATION NUMBER. Each tendering holder is required to provide the Exchange Agent with the holder's correct taxpayer identification number ("TIN"), generally, the holders' social security or federal employer identification number, on Substitute Form W-9, which is provided under "Important Tax Information" below, and to certify whether such person is subject to backup withholding of federal income tax.

A holder must cross out item (2) in the Certification box of Substitute Form W-9 if such holder is subject to backup withholding. Failure to provide the information on the Substitute Form W-9 may subject the tendering holder to 31% federal income tax backup withholding on the reportable payments made to the holder or other payee with respect to Securities exchanged pursuant to the Exchange Offer. The box in Part 3 of the form should be checked if the tendering holder has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future. If the box in Part 3 is checked and the Exchange Agent is not provided with a TIN within 60 days, thereafter the Exchange Agent will hold 31% of all reportable payments until a TIN is provided to the Exchange Agent.

10. CONFLICTS. In the event of any conflict between the terms of the Offering Circular and the terms of this Letter of Transmittal, the terms of the Offering Circular will control.

11. MUTILATED, LOST, STOLEN OR DESTROYED SECURITIES. Any holder of Securities, whose Securities have been mutilated, lost, stolen or destroyed, should contact the Exchange

Agent at the addresses indicated above for further instructions.

12. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Requests for assistance may be directed to the Exchange Agent at its address set forth below or from the tendering registered holder's broker, dealer, commercial bank or trust company. Additional copies of the Offering Circular, this Letter of Transmittal, the Notice of Guaranteed Delivery and the Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 may be obtained from the Exchange Agent.

13. DETERMINATION OF VALIDITY. All questions as to the form of all documents, the validity (including time of receipt) and acceptance of tenders of the Convertible Debentures will be determined by the Company, in its sole discretion, the determination of which shall be final and binding. Alternative, conditional or contingent tenders of Convertible Debentures will not be considered valid. The Company reserves the absolute right to reject any or all tenders of Convertible Debentures that are not in proper form or the acceptance of which, in the Company's opinion, would be unlawful. The Company also reserves the right to waive any defects, irregularities or conditions of tender as to particular Convertible Debentures. If the Company waives its right to reject a defective tender of Convertible Debentures, the holder will be entitled to the Exchange Offer Consideration. The Company's interpretation of the terms and conditions of the Exchange Offer (including the instructions in the Letter of Transmittal) will be final and binding. Any defect or irregularity in connection with tenders of Convertible Debentures must be cured within such time as the Company determines, unless waived by the Company. Tenders of Convertible Debentures shall not be deemed to have been made until all defects and irregularities have been waived by the Company or cured. None of the Company, the Exchange Agent or any other person will be under any duty to give notice of any defects or irregularities in tenders of Convertible Debentures, or will incur any liability to holders for failure to give any such notice.

IMPORTANT TAX INFORMATION

Under the federal income tax law, a holder whose tendered Securities are accepted for exchange is required by law to provide the Exchange Agent (as payer) with such holder's correct TIN on Substitute Form W-9 below. If such holder is an individual, the TIN is his or her social security number. If the Exchange Agent is not provided with the correct TIN, a \$50 penalty may be imposed by the Internal Revenue Service, and payments of Exchange Offer Consideration may be subject to backup withholding.

Certain holders (including, among others, corporations) are not subject to these backup withholdings and reporting requirements. Exempt holders should indicate their exempt status on Substitute Form W-9. In order for a foreign individual to qualify as an exempt recipient, such individual must submit a statement, signed under penalties of perjury, attesting to such individual's exempt status. Forms of such statements can be obtained from the Exchange Agent. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional instructions.

If backup withholding applies, the Exchange Agent is required to withhold 31% of any reportable payments made to the holder or other payee. Backup withholding is not an additional federal income tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup withholding on reportable payments made with respect to securities accepted for conversion pursuant to the Exchange Offer, the holder is required to notify the Exchange Agent of such holder's correct TIN by completing the form below, certifying that the TIN provided on the Substitute Form W-9 is correct (or that such holder is awaiting a TIN) and that (a) such holder is exempt from backup withholding, (b) such holder has not been notified by the Internal Revenue Service that he is subject to backup withholding as a result of a failure to report all interest or dividends or (c) the Internal Revenue Service has notified such holder that such holder is no longer subject to backup withholding.

WHAT NUMBER TO GIVE THE EXCHANGE AGENT

The holder is required to give the Exchange Agent the TIN (e.g., social security number or employer identification number) of the holder of the Securities tendered hereby. If the Securities are held in more than one name or are not held in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report.

PAYOR'S NAME: CONTINENTAL STOCK TRANSFER & TRUST COMPANY.

NAME/ADDRESS:

SUBSTITUTE
FORM W-9

Department of the Treasury Internal Revenue Service
PART 1(a) _ PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW
TIN -----
(Social Security Number or (Employer Identification Number))

PART 1(b) _ PLEASE CHECK THE BOX AT THE RIGHT IF YOU HAVE APPLIED FOR, AND ARE AWAITING RECEIPT OF, YOUR TIN []

Payor's Request for Taxpayer Identification Number ("TIN") and Certification
PART 2 - FOR PAYEES EXEMPT FROM BACKUP WITHHOLDING PLEASE WRITE "EXEMPT" HERE (SEE INSTRUCTIONS) -----

PART 3 - CERTIFICATION UNDER PENALTIES OF PERJURY, I CERTIFY THAT
(X) The number shown on this form is my correct TIN (or I am waiting for a number to be issued to me), and (Y) I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.

SIGNATURE ----- DATE -----

You must cross out Item (Y) of Part 3 above if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out Item (Y) of Part 3. (Also see Certification under Specific Instructions in the enclosed Guidelines.)

[YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 1(B) OF THE SUBSTITUTE FORM W-9 INDICATING YOU HAVE APPLIED FOR, AND ARE AWAITING RECEIPT OF, YOUR TIN]

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I CERTIFY UNDER PENALTIES OF PERJURY THAT A TAXPAYER IDENTIFICATION NUMBER HAS NOT BEEN ISSUED TO ME, AND THAT I MAILED OR DELIVERED AN APPLICATION TO RECEIVE A TAXPAYER IDENTIFICATION NUMBER TO THE APPROPRIATE INTERNAL REVENUE SERVICE CENTER OR SOCIAL SECURITY ADMINISTRATION OFFICE (OR I INTEND TO MAIL OR DELIVER AN APPLICATION IN THE NEAR FUTURE). I UNDERSTAND THAT IF I DO NOT PROVIDE A TAXPAYER IDENTIFICATION NUMBER TO THE PAYOR, 31 PERCENT OF ALL PAYMENTS MADE TO ME PURSUANT TO THIS OFFER SHALL BE RETAINED UNTIL I PROVIDE A TAX IDENTIFICATION NUMBER TO THE PAYOR AND THAT, IF I DO NOT PROVIDE MY TAXPAYER IDENTIFICATION NUMBER WITHIN SIXTY (60) DAYS, SUCH RETAINED AMOUNTS SHALL BE REMITTED TO THE IRS AS BACKUP WITHHOLDING AND 31 PERCENT OF ALL REPORTABLE PAYMENTS MADE TO ME THEREAFTER WILL BE WITHHELD AND REMITTED TO THE IRS UNTIL I PROVIDE A TAXPAYER IDENTIFICATION NUMBER.

SIGNATURE

DATE

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31 PERCENT OF ANY CASH PAYMENTS. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

The Exchange Agent for the Exchange Offer is:

CONTINENTAL STOCK TRANSFER & TRUST COMPANY
TWO BROADWAY, 19TH FLOOR
NEW YORK, NEW YORK 10004

BANKERS AND BROKERS AND OTHERS CALL: (212) 509-4000 EXT. 227

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION
NUMBER ON SUBSTITUTE FORM W-9

Guidelines for Determining the Proper Identification Number to Give the Payer.--Social Security numbers have nine digits separated by two hyphens: i.e., 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the payer.

For this type of account	Give the SOCIAL SECURITY number of ____
1. An individual's account	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, any one of the individuals(1)
3. Husband and wife (joint account)	The actual owner of the account or, if joint funds, either person(1)
4. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
5. Adult and minor (joint account)	The adult or, if the minor is the only contributor, the minor(1)
6. Account in the name of guardian or committee for a designated ward, minor, or incompetent person	The ward, minor or incompetent person(3)
7.a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)
b. So-called trust account that is not a legal or valid trust under State Law	The actual owner(1)
8. Sole proprietorship account	The owner(4)

For this type of account	Give the EMPLOYER IDENTIFICATION number of _____
9. A valid trust, estate or pension trust	Legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)(5)
10. Corporate account	The corporation
11. Religious, charitable or educational organization account	The organization
12. Partnership account held in the name of the business	The partnership
13. Association, club or other tax-exempt organization	The organization
14. A broker or registered nominee	The broker or nominee
15. Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district or prison) that receives agricultural program payments	The public entity

(1) List first and circle the name of the person whose number you furnish.

(2) Circle the minor's name and furnish the minor's social security number.

(3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.

(4) Show the name of the owner.

(5) List first and circle the name of the legal trust, estate or pension trust.

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

GUIDELINES FOR CERTIFICATION
OF TAXPAYER IDENTIFICATION NUMBER ON
SUBSTITUTE FORM W-9

Obtaining a Number

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

Payees Exempt from Backup Withholding

Payees specifically exempted from backup withholding on ALL payments include the following:

- * A corporation.
- * A financial institution.
- * An organization exempt from tax under section 501 (a), or an individual retirement plan.
- * The United States or any agency or instrumentality thereof.
- * A State, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.
- * A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.
- * An international organization or any agency or instrumentality thereof.
- * A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.
- * A real estate investment trust.
- * A common trust fund operated by a bank under section 584(a).
- * An exempt charitable remainder trust, or a non-exempt trust described in section 4947 (a)(1).
- * An entity registered at all times under the Investment Company Act of 1940.
- * A foreign central bank of issue.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- * Payments to nonresident aliens subject to withholding under section 1441.
- * Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.
- * Payments of patronage dividends where the amount received is not paid in money.
- * Payments made by certain foreign organizations.

Payments of interest not generally subject to backup withholding include the following:

- * Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is \$600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- * Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- * Payments described in section 6049 (b) (5) to nonresident aliens.
- * Payments on tax-free covenant bonds under section 1451.
- * Payments made by certain foreign organizations.
- * Payments made to a nominee.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. FILE SUBSTITUTE FORM W-9 WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, CHECK THE BOX IN PART 4 ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYER. IF THE PAYMENTS ARE INTEREST, DIVIDENDS, OR PATRONAGE

DIVIDENDS, ALSO SIGN AND DATE THE FORM.

Certain payments other than interest, dividends, and patronage dividends, that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041A(a), 6045, and 6050A.

Privacy Act Notice _ Section 6109 requires most recipients of dividends, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to the IRS. The IRS uses the numbers for identification purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 31% of taxable interest, dividends, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

Penalties

(1) **Penalty for Failure to Furnish Taxpayer Identification Number.** _ If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) **Civil Penalty for False Information With Respect to Withholding.** _ If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of \$500.

(3) **Criminal Penalty for Falsifying Information.** _ Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

(4) **Failure to Report Certain Dividend and Interest Payments.** _ If you fail to include any portion of an includible payment for interest, dividends or patronage dividends in gross income and such failure is due to negligence, a penalty of 20% is imposed on any portion of an underpayment attributable to that failure.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX, CONSULTANT OR THE INTERNAL REVENUE SERVICE.

AUDIOVOX CORPORATION

Offer To Exchange Each \$1,000 Principal Amount Of
6 1/4% Convertible Subordinated Debentures Due March 15, 2001
Into 165 Shares Of Class A Common Stock

CUSIP NO. 050757-AB-9

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY
TIME, ON NOVEMBER 19, 1996, UNLESS EXTENDED (THE "EXPIRATION
DATE"). EXCHANGES OF 6 1/4% CONVERTIBLE SUBORDINATED DEBENTURES
DUE MARCH 15, 2001 MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE
EXPIRATION DATE.

October 18, 1996

TO BROKERS, DEALERS, COMMERCIAL BANKS,
TRUST COMPANIES AND OTHER NOMINEES:

We are enclosing herewith the material listed below relating
to the offer (the "Exchange Offer") by Audiovox Corporation (the
"Company") to exchange each \$1,000 principal amount of the
Company's 6 1/4% Convertible Subordinated Debentures due March 15,
2001 (the "Convertible Debentures") into 165 shares of
the Company's Class A Common Stock, par value \$.01 per share
("Class A Common Stock"). Consummation of the Exchange Offer is
subject to, among other things, satisfaction of the conditions
set forth in the Offering Circular referred to below under the
heading "The Exchange Offer -- Conditions to the Exchange Offer."

We are asking you to contact your clients for whom you hold
Convertible Debentures registered in your name or in the name of
your nominee. In addition, we are asking you to contact your
clients who, to your knowledge, hold Convertible Debentures
registered in their own name.

Enclosed for your information and use are copies of the
following documents:

1. The Company's Offering Circular dated October
18, 1996 (as the same may be further amended or
supplemented from time to time, the "Offering
Circular");
2. A BLUE Letter of Transmittal for your use in
connection with the tender of Convertible Debentures
and for the information of your clients;
3. A YELLOW form of letter that may be sent to
your clients for whose accounts you hold Convertible
Debentures registered in your name or the name of your
nominee, with space provided for obtaining the clients'
instructions with regard to the Exchange Offer;
4. A GREEN form of Notice of Guaranteed
Delivery;
5. Guidelines for Certification of Taxpayer
Identification Number on Substitute Form W-9; and
6. A return envelope addressed to the Exchange
Agent.

WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE.
PLEASE NOTE THAT THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW
YORK CITY TIME, ON NOVEMBER 19, 1996, UNLESS EXTENDED (THE
"EXPIRATION DATE"). CONVERTIBLE DEBENTURES TENDERED PURSUANT TO
THE EXCHANGE OFFER MAY BE WITHDRAWN, SUBJECT TO THE PROCEDURES
DESCRIBED IN THE OFFERING CIRCULAR, AT ANY TIME PRIOR TO THE
EXPIRATION DATE.

In all cases, Class A Common Stock will be issued for
Convertible Debentures accepted for exchange pursuant to the
Exchange Offer only after timely receipt by the Exchange Agent of
such Convertible Debentures (or confirmation of, or an Agent's
Message with respect to, book-entry transfer of such Securities
into the Exchange Agent's account at one of the Book-Entry
Transfer Facilities (as defined in the Offering Circular)), of a
Letter of Transmittal (or facsimile thereof), properly completed
and validly executed, and any other required documents.

If holders of Convertible Debentures wish to tender, but it
is impracticable for them to forward their Convertible Debentures
or other required documents prior to the Expiration Date, a
tender may be effected by following the guaranteed delivery
procedures described in the Offering Circular under the heading
"The Exchange Offer -- Procedures for Tendering -- Guaranteed
Delivery."

Procedures for tendering Convertible Debentures are set
forth in the Offering Circular under the caption "The Exchange
Offer -- Procedures for Tendering." Holders of Convertible
Debentures who wish to exchange their Securities must use either
the Letter of Transmittal distributed with the Offering Circular
(the "Letter of Transmittal") or a facsimile or electronic copy
thereof or an electronic agreement to comply with the terms

thereof. In addition, holders of Convertible Debentures who are following the procedures for guaranteed delivery set forth in the Offering Circular must use the Notice of Guaranteed Delivery distributed with the Offering Circular.

The Company will not pay any fees or commissions to any broker, dealer or other person in connection with the solicitation of tenders of Securities pursuant to the Offering Circular. However, the Company will reimburse you for customary mailing and handling expenses incurred by you in forwarding any of the enclosed materials to your clients. The Company will pay or cause to be paid any transfer taxes payable with respect to the transfer of Convertible Debentures to it, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

Any inquiries you may have with respect to the Exchange Offer should be addressed to, and additional copies of the enclosed materials may be obtained from, Continental Stock Transfer & Trust Company, the Exchange Agent, at its address and telephone number set forth on the back cover page of the Offering Circular.

Very truly yours,

Audiovox Corporation

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON THE AGENT OF THE COMPANY, THE EXCHANGE AGENT, OR ANY AFFILIATE OF ANY OF THEM, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR TO MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE EXCHANGE OFFER OTHER THAN THE ENCLOSED DOCUMENTS AND THE STATEMENTS CONTAINED THEREIN.

AUDIOVOX CORPORATION

Offer To Exchange Each \$1,000 Principal Amount Of
6 1/4% Convertible Subordinated Debentures Due March 15, 2001
Into 165 Shares Of Class A Common Stock

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY
TIME, ON NOVEMBER 19, 1996, UNLESS EXTENDED (THE "EXPIRATION
DATE"). TENDERS OF 6 1/4% CONVERTIBLE SUBORDINATED DEBENTURES
DUE MARCH 15, 2001 MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE
EXPIRATION DATE.

October 18, 1996

TO OUR CLIENTS:

Enclosed for your consideration is the Offering Circular
dated October 18, 1996 (as the same may be further amended or
supplemented from time to time, the "Offering Circular") and a
related form of Letter of Transmittal and instructions thereto
(the "Letter of Transmittal") relating to the offer (the
"Exchange Offer") by Audiovox Corporation (the "Company") to
exchange each \$1,000 principal amount of its 6 1/4% Convertible
Subordinated Debentures due March 15, 2001 (the "Convertible
Debentures") into 165 shares of the Company's Class A
Common Stock, par value \$.01 per share (the "Class A Common
Stock").

Consummation of the Exchange Offer is subject to, among
other things, satisfaction of the conditions set forth in the
Offering Circular under the heading "The Exchange Offer --
Conditions to the Exchange Offer."

WE ARE THE REGISTERED HOLDER OF CONVERTIBLE DEBENTURES HELD
BY US FOR YOUR ACCOUNT. A TENDER OF ANY SUCH CONVERTIBLE
DEBENTURES CAN BE MADE ONLY BY US AS THE REGISTERED HOLDER AND
PURSUANT TO YOUR INSTRUCTIONS. THE BLUE LETTER OF TRANSMITTAL
(THE "LETTER OF TRANSMITTAL") IS FURNISHED TO YOU FOR YOUR
INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER CONVERTIBLE
DEBENTURES HELD BY US FOR YOUR ACCOUNT.

Accordingly, we request instructions as to whether you wish
us to tender any or all of the Convertible Debentures held by us
for your account pursuant to the terms and conditions set forth
in the Offering Circular and the Letter of Transmittal. We urge
you to read the Offering Circular and the Letter of Transmittal
carefully before instructing us to tender your Convertible
Debentures.

Your instructions to us should be forwarded as promptly as
possible in order to permit us to tender Convertible Debentures
on your behalf in accordance with the provisions of the Exchange
Offer. The Exchange Offer will expire at 5:00 p.m., New York City
time, on November 19, 1996, unless extended. Convertible
Debentures tendered pursuant to the Exchange Offer may be
withdrawn, subject to the procedures described in the Offering
Circular, at any time prior to the Expiration Date.

Your attention is directed to the following:

1. The Exchange Offer is for all outstanding
Securities at an exchange ratio of 165 shares for
each \$1,000 Convertible Debenture.
2. Holders who tender their Convertible
Debentures in Exchange Offer will be entitled to
receive any payment in respect of accrued and unpaid
interest on Convertible Debentures accepted for
exchange through the Exchange Offer Acceptance Date.
3. Consummation of the Exchange Offer is subject
to, among other things, satisfaction of the certain conditions
(including, among others, approval by the Company's
Shareholders of the issuance of Class A Common Stock
necessary to effect the Exchange Offer) set forth in the
Offering Circular under the heading "The Exchange Offer --
Conditions to the Exchange Offer."
4. Any transfer taxes incident to the transfer
of Convertible Debentures from the tendering holder to
the Company will be paid by the Company, except as
provided in the Offering Circular and the instructions
to the Letter of Transmittal.

If you wish to have us tender any or all of the Convertible
Debentures held by us for your account, please so instruct us by
completing, executing and returning to us the instruction form
that follows.

INSTRUCTIONS REGARDING THE OFFERING CIRCULAR
WITH RESPECT TO THE 6 1/4% CONVERTIBLE
SUBORDINATED DEBENTURES DUE MARCH 15, 2001
OF AUDIOVOX CORPORATION

The undersigned acknowledge(s) receipt of your letter and the enclosed material referred to therein relating to the Exchange Offer of Audiovox Corporation.

This will instruct you whether to tender the principal amount of Convertible Debentures indicated below held by you for the account of the undersigned pursuant to the terms of and conditions set forth in the Offering Circular and the Letter of Transmittal.

Please tender the Convertible Debentures held by you for my account.

Please do not tender any Convertible Debentures held by you for my account.

Date: _____, 1996

Signature(s)

Please print name(s) here

Principal Amount of Convertible
Debentures to be Tendered: -----

\$ [*]

Please type or print address

Area code and Telephone Number

Taxpayer Identification or
Social Security Number

My Account Number With You

- -----
[*] UNLESS OTHERWISE INDICATED, SIGNATURE(S) HEREON BY BENEFICIAL OWNER(S) SHALL CONSTITUTE AN INSTRUCTION TO THE NOMINEE TO TENDER ALL CONVERTIBLE DEBENTURES OF SUCH BENEFICIAL OWNER(S).

NOTICE OF GUARANTEED DELIVERY

For

Exchange Of

6 1/4% Convertible Subordinated Debentures Due March 15, 2001

Of

Audiovox Corporation

This Notice of Guaranteed Delivery or a form substantially equivalent hereto must be used to accept Audiovox Corporation's (the "Company") offer (the "Exchange Offer") to exchange each \$1,000 principal amount of the Company's 6 1/4% Convertible Subordinated Debentures due March 15, 2001 (the "Convertible Debentures") into 165 shares of the Company's Class A Common Stock, par value \$.01 per share ("Class A Common Stock"), if (a) certificates representing the Convertible Debentures are not immediately available, (b) the procedures for book-entry transfer cannot be completed prior to the Expiration Date (as defined), or (c) time will not permit the Convertible Debentures and all other required documents to reach the Exchange Agent prior to the Expiration Date. This form may be delivered by an Eligible Institution by mail or hand delivery or transmitted, via facsimile, telegram or telex to the Exchange Agent as set forth below. All capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in the Offering Circular dated October 18, 1996 of the Company (as the same may be amended or supplemented from time to time, the "Offering Circular").

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON NOVEMBER 19, 1996, UNLESS EXTENDED (THE "EXPIRATION DATE"). EXCHANGES OF 6 1/4% CONVERTIBLE SUBORDINATED DEBENTURES DUE MARCH 15, 2001 MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE.

To:

CONTINENTAL STOCK TRANSFER & TRUST COMPANY, EXCHANGE AGENT

By Mail, By Hand or Overnight Delivery:

c/o Continental Stock Transfer & Trust Company
Two Broadway, 19th Floor
New York, New York 10004

Attention: Reorganization Department

By Facsimile:
(212) 509-5150

Phone Number
(212) 509-4000 Ext. 227

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TRANSMISSION OR TELEX, OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

This form is not to be used to guarantee signatures. If a signature on the Letter of Transmittal is required to be guaranteed by an "Eligible Institution" under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

The undersigned hereby tender(s) to Audiovox Corporation (the "Company"), upon the terms and subject to the conditions set forth in the Offering Circular and the Letter of Transmittal, receipt of which is hereby acknowledged, the principal amount of Convertible Debentures set forth below, pursuant to the guaranteed delivery procedures set forth in the Offering Circular under the heading "The Exchange Offer -- Procedures for Tendering - - Guaranteed Delivery."

All authority herein conferred or agreed to be conferred by this Notice of Guaranteed Delivery shall survive the death or incapacity of the undersigned and every obligation of the undersigned under this Notice of Guaranteed Delivery shall be binding upon the heirs, personal representatives, executors, administrators, successors, assigns, trustees in bankruptcy and other legal representatives of the undersigned.

PLEASE SIGN AND COMPLETE

Signature(s) of Registered Holder(s) or Address(es): -----

Authorized Signatory:

Name(s) of Registered Holder(s):

Area Code and Telephone No.:

If Convertible Debentures will be delivered by book-entry transfer, check box below:

Principal Amount of Convertible Debentures Tendered:

----- / / The Depository Trust Company

Certificate No(s). of Convertible Debentures (if available):

----- Trust Company

----- Account No.: -----

Date: -----

This Notice of Guaranteed Delivery must be signed by the registered holder(s) of Convertible Debentures exactly as their name(s) appear(s) on the certificates representing such Convertible Debentures or on a security position listing as the owner(s) of the Convertible Debentures, or by person(s) authorized to become registered holder(s) by endorsements and documents transmitted with this Notice of Guaranteed Delivery. If signature is by a trustee, guardian, attorney-in-fact, officer of a corporation, executor, administrator, agent or other representative, such person must provide the following information.

PLEASE PRINT NAME(S) AND ADDRESS(ES)

Name(s):

Capacity:

Address(es):

Do not send Convertible Debentures with this form. Convertible Debentures should be sent to the Exchange Agent, together with a properly completed and validly executed Letter of Transmittal.

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or a correspondent in the United States or another "Eligible Guarantor Institution" as defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, hereby guarantees that, within three New York Stock Exchange trading days from the date of this Notice of Guaranteed Delivery, a properly completed and validly executed Letter of Transmittal (or a facsimile thereof), together with Convertible Debentures tendered hereby in proper form for transfer (or confirmation of the book-entry transfer of such Convertible Debentures into the Exchange Agent's account at a Book-Entry Transfer Facility, pursuant to the procedure for book-entry transfer set forth in the Offering Circular under the heading "The Exchange Offer -- Procedures for Tendering -- Book-Entry Transfer"), and all other required documents will be deposited by the undersigned with the Exchange Agent at one of its addresses set forth above.

Name of Firm: _____
_____ Authorized Signature
Address: _____ Name: _____
_____ Title: _____

Area Code and Telephone No.: _____

Date: _____

DO NOT SEND CONVERTIBLE DEBENTURES WITH THIS FORM. ACTUAL SURRENDER OF CONVERTIBLE DEBENTURES MUST BE MADE PURSUANT TO, AND BE ACCOMPANIED BY, A PROPERLY COMPLETED AND VALIDLY EXECUTED LETTER OF TRANSMITTAL AND ANY OTHER REQUIRED DOCUMENTS.

Independent Auditors' Report

The Board of Directors and Stockholders
Audiovox Corporation:

We have audited the accompanying consolidated balance sheets of Audiovox Corporation and subsidiaries as of November 30, 1994 and 1995, and the related consolidated statements of income (loss), stockholders' equity and cash flows for each of the years in the three-year period ended November 30, 1995. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Audiovox Corporation and subsidiaries as of November 30, 1994 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended November 30, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 1(g) to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities", in 1995. As also discussed in Note 1(p), the Company adopted the provisions of the FASB's SFAS No. 109, "Accounting for Income Taxes", in 1994.

s/KPMG Peat Marwick LLP
KPMG PEAT MARWICK LLP

Jericho, New York
February 12, 1996

AUDIOVOX CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
November 30, 1994 and 1995
(In thousands, except share data)

	1994	1995
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,495	\$ 7,076
Accounts receivable, net	94,242	96,930
Inventory, net	83,430	100,422
Receivable from vendor	-	5,097
Prepaid expenses and other current assets	6,065	5,443
Deferred income taxes	2,247	5,287
Restricted cash	-	5,959
Total current assets	191,479	226,214
Restricted cash	6,559	-
Investment securities	-	62,344
Equity investments	25,902	8,527
Property, plant and equipment, net	6,180	6,055
Debt issuance costs, net	4,840	4,235
Excess cost over fair value of assets acquired and other intangible assets, net	1,032	943
Other assets	3,106	2,737
	\$ 239,098	\$ 311,055
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 21,088	\$ 17,844
Accrued expenses and other current liabilities	13,063	16,800
Income taxes payable	834	2,455
Bank obligations	1,084	761
Documentary acceptances	-	7,120
Current installments of long-term debt	159	5,688
Total current liabilities	36,228	50,668
Bank obligations	29,100	49,000
Deferred income taxes	5,945	23,268
Long-term debt, less current installments	75,653	70,534
Total liabilities	146,926	193,470
Minority interest	138	363
Stockholders' equity:		
Preferred stock	2,500	2,500
Common Stock:		

Class A; 30,000,000 authorized; 6,777,788 issued	68	68
Class B; 10,000,000 authorized; 2,260,954 issued	22	22
Paid-in capital	39,715	42,876
Retained earnings	50,254	40,998
Cumulative foreign currency translation and adjustment	(525)	(963)
Unrealized gain on marketable securities, net	-	31,721
Total stockholders' equity	92,034	117,222
Commitments and contingencies		
Total liabilities and stockholders' equity	\$ 239,098	\$ 311,055

See accompanying notes to consolidated financial statements.

AUDIOVOX CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income (Loss)
Years Ended November 30, 1993, 1994 and 1995
(In thousands, except per share data)

	1993	1994	1995
Net sales	\$389,038	\$486,448	\$500,740
Cost of sales (including an inventory write-down to market in 1995 of \$9,300)	314,118	401,537	429,998
Gross profit	74,920	84,911	70,742
Operating expenses:			
Selling	23,191	32,299	34,489
General and administrative	28,096	32,740	36,160
Warehousing, assembly and repair	8,479	9,386	9,827
	59,766	74,425	80,476
Operating income (loss)	15,154	10,486	(9,734)
Other income (expenses):			
Interest and bank charges	(6,504)	(6,535)	(9,694)
Equity in income of equity investments	4,948	3,748	2,781
Management fees and related income	1,903	1,543	200
Gain on sale of equity investment	-	27,783	8,435
Gain on public offering of equity investment	-	10,565	-
Expense related to issuance of warrants	-	-	(2,921)
Other, net	(259)	(1,056)	(1,126)
	88	36,048	(2,325)
Income (loss) before provision for (recovery of) income taxes, extra- ordinary item and cumulative effect of a change in an accounting principle	15,242	46,534	(12,059)
Provision for (recovery of) income taxes	5,191	20,328	(2,803)
Income (loss) before extraordinary item and cumulative effect of a change in accounting for income taxes	10,051	26,206	(9,256)
Extraordinary item - tax benefits from utilization of net operating loss carryforwards	2,173	-	-
Cumulative effect of change in accounting for income taxes	-	(178)	-
Net income (loss)	\$ 12,224	\$ 26,028	\$ (9,256)
Net income (loss) per common share (primary):			
Income (loss) before extraordinary item	\$ 1.11	\$ 2.88	\$ (1.02)
Extraordinary item	\$ 0.24	-	-
Cumulative effect of change in accounting for income taxes	-	\$ (.02)	-
Net income (loss)	\$ 1.35	\$ 2.86	\$ (1.02)
Net income (loss) per common share (fully diluted):			
Income before extraordinary item	\$ 1.03	\$ 2.21	\$ (1.02)
Extraordinary item	\$ 0.22	-	-
Cumulative effect of change in accounting for income taxes	-	\$ (.01)	-
Net income (loss)	\$ 1.25	\$ 2.20	\$ (1.02)

See accompanying notes to consolidated financial statements.

AUDIOVOX CORPORATION AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
Years Ended November 30, 1993, 1994 and 1995
(In thousands)

	Preferred stock	Common stock	Paid-In capital	Unearned compensation	Retained earnings
Balances at November 30, 1992	2,500	90	38,854	-	12,002
Net income	-	-	-	-	12,224
Equity adjustment from foreign currency translation	-	-	-	-	-
Issuance of warrants	-	-	100	-	-
Stock issuance upon exercise of options	-	-	217	-	-
Balances at November 30, 1993	2,500	90	39,171	-	24,226
Net income	-	-	-	-	26,028
Equity adjustment from foreign currency translation	-	-	-	-	-
Unearned compensation relating to grant of options and non- performance restricted stock	-	-	864	(864)	-
Compensation expense	-	-	27	241	-
Stock issuance upon exercise of options	-	-	207	-	-
Issuance of warrants	-	-	69	-	-
Balances at November 30, 1994	2,500	90	40,338	(623)	50,254
Net loss	-	-	-	-	(9,256)
Equity adjustment from foreign currency translation	-	-	-	-	-
Unearned compensation relating to grant of options and non- performance restricted stock	-	-	62	(62)	-
Compensation expense	-	-	46	194	-
Options and non-perform- ance restricted stock forfeitures due to employee terminations	-	-	(81)	81	-
Issuance of warrants	-	-	2,921	-	-
Implementation of change in accounting for debt and equity securities, net of tax effect of \$24,517	-	-	-	-	-
Unrealized loss on marketable securities, net of tax effect of \$(5,076)	-	-	-	-	-
Balances at November 30, 1995	\$2,500	\$90	\$43,286	\$(410)	\$40,998

	Cumulative foreign currency translation adjustment	Unrealized Gain (Loss) on Marketable Securities	Total Stockholders' equity
Balances at November 30, 1992	11	-	53,457
Net income	-	-	12,224
Equity adjustment from foreign currency translation	(205)	-	(205)

Issuance of warrants	-	-	100
Stock issuance upon exercise of options	-	-	217
Balances at November 30, 1993	(194)	-	65,793
Net income	-	-	26,028
Equity adjustment from foreign currency translation	(331)	-	(331)
Unearned compensation relating to grant of options and non-performance restricted stock	-	-	-
Compensation expense	-	-	268
Stock issuance upon exercise of options	-	-	207
Issuance of warrants	-	-	69
Balances at November 30, 1994	(525)	-	92,034
Net loss	-	-	(9,256)
Equity adjustment from foreign currency translation	(438)	-	(438)
Unearned compensation relating to grant of options and non-performance restricted stock	-	-	-
Compensation expense	-	-	240
Options and non-performance restricted stock forfeitures due to employee terminations	-	-	-
Issuance of warrants	-	-	2,921
Implementation of change in accounting for debt and equity securities, net of tax effect of \$24,517	-	40,004	40,004
Unrealized loss on marketable securities, net of tax effect of \$(5,076)	-	(8,283)	(8,283)
Balances at November 30, 1995	\$(963)	\$31,721	\$117,222

See accompanying notes to consolidated financial statements.

AUDIOVOX CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended November 30, 1993, 1994 and 1995
(In thousands)

	1993	1994	1995
Cash flows from operating activities:			
Net income (loss)	\$ 12,224	\$ 26,028	\$ (9,256)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	3,863	4,299	4,100
Provision for bad debt expense	230	(21)	1,816
Equity in income of equity investments	(4,948)	(3,748)	(2,781)
Minority interest	(22)	96	225
Gain on sale of equity investment	-	(27,783)	(8,435)
Gain on public offering of equity investment	-	(10,565)	-
Provision for (recovery of) deferred income taxes, net of extraordinary item	(2,311)	6,140	(5,158)
Provision for unearned compensation	-	268	240
Expense relating to issuance of warrants	-	-	2,921
Loss on disposal of property, plant and equipment, net	-	-	246
Cumulative effect of change in accounting for income taxes	-	178	-
Changes in:			
Accounts receivable	(6,266)	(20,337)	(4,468)
Note receivable from equity investment	-	-	(5,097)
Inventory	(13,849)	(18,701)	(16,950)
Income taxes receivable	451	229	-
Accounts payable, accrued expenses and other current liabilities	8,076	3,675	488
Income taxes payable	1,632	(1,395)	1,623
Prepaid expenses and other, net	(193)	(4,171)	250
Net cash used in operating activities	(1,113)	(45,808)	(40,236)
Cash flows from investing activities:			
Purchase of equity investments	-	(6,016)	-
Purchases of property, plant and equipment, net	(1,346)	(2,611)	(2,722)
Notes receivable from equity investment	-	7,973	-
Net proceeds from sale of equity investment	-	29,433	17,250
Purchase of business	-	(148)	-
Proceeds from distribution from equity investment	-	-	267
Net cash (used in) provided by investing activities	(1,346)	28,631	14,795
Cash flows from financing activities:			
Net borrowings (repayments) under line of credit agreements	4,616	(8,613)	19,577
Net borrowings (repayments) under documentary acceptances	2,832	(10,833)	7,120
Principal payments on long-term debt	(6,127)	(17,411)	(11)
Debt issuance costs	(177)	(5,315)	(714)
Proceeds from exercise of stock options	176	170	-
Principal payments on capital lease obligation	(165)	(175)	(233)
Proceeds from issuance of long-term debt	-	65,000	675
Proceeds from issuance of notes payable	-	10,045	-
Payment of note payable	-	(5,000)	-
Restricted cash	-	(6,559)	-
Proceeds from release of restricted cash	-	-	600
Net cash provided by financing activities	1,155	21,309	27,014
Effect of exchange rate changes on cash	(10)	(9)	8
Net increase (decrease) in cash and cash equivalents	(1,314)	4,123	1,581
Cash and cash equivalents at beginning of period	2,686	1,372	5,495
Cash and cash equivalents at end of period	\$ 1,372	\$ 5,495	\$ 7,076

See accompanying notes to consolidated financial statements.

AUDIOVOX CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

November 30, 1993, 1994 and 1995

(Dollars in thousands, except share and per share data)

(1) Summary of Significant Accounting Policies

(a) Description of Business

Audiovox Corporation and its subsidiaries (the Company) designs and markets cellular telephones and accessories, automotive aftermarket sound and security equipment, other automotive aftermarket accessories and certain other products, principally in the United States, Canada and overseas. In addition to generating product revenue from the sale of cellular telephone products, the Company's retail outlets, as agents for cellular carriers, are paid activation commissions and residual fees from such carriers.

The Company's automotive sound, security and accessory products include stereo cassette radios, compact disc players and changers, amplifiers and speakers; key based remote control security systems; cruise controls and door and trunk locks. These products are marketed through mass merchandise chain stores, specialty automotive accessory installers, distributors and automobile dealers.

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of Audiovox Corporation and its wholly-owned and majority owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

(c) Cash Equivalents

Cash equivalents of \$448 and \$1,337 at November 30, 1994 and 1995 consisted of short-term investments, with terms of less than three months. For purposes of the statements of cash flows, the Company considers investments with original maturities of three months or

less to be cash equivalents.

(d) Cash Discount and Co-operative Advertising Allowances

The Company accrues for estimated cash discounts and trade and promotional co-operative advertising allowances at the time of sale. These discounts and allowances are reflected in the accompanying consolidated financial statements as a reduction of accounts receivable as they are utilized by customers to reduce their trade indebtedness to the Company.

(e) Inventory

Inventory consists principally of finished goods and is stated at the lower of cost (primarily on a weighted moving average basis) or market. During the third quarter of 1995, the Company recorded a charge of approximately \$9,300 to accurately reflect the Company's inventory at the lower of cost or market.

(f) Restricted Cash

Restricted cash represents collateral for an irrevocable standby letter of credit in favor of the Series AA and Series BB Convertible Debentures (Note 10). Currently, the cash is invested in short-term investments.

(g) Investment Securities

The Company adopted the provisions of the FASB's SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (Statement 115) at December 1, 1994. Under Statement 115, the Company classifies its debt and equity securities in one of three categories: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities in which the Company has the ability and intent to hold the security until maturity. All other securities not included in trading or held-to-maturity are classified as available-

for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of stockholders' equity until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis.

A decline in the market value of any available-for-sale or held-to-maturity security below cost that is deemed other than temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. Premiums and discounts are amortized or accreted over the life of the related held-to-maturity security as an adjustment to yield using the effective interest method. Dividend and interest income recognized when earned.

(h) Debt Issuance Costs

Costs incurred in connection with the issuance of the Convertible Subordinated Debentures and restructuring of the Series A and Series B Convertible Subordinated Notes (Note 10) and the restructuring of bank obligations (Note 9(a)) have been capitalized. These charges are amortized over the lives of the respective agreements.

Amortization expense of these costs amounted to \$856, \$1,225 and \$1,319 for the years ended November 30, 1993, 1994 and 1995, respectively.

(i) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Equipment under capital lease is stated at the present

value of minimum lease payments. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20 years
Furniture, fixtures and displays	5-10 years
Machinery and equipment	5-10 years
Computer hardware and software	5 years
Automobiles	3 years

Leasehold improvements are amortized over the shorter of the lease term or estimated useful life of the asset. Assets acquired under capital lease are amortized over the term of the lease.

The Company will adopt the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", on December 1, 1996.

(j) Intangible Assets

Intangible assets consist of patents, trademarks, non-competition agreements and the excess cost over fair value of assets acquired for certain subsidiary companies and equity investments. Excess cost over fair value of assets acquired is being amortized over periods not exceeding twenty years. The costs of other intangible assets are amortized on a straight-line basis over their respective lives.

Accumulated amortization approximated \$1,283 and \$1,280 at November 30, 1994 and 1995, respectively. Amortization of the excess cost over fair value of assets acquired and other intangible assets amounted to \$164, \$271 and \$127 for the years ended November 30, 1993, 1994 and 1995, respectively.

On an ongoing basis, the Company reviews the valuation and amortization of its intangible assets. As a part of its ongoing review, the Company estimates the fair value of intangible assets, taking into consideration any

events and circumstances which may diminish fair value. The Company will adopt the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", on December 1, 1996.

(k) Equity Investments

The Company has common stock investments in five companies which are accounted for by the equity method (Note 8).

(l) Cellular Telephone Commissions

Under various agreements, the Company typically receives an initial activation commission for obtaining subscribers for cellular telephone services. Additionally, the agreements typically contain provisions for commissions based upon usage and length of continued subscription. The agreements also typically provide for the reduction or elimination of initial activation commissions if subscribers deactivate service within stipulated periods. The Company has provided a liability for estimated cellular deactivations which is reflected in the accompanying consolidated financial statements as a reduction of accounts receivable.

The Company recognizes sales revenue for the initial activation, length of service commissions and residual commissions based upon usage on the accrual basis. Such commissions approximated \$30,150, \$51,793 and \$43,307 for the years ended November 30, 1993, 1994 and 1995, respectively. Related commissions paid to outside selling representatives for cellular activations are reflected as cost of sales in the accompanying consolidated statements of income (loss) and amounted to \$10,969, \$17,848 and \$15,374 for the years ended November 30, 1993, 1994 and 1995, respectively.

(m) Advertising

The Company expenses the production costs of advertising as incurred and expenses the costs of communicating advertising when the service is received. During the years ended November 30, 1993, 1994 and 1995, the Company had no direct response advertising.

(n) Warranty Expenses

Warranty expenses are accrued at the time of sale based on the Company's estimated cost to repair expected returns for products. At November 30, 1994 and 1995, the reserve for future warranty expense amounted to \$1,665 and \$2,030, respectively.

(o) Foreign Currency

Assets and liabilities of those subsidiaries and equity investments located outside the United States whose cash flows are primarily in local currencies have been translated at rates of exchange at the end of the period. Revenues and expenses have been translated at the weighted average rates of exchange in effect during the period. Gains and losses resulting from translation are accumulated in the cumulative foreign currency translation account in stockholders' equity. Exchange gains and losses on hedges of foreign net investments and on intercompany balances of a long-term investment nature are also recorded in the cumulative foreign currency translation adjustment account. Other foreign currency transaction gains and losses are included in net income, none of which were material for the years ended November 30, 1993, 1994 and 1995.

During 1994, the Company entered into foreign exchange contracts denominated in the currency of its major suppliers. These contracts were purchased to hedge identifiable foreign currency commitments, principally purchases of inventory that are not denominated in U.S. dollars. Accordingly, any gain or loss associated with the contracts was included as a component of inventory

cost. Cash flows resulting from these contracts are included in the net change in inventory for purposes of the statements of cash flows. There were no open foreign exchange contracts at November 30, 1994 and 1995.

(p) Income Taxes

Effective December 1, 1993, the Company adopted the provisions of SFAS No. 109, "Accounting for Income Taxes", (Statement 109) and has reported the cumulative effect of that change in the method of accounting for income taxes in the 1994 consolidated statement of income (loss). Under the asset and liability method of Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Pursuant to the deferred method under APB Opinion 11, which was applied in 1993 and prior years, deferred income taxes are recognized for income and expense items that are reported in different years for financial reporting purposes and income tax purposes using the tax rate applicable for the year of the calculation. Under the deferred method, deferred taxes are not adjusted for subsequent changes in tax rates.

(q) Net Income (Loss) Per Common Share

Primary earnings per share are computed based on the weighted average number of common shares outstanding and common stock equivalents. For the years ended November 30, 1993 and 1994, stock options, stock grants and stock warrants (Note 13) are common stock equivalents. The

computation of fully diluted earnings per share for the years ended November 30, 1993 and 1994 assumes conversion of all outstanding debentures (Note 10) and exercise of common stock equivalents, stock options, performance accelerated grants and warrants. For purposes of this computation, net income was adjusted for the after-tax interest expense applicable to the convertible debentures. The Company does not compute fully diluted earnings per share when the addition of potentially dilutive securities would result in anti-dilution.

The following weighted average shares were used for the computation of primary and fully diluted earnings per share:

	For the Years Ended November 30,		
	1993	1994	1995
Primary	9,046,698	9,105,952	9,038,742
Fully diluted	10,077,685	12,769,221	9,038,742

(r) Supplementary Financial Statement Information

Advertising expenses approximated \$8,740, \$11,610 and \$13,538 for the years ended November 30, 1993, 1994 and 1995, respectively.

Interest income of approximately \$837, \$540 and \$1,047 for the years ended November 30, 1993, 1994 and 1995, respectively, is included in other in the accompanying consolidated statements of income (loss).

Included in accrued expenses and other current liabilities is \$3,696 and \$4,601 of accrued wages and commissions at November 30, 1994 and 1995, respectively.

(s) Reclassifications

Certain reclassifications have been made to the 1993 and 1994 consolidated financial statements in order to conform to the 1995 presentation.

(2) Business Acquisitions/Dispositions

On December 1, 1993, the Company acquired all of the assets and liabilities of H & H Eastern Distributors, Inc. (H&H) for \$148 in cash and a warrant to purchase 50,000 shares of the Company's Class A Common Stock valued at approximately \$69. The Company acquired assets of approximately \$1,854, liabilities of approximately \$1,922 and excess cost over fair value of net assets acquired of \$285 which is being amortized on a straight-line basis over 20 years. Proforma financial information has not been reflected for this acquisition as the impact on the results of operations of the Company would not have been material.

In December, 1993, the Company formed Audiovox Singapore Pte. Ltd., a wholly-owned subsidiary of Audiovox Asia, Inc. (Audiovox Asia), which, in turn, is a wholly-owned subsidiary of the Company, as well as Audiovox Communications (Malaysia) Sdn. Bnd.(Audiovox Malaysia), which is an 80% owned subsidiary of Audiovox Asia. In July 1994, the Company formed Audiovox (Thailand) Co., Ltd., a 100% owned subsidiary of Audiovox Asia. The Company formed these subsidiaries to assist in its planned expansion of its international customer base.

(3) Supplemental Cash Flow Information

The following is supplemental information relating to the consolidated statements of cash flows:

For the Years Ended November 30,
1993 1994 1995

Cash paid during the years

for:

Interest	\$5,985	\$ 5,291	\$9,224
Income taxes	\$3,667	\$15,409	\$ 818

During 1993 and 1995, the Company entered into lease agreements to acquire new computer equipment. As a result, capital lease obligations of \$646 and \$86, respectively were incurred (Note 14).

Stock warrants were issued pursuant to a consulting agreement entered into during 1993 (Note 13).

During 1993 and 1994, a reduction of \$40 and \$37 to income taxes payable was made due to the exercise of stock options.

During 1994, the Company acquired the assets and liabilities of H&H in exchange for cash and warrants to purchase the Company's common stock (Note 2).

During 1995, the Company contributed \$36 of property, plant and equipment in exchange for a 50% ownership interest in a newly-formed joint venture (Note 8).

As of November 30, 1995, the Company recorded an unrealized holding gain relating to available-for-sale marketable equity securities, net of deferred income taxes, of \$31.7 million as a separate component of stockholders' equity (Note 6).

(4) Transactions With Major Suppliers

The Company engages in transactions with Shintom Co., Ltd. (Shintom), a stockholder who owns approximately 3.5% at November 30, 1994 and 1995 of the outstanding Class A Common Stock and all of the outstanding Preferred Stock of the Company. During 1994, the Company formed TALK Corporation (TALK), a 33%-owned joint venture in Japan (Note 8), with Shintom and other companies.

Transactions with Shintom and TALK include financing arrangements and inventory purchases which approximated 4%, 7% and 20% for the years ended November 30, 1993, 1994 and 1995, respectively, of total inventory purchases. At November 30, 1994 and 1995, the Company had recorded \$43 and \$25, respectively, of liabilities due to Shintom and TALK for inventory purchases included in accounts payable. The Company also has documentary acceptance obligations outstanding from TALK as of November 30, 1995 (Note 9(b)).

The Company currently buys a majority of its products from one supplier. Inventory purchases from this supplier approximated 47%, 45% and 44% of total inventory purchases for the years

ended November 30, 1993, 1994 and 1995, respectively.

(5) Accounts Receivable

Accounts receivable is comprised of the following:

	November 30, 1994	1995
Trade accounts receivable	\$ 90,225	\$100,556
Receivables from equity investments (Note 8)	9,799	4,196
	100,024	104,752
Less:		
Allowance for doubtful accounts	1,623	2,707
Allowance for cellular deactivations	1,234	1,725
Allowance for co-operative advertising and cash discounts	2,925	3,390
	\$ 94,242	\$ 96,930

The provision for (recovery of) bad debt expense amounted to \$230, (\$21) and \$1,816 for the years ended November 30, 1993, 1994 and 1995, respectively. See Note 15(b) for concentrations of credit risk.

(6) Investment Securities

The Company's investment securities consist primarily of 2,375,000 shares of CellStar Corporation (CellStar) Common Stock, which were classified as available-for-sale marketable equity securities at November 30, 1995. The aggregate fair value of available-for-sale marketable equity securities was \$62.3 million at November 30, 1995, which is comprised of a cost basis of \$11.2 million and a gross unrealized holding gain of \$51.1 million recorded as a separate component of stockholders' equity. A related deferred tax liability of \$19.4 million was recorded at November 30, 1995 as a reduction to the unrealized holding gain included as a separate component of stockholders' equity.

During 1994, the Company granted the majority owner of CellStar (the Investor) an option (the Option) to purchase

250,000 shares of CellStar Common Stock which is exercisable through December 3, 1996, in whole and not in part, at an exercise price of \$13.80 per share. As of November 30, 1995, the Investor has the right to vote up to 1,300,000 shares of CellStar Common Stock owned by the Company pursuant to a voting rights agreement entered into during 1994. The number of shares of CellStar Common Stock the Investor is entitled to vote is subject to reduction to the extent the Investor sells his shares of CellStar Common Stock (with certain exceptions) or exercises the Option. Subsequent to November 30, 1995, the voting rights granted to the Investor by the Company expired. During the term of the Option and the voting rights agreement, the Company cannot transfer its shares of CellStar Common Stock which are held subject to those agreements.

On November 29, 1995, the Company entered into a pledge agreement with its financial institutions, which provided that 1,075,000 shares of CellStar Common Stock be secured as collateral for the bank obligations incurred by the Company (Note 9).

(7) Property, Plant and Equipment

A summary of property, plant and equipment, net, is as follows:

	November 30,	
	1994	1995
Land	\$ 53	\$ 363
Buildings	446	1,491
Furniture, fixtures and displays	3,467	3,581
Machinery and equipment	2,458	2,783
Computer hardware and software	10,981	11,422
Automobiles	649	723
Leasehold improvements	4,003	3,671
	22,057	24,034
Less accumulated depreciation and amortization	15,877	17,979
	\$ 6,180	\$ 6,055

At November 30, 1994 and 1995, included in computer hardware and software, is \$846 and \$937, respectively, pertaining to capital leases. Amortization of such equipment is included in depreciation and amortization of plant and equipment, and accumulated amortization was \$463 and \$729 at November 30, 1994 and 1995, respectively.

Computer software includes approximately \$1,305 and \$383 of unamortized costs as of November 30, 1994 and 1995, respectively, related to the acquisition and installation of management information systems for internal use which are being amortized over a five-year period.

Depreciation and amortization of plant and equipment amounted to \$2,843, \$2,803 and \$2,654 for the years ended November 30, 1993, 1994 and 1995, respectively, which includes amortization of computer software costs of \$1,439, \$1,259 and \$922 for the years ended November 30, 1993, 1994 and 1995, respectively.

(8) Equity Investments

As of November 30, 1995, the Company had a 33.33% ownership interest in TALK. Additionally, the Company had 50% non-controlling ownership in four other entities: Protector Corporation (Protector) which acts as a distributor of chemical protection treatments; Audiovox Specialty Markets Co., L.P. (ASMC) which acts as a distributor to specialized markets for RV's and van conversions, of televisions and other automotive sound, security and accessory products; Audiovox Pacific Pty., Limited (Audiovox Pacific) which distributes cellular telephones and automotive sound and security products in Australia and New Zealand; and G.L.M. Wireless Communications, Inc. (G.L.M.) which is in the cellular telephone, pager and communications business in the New York metropolitan area.

The Company has an agreement for product marketing with Protector. Under the terms of this agreement, the Company was to receive monthly payments as well as a fee based on a percentage of the sales of certain products. In 1993, 1994 and 1995, the Company waived its right to receive its monthly payments pursuant to the agreement and fees based on the

percentage of the sales of certain products. However, in 1994, the Company recorded management fees of \$1,108 for the Company's support to Protector through various marketing programs.

In December 1993, CellStar, the successor to National Auto Center, Inc. (National) and Audiomex Export Corp. (both 50 % owned equity investments of the Company in 1993), completed an initial public offering (the CellStar Offering) of 7,935,000 shares of CellStar Common Stock. Of the total shares sold, the Company sold 2,875,000 shares of CellStar Common Stock at the initial public offering price (net of applicable underwriting discount) of \$10.695 per share and received aggregate net proceeds of \$29,433 (after giving effect to expenses paid by the Company in connection with the offering). As a result, the Company recorded a gain, before provision for income taxes, of \$27,783. In addition, the Company recorded a gain, before provision for income taxes, of \$10,565 on the increase in the carrying value of its remaining shares of CellStar Common Stock due to the CellStar Offering in 1994.

Of the proceeds received by CellStar from its initial public offering, \$13,656 was paid to the Company in satisfaction of amounts owed to the Company by CellStar (as successor to National) under certain promissory notes which evidenced National's liability to the Company for the payment of management fees and in satisfaction of past due trade receivables from National to the Company. As a result of the CellStar Offering, the Company will no longer receive management fees from CellStar.

In connection with the CellStar Offering, the Company granted the Investor an option to purchase up to an aggregate of 1,500,000 shares of CellStar Common Stock owned by the Company, which was exercised in full on June 1, 1995, at an exercise price of \$11.50 per share. As a result, the Company recorded a gain, before provision for income taxes, of \$8.4 million. This reduced the Company's ownership in CellStar below 20% and, as such, the Company will no longer account for CellStar under the equity method of accounting. The remaining 2,375,000 CellStar shares owned by the Company will be accounted for as an investment in marketable equity securities

(Note 6).

The following table presents financial information relating to CellStar for the years ended November 30, 1993, 1994 and 1995:

	1993	1994	1995
		(In Thousands)	
Current assets	\$ 81,983	\$170,285	\$271,156
Non-current assets	7,911	16,069	43,765
Current liabilities	74,931	106,617	196,746
Non-current liabilities	7,214	3,095	6,880
Net sales	275,376	518,422	811,915
Gross profit	45,580	69,642	109,841
Net income	7,853	16,248	22,896

On August 29, 1994, the Company and Shintom each invested six hundred million Japanese Yen (approximately \$6.0 million) into a newly-formed company, TALK. In exchange for their investments, the Company and Shintom each received a 33% ownership in TALK, the remaining 33% owned by others.

TALK, which holds world-wide distribution rights for product manufactured by Shintom, has given the Company exclusive distribution rights on all wireless personal communication products for all countries except Japan, China, Thailand and several mid-eastern countries. The Company granted Shintom a license agreement permitting the use of the Audiovox trademark to be used with TALK video cassette recorders sold in Japan from August 29, 1994 to August 28, 1997, in exchange for royalty fees. For the years ended November 30, 1994 and 1995, no such royalty fees were earned by the Company. The Company's investment in TALK and its share of the underlying assets of TALK differ by \$2,428 at November 30, 1995. This difference is due to the discontinuance of the Company's recording of its share of losses beyond \$1,000, as a result of the repayment terms established when financing the initial investment in TALK (Note 10).

On July 31, 1995, the Company purchased a 50% equity investment in a newly-formed company, G.L.M., for

approximately \$36 in contributed assets in addition to a \$100 loan payable at 1% above prime which was 8.75% at November 30, 1995, due in fiscal 1996.

The Company received the following management fees and related income from its equity investments:

	1993	November 30, 1994	1995
CellStar	\$1,220	-	-
Pacific	613	\$ 435	\$ 186
H & H	70	-	-
Protector	-	1,108	-
G.L.M.	-	-	14
	\$1,903	\$1,543	\$ 200

The Company's net sales to the equity investments amounted to \$21,368, \$32,630 and \$17,864 for the years ended November 30, 1993, 1994 and 1995, respectively. The Company's purchases from the equity investments amounted to \$2,585, \$5,715 and \$83,858 for the years ended November 30, 1993, 1994 and 1995, respectively. The Company recorded \$668 of outside representative commission expenses for activations and residuals generated by G.L.M. on the Company's behalf during fiscal year 1995 (Note 1(1)).

Included in accounts receivable at November 30, 1994 and November 30, 1995 are trade receivables due from its equity investments aggregating \$8,691 and \$4,182 and management fee receivables of \$1,108 and \$14, respectively. Receivable from vendor represents claims on late deliveries, product modifications and price protection from TALK. Amounts are payable in monthly installments through November 30, 1996 and bear interest at rates which range from 6% to 8%. At November 30, 1994 and 1995, other long-term assets include equity investment advances outstanding and management fee receivables of \$1,138 and \$1,289, respectively. At November 30, 1994 and 1995, included in accounts payable and other accrued expenses were obligations to equity investments aggregating \$207 and \$240, respectively. Documentary acceptance obligations were outstanding from TALK at November

30, 1995 (Note 9(b)).

During 1995, the Company recorded interest income from TALK relating to the receivable from vendor, reimbursement of interest expense incurred under the subordinated loan to hedge the TALK investment (Note 10) and other short-term loans made to TALK during 1995 at market interest rates. For the years ended November 30, 1993, 1994 and 1995, interest income earned on equity investment notes and other receivables approximated \$666, \$25 and \$573, respectively. Interest expense on equity investment documentary acceptances approximated \$158 in 1995.

(9) Financing Arrangements

(a) Bank Obligations

During 1993, the Company had established a revolving credit agreement with several financial institutions which was first amended on March 15, 1994. On May 5, 1995, the Company entered into the Second Amended and Restated Credit Agreement (the "Credit Agreement") which superseded the first amendment in its entirety. Under the Credit Agreement, the Company may obtain credit through direct borrowings and letters of credit. The obligations of the Company under the Credit Agreement continue to be guaranteed by certain of the Company's subsidiaries and is secured by accounts receivable and inventory of the Company and those subsidiaries. The obligations are also secured by a pledge agreement entered into by the Company for 1,075,000 shares of CellStar Common Stock (Note 6). Availability of credit under the Credit Agreement is a maximum aggregate amount of \$95 million, subject to certain conditions, and is based upon a formula taking into account the amount and quality of its accounts receivable and inventory. The term of the Credit Agreement is for approximately two years, expiring on February 28, 1997. As a result, bank obligations under the Credit Agreement have been classified as long-term at November 30, 1995.

Outstanding obligations under the Credit Agreement at November 30, 1994 and 1995 were as follows:

	November 30,	
	1994	1995
Bankers' Acceptances	\$ 7,000	\$16,000
Revolving Credit Notes	400	3,000
Eurodollar Notes	21,700	30,000
	\$29,100	\$49,000

Interest on revolving credit notes was .25% above the prime rate which was 8.5% and 8.75% at November 30, 1994 and 1995, respectively. Interest on Eurodollar Notes was 2% above the Libor rate which was approximately 6.2% and 5.1% at November 30, 1994 and 1995, respectively. Interest on bankers' acceptances was 2% above the bankers' acceptance rate which was approximately 6.75% and 6.25% at November 30, 1994 and 1995, respectively. Under the Credit Agreement, the Company is also required to pay quarterly commitment fees as well as an annual administrative fee.

The Credit Agreement contains several covenants requiring, among other things, minimum annual levels of net income and minimum quarterly levels of net worth and working capital. Additionally, the agreement includes restrictions and limitations on payments of dividends, stock repurchases and capital expenditures. At November 30, 1995, the Company was not in compliance with a financial covenant which was waived. As of the date of the issuance of the financial statements, the Company's creditors lost their right to call the bank obligations as of November 30, 1995. Subsequent to November 30, 1995, the Company amended the Credit Agreement, effective December 22, 1995 and February 9, 1996, which provided for, among other things, increased interest rates, which may be reduced under certain circumstances, and a change in the criteria for and method of calculating certain financial covenants in the future. At November 30, 1995, the Company was in compliance with the new covenants.

During 1994, Audiovox Malaysia entered into a revolving credit facility with a local Malaysian bank (Malaysian Credit Agreement) to finance additional working capital needs. As of November 30, 1994 and 1995, the available line of credit for direct borrowing, letters of credit, bankers' acceptances and other forms of credit approximated \$1,200 and \$2,200, respectively. The facilities are secured by two standby letters of credit issued under the Credit Agreement by the Company and is payable upon demand or upon expiration of the standby letters of credit on August 31, 1996. Subsequent to November 30, 1995, the available line of credit under the Malaysian Credit Agreement was increased to \$5,320, and the standby letter of credit issued by the Company was amended to reflect the increase in the line. Outstanding obligations under the Malaysian Credit Agreement at November 30, 1994 and 1995 were approximately \$1,084 and \$761, respectively. Interest on direct borrowings was 1.5% above the Malaysian base lending rate which was 6.6% and 7.8% at November 30, 1994 and 1995, respectively.

The maximum month-end amounts outstanding under the Credit Agreement and the Malaysian Credit Agreement borrowing facilities during the years ended November 30, 1993, 1994 and 1995 were \$42,659, \$30,184 and \$59,315, respectively. Average borrowings during the years ended November 30, 1993, 1994 and 1995 were \$28,895, \$16,929 and \$43,470, respectively, and the weighted average interest rates were 7.8%, 7.9% and 8.7%, respectively.

(b) Documentary Acceptances

During 1995, the Company had various unsecured documentary acceptance lines of credit available with suppliers to finance inventory purchases. The Company does not have written agreements which established the terms and amounts available under the lines of credit. At November 30, 1995, \$7,120 of documentary acceptances were outstanding of which \$6,801 was due to TALK.

The maximum month-end documentary acceptances outstanding during the years ended November 30, 1993, 1994 and 1995

were \$9,638, \$9,078 and \$9,977, respectively. Average borrowings during the years ended November 30, 1993, 1994 and 1995 were \$6,883, \$3,787 and \$5,876, respectively, and the weighted average interest rates, including fees, were 11.2%, 11.0% and 4.4%, respectively.

(10) Long-Term Debt

A summary of long-term debt follows:

	November 30,	
	1994	1995
Convertible subordinated debentures:		
6 1/4%, due 2001, convertible at \$17.70 per share	\$ 65,000	\$ 65,000
Convertible debentures:		
Series AA, 10.8%, due 1996, convertible at \$5.34 per share	77	77
Series BB, 11.0%, due 1996, convertible at \$5.34 per share	5,385	5,385
Subordinated note payable	5,045	4,938
Secured term loan	-	664
Capital lease obligations (Note 14)	305	158
	75,812	76,222
Less current installments	159	5,688
	\$ 75,653	\$70,534

On March 15, 1994, the Company completed the sale of \$65,000, 6 1/4% convertible subordinated debentures ("Subordinated Debentures") due 2001 and entered into an Indenture Agreement. The Subordinated Debentures are convertible into shares of the Company's Class A Common Stock, par value \$.01 per share at an initial conversion price of \$17.70 per share, subject to adjustment under certain circumstances. The Indenture Agreement contains various covenants. The bonds are subject to redemption by the Company in whole, or in part, at any time after March 15, 1997, at certain specified amounts. On May 9, 1995, the Company issued warrants to certain beneficial holders of these Subordinated Debentures (Note 13(d)).

On March 8, 1994, the Company entered into a Debenture Exchange Agreement and exchanged certain debentures for Series

AA and Series BB Convertible Debentures (Debentures). The Debentures are convertible at any time at \$5.34 per share, which is subject to adjustment in certain circumstances, and are secured by a standby letter of credit (Note 1(f)). Although the Debenture Exchange Agreement provides for optional prepayments under certain circumstances, such prepayments are restricted by the Credit Agreement (Note 9(a)). On February 9, 1996, the holders of \$1,100 of the Series BB Convertible Debentures exercised their right to convert into 206,046 shares of Class A Common Stock. The remaining balance of the Debentures were repaid, thereby extinguishing the remaining conversion features of these Debentures.

On October 20, 1994, the Company issued a note payable for five hundred million Japanese Yen (approximately \$5,045 and \$4,938 on November 30, 1994 and 1995, respectively) to finance its investment in TALK (Note 8). The note is scheduled to be repaid on October 20, 2004 and bears interest at 4.1%. The note can be repaid by cash payment or by giving 10,000 shares of its TALK investment to the lender. The lender has an option to acquire 2,000 shares of TALK held by the Company in exchange for releasing the Company from 20% of the face value of the note at any time after October 20, 1995. This note and the investment in TALK are both denominated in Japanese Yen, and, as such, the foreign currency translation adjustments are accounted for as a hedge. Any foreign currency translation adjustment resulting from the note will be recorded in stockholders' equity to the extent that the adjustment is less than or equal to the adjustment from the translation of the investment in TALK. Any portion of the adjustment from the translation of the note that exceeds the adjustment from the translation of the investment in TALK is a transaction gain or loss that will be included in earnings.

During 1995, Audiovox Malaysia entered into a Secured Term Loan for 1.7 million Malaysian Ringgits (approximately \$675) to acquire a building. The loan is secured by the property acquired and bears interest at 1.5% above the Malaysian base lending rate which was 7.8% on November 30, 1995. The loan is payable in 120 monthly equal installments commencing October 1995.

Maturities on long-term debt for the next five fiscal years are as follows:

1996	\$5,688
1997	68
1998	68
1999	68
2000	68

(11) Income Taxes

As discussed in Note 1(p), the Company adopted Statement 109 as of December 1, 1993. The cumulative effect of this change in accounting for income taxes of \$178, or \$.02 per share, is determined as of December 1, 1993 and is reported separately as a reduction to the consolidated statement of income (loss) for the year ended November 30, 1994. Prior years' financial statements have not been restated to apply the provisions of Statement 109.

The components of income (loss) before the provision for (recovery of) income taxes and extraordinary item are as follows:

	1993	November 30, 1994	1995
Domestic Operations	\$15,983	\$47,032	\$(12,424)
Foreign Operations	(741)	(498)	365
	\$15,242	\$46,534	\$(12,059)

Total income tax expense (recovery) was allocated as follows:

	November 30,	
	1994	1995
Income (loss) from continuing operations	\$20,328	\$(2,803)
Stockholders' equity		
Additional paid in capital for compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(37)	-
Unrealized holding gain on investment securities recognized for financial reporting purposes	-	19,441
Total income tax expense	\$20,291	\$16,638

The provision for (recovery of) income taxes attributable to income from continuing operations is comprised of:

	Federal	Foreign	State	Total
1993:				
Current	\$ 4,535	\$ 21	\$1,068	\$ 5,624
Deferred	(358)	-	(75)	(433)
	\$ 4,177	\$ 21	\$ 993	\$ 5,191
1994:				
Current	\$12,042	\$ 68	\$2,078	\$14,188
Deferred	5,365	-	775	6,140
	\$17,407	\$ 68	\$2,853	\$20,328
1995:				
Current	\$ 1,455	\$ 570	\$ 330	\$ 2,355
Deferred	(4,189)	-	(969)	(5,158)
	\$(2,734)	\$ 570	\$ (639)	\$(2,803)

A reconciliation of the provision for (recovery of) income taxes attributable to income (loss) from continuing operations computed at the Federal statutory rate to the reported provision for income taxes attributable to income (loss) from continuing operations is as follows:

	1993		November 30, 1994		1995	
Tax provision (recovery) at Federal statutory rates	\$5,335	35.0%	\$16,287	35.0%	\$(4,221)	35.0%
Undistributed earnings (loss) from equity investments	(1,437)	(9.4)	1,558	3.4	411	(3.5)
State income taxes, net of Federal benefit	645	4.2	1,854	4.0	(415)	3.4
Increase in beginning-of-the-year balance of the valuation allowance for deferred tax assets	-	-	306	.7	644	(5.3)
Foreign tax rate differential	238	1.6	(7)	(.1)	(34)	0.3
Expense relating to the issuance of warrants	-	-	-	-	1,022	(8.5)
Other, net	410	2.7	330	.7	(210)	1.8
	5,191	34.1	20,328	43.7	(2,803)	23.2
Utilization of net operating loss carryforwards	(2,173)	(14.3)	-	-	-	-
	\$3,018	19.8%	\$20,328	43.7%	\$(2,803)	23.2 %

For the year ended November 30, 1993, deferred income tax expense of \$433 results from timing differences in the recognition of income and expense for income tax and financial reporting purposes. The sources and tax effects of those timing differences are presented below:

	November 30, 1993
Uniform capitalization of inventory costs	\$ (93)
Accounts receivable reserves	193
Warranty and inventory reserves	484
Depreciation and amortization	(646)
Insurance reserves	23
Cellular deactivation reserves	(439)
Other, net	45
	\$ (433)

The significant components of deferred income tax expense (recovery) for the years ended November 30, 1994 and 1995 are as follows:

	November 30,	
	1994	1995
Deferred tax expense (recovery) (exclusive of the effect of other components listed below)	\$5,834	\$(5,802)
Increase in beginning-of-the-year balance of the valuation allowance for deferred tax assets	306	644
	\$6,140	\$(5,158)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred liabilities are presented below:

	November 30,	
	1994	1995
Deferred tax assets:		
Accounts receivable, principally due to allowance for doubtful accounts and cellular deactivations	\$ 968	\$ 1,601
Inventory, principally due to additional costs capitalized for tax purposes pursuant to the Tax Reform Act of 1986	387	455
Inventory, principally due to valuation reserve	436	1,373
Accrual for future warranty costs	658	790
Plant, equipment and certain intangibles, principally due to depreciation and amortization	-	588
Net operating loss carryforwards, state and foreign	859	1,689
Accrued liabilities not currently deductible	-	359
Other	193	477
Total gross deferred tax assets	3,501	7,332
Less: valuation allowance	(979)	(1,623)
Net deferred tax assets	2,522	5,709
Deferred tax liabilities:		
Plant, equipment and certain intangibles, principally due to depreciation and amortization	(71)	-
Equity investments, principally due to undistributed earnings	(6,149)	(23,690)
Total gross deferred tax liabilities	(6,220)	(23,690)
Net deferred tax liability	\$(3,698)	\$(17,981)

The net change in the total valuation allowance for the year ended November 30, 1995 was an increase of \$644. A valuation allowance is provided when it is more likely than not that some portion, or all, of the deferred tax assets will not be

realized. The Company has established valuation allowances primarily for net operating loss carryforwards in certain states and foreign countries as well as other deferred tax assets in foreign countries. Based on the Company's ability to carry back future reversals of deferred tax assets to taxes paid in current and prior years and the Company's historical taxable income record, adjusted for extraordinary items, management believes it is likely that the Company will realize the benefit of the net deferred tax assets existing at November 30, 1995. Further, management believes the existing net deductible temporary differences will reverse during periods in which the Company generates net taxable income. There can be no assurance, however, that the Company will generate any earnings or any specific level of continuing earnings in the future.

At November 30, 1995, the Company has net operating loss carryforwards for state and foreign income tax purposes of approximately \$13,912, which are available to offset future state and foreign taxable income, if any, which will expire through the year ended November 30, 2010.

The Company has not recognized a deferred tax liability of approximately \$260 and \$268 at November 30, 1994 and 1995, respectively, for the undistributed earnings of a foreign corporate joint venture that arose in 1995 and prior years because the Company currently does not expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future. A deferred tax liability will be recognized when the Company expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments.

(12) Capital Structure

The Company's capital structure is as follows:

Security	Par Value	Shares Authorized		Shares Issued and Outstanding		Voting Rights Per Share	Liquidation Rights
		November 30, 1994	1995	1994	November 30, 1995		
Class A Common Stock	\$ 0.01	30,000,000	30,000,000	6,777,788	6,777,788	One	Ratably with Class B
Class B Common Stock	0.01	10,000,000	10,000,000	2,260,954	2,260,954	Ten	Ratably with Class A
Preferred Stock	50.00	50,000	50,000	50,000	50,000	-	\$50 per share
Series Preferred Stock	0.01	1,500,000	1,500,000	-	-	-	-

The holders of Class A and Class B Common Stock are entitled to receive cash or property dividends declared by the Board of Directors. The Board can declare cash dividends for Class A Common Stock in amounts equal to or greater than the cash dividends for Class B Common Stock. Dividends other than cash must be declared equally for both classes. Each share of Class B Common Stock may, at any time, be converted into one share of Class A Common Stock. During fiscal 1994, 15,500 shares of Class A Common Stock were issued due to the exercise of stock options (Note 13).

The 50,000 shares of non-cumulative Preferred Stock outstanding are owned by Shintom and have preference over both classes of common stock in the event of liquidation or dissolution.

As of November 30, 1994 and 1995, 969,500 shares of the Company's Class A Common Stock are reserved for issuance under the Company's Stock Option and Restricted Stock Plans and 4,845,345 for all convertible securities and warrants outstanding at November 30, 1994 and 1995 (Notes 10 and 13).

Undistributed earnings from equity investments included in retained earnings amounted to \$20,526 and \$3,431 at November 30, 1994 and 1995, respectively.

(13) Common Stock and Compensation Plans

(a) Stock Option Plans

In April 1987, the Board of Directors approved the adoption of the 1987 Stock Option Plan for the granting of options to directors and key employees of the Company. Under the 1987 Stock Option Plan, the options can be either incentive or non-qualified.

In April 1987, non-qualified options to purchase 200,000 shares of Class A Common Stock were granted at \$11 per share which represents the estimated fair market value at the date of grant. Such options became exercisable in full in October 1988 and expire in April 1997.

In May 1993, the stockholders approved the 1993 Stock Option Plan which authorizes the granting of incentive stock options to key employees and non-qualified stock options to employees and/or directors of the Company. The incentive stock options may be granted at a price not less than the market value of the Company's common stock on the date of grant and must be exercisable no later than ten years after the date of grant. The exercise price of non-qualified stock options may not be less than 50% of the market value of the Company's Class A Common Stock on the date of grant.

In December 1993, non-qualified options to purchase 113,500 shares of Class A Common Stock were granted at \$13 per share which was less than the market value of \$17 per share on the date of grant. Certain of the options became exercisable on June 14, 1995, and the remainder will become exercisable on December 14, 1996 after which they can be exercised in whole or in part until expiration on December 14, 2003.

In November 1994, non-qualified options to purchase 75,000

shares of Class A Common Stock were granted at \$11 per share, which exceeded fair market value at the date of grant, to a director and officer of the Company. Such options will become exercisable in full on May 22, 1996 and expire on November 22, 2004.

In May 1994, the stockholders approved the 1994 Stock Option Plan which authorizes the granting of incentive stock options to key employees and non-qualified stock options to employees and/or directors of the Company. The incentive stock options may be granted at a price not less than 110% of the market value of the Company's common stock on the date of grant and must be exercisable no later than ten years after the date of grant. The exercise price of non-qualified stock options may not be less than 50% of market value of the Company's Class A Common Stock on the date of grant.

In August 1995, non-qualified options to purchase 279,000 shares of Class A Common Stock were granted under the 1994 Stock Option Plan at an exercise price of \$5.88 per share, which represents the estimated fair market value of the shares at the date of grant. No options can be exercised until February 9, 1997 or August 9, 1998, as the case may be, after which they can be exercised in whole or in part, until expiration on August 9, 2005.

Compensation expense is recorded with respect to the options based upon the quoted market value of the shares and the exercise provisions at the date of grant. Compensation expense for the years ended November 30, 1994 and 1995 was \$175 and \$113, respectively.

The Company will adopt the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", on December 1, 1996.

Information regarding the Company's stock option plans is summarized below:

	1987 Stock Option Plan	1993 Stock Option Plan	1994 Stock Option Plan
Shares under option:			
Outstanding at December 1, 1992	157,500	-	-
Granted	-	-	-
Exercised	(16,000)	-	-
Canceled	-	-	-
Outstanding at November 30, 1993	141,500	-	-
Granted	-	188,500	-
Exercised	(15,500)	-	-
Canceled	(1,000)	(500)	-
Outstanding at November 30, 1994	125,000	188,000	-
Granted	-	-	279,000
Exercised	-	-	-
Canceled	21,000	12,750	-
Outstanding at November 30, 1995	104,000	175,250	279,000
Options exercisable, November 30, 1995	104,000	15,750	-

(b) Restricted Stock Plan

In April 1987, the Board of Directors approved the adoption of the 1987 Restricted Stock Plan for the granting of restricted stock awards to directors and key employees of the Company. In May 1993, the stockholders approved an amendment to the 1987 Restricted Stock Plan which provides that restrictions on stock awarded pursuant to the Plan will lapse at the discretion of the Compensation Committee of the Company. In addition, the Plan's original expiration date of April 27, 1997 was extended through April 27, 2007.

In December 1993, 38,300 shares of Class A Common Stock were awarded under the 1987 Restricted Stock Plan, one half of such shares to be performance accelerated restricted stock and one half of such shares to be performance restricted stock. The performance accelerated shares will vest in five years or earlier depending upon whether the Company meets certain earnings per share goals. The performance restricted shares will only vest in five years to the extent the Company achieves certain earnings per share goals. To the extent the earnings per share goals have not been achieved during the five years after the date of grant, the award will lapse.

In November 1994, 25,000 shares of Class A Common Stock were awarded under the 1987 Restricted Stock Plan to a director and officer of the Company. One half of such shares are to be performance accelerated restricted stock and one half of such shares are to be performance restricted stock. The terms of the grant are identical to the December 1993 grant as previously discussed.

In August 1995, 21,000 shares of Class A Common Stock were awarded under the 1987 Restricted Stock Plan, one half of such shares to be performance accelerated restricted stock and one half of such shares to be performance restricted stock. The terms of the grant are identical to the December 1993 grant as previously discussed.

In May 1994, the Board of Directors approved the adoption of the 1994 Restricted Stock Plan for the granting of restricted stock awards to directors and key employees of the Company. No awards were granted under this plan as of November 30, 1995.

Compensation expense is recorded with respect to the grants based upon the quoted market value of the shares on the date of grant for the performance accelerated shares and on the balance sheet date for the performance restricted shares. Total restricted stock outstanding at November 30, 1994 and 1995 were 63,300 and 80,800, respectively. Compensation expense for these grants for the years ended November 30, 1994 and 1995 were \$93 and \$127, respectively.

(c) Employee Stock Purchase Plan

In May 1993, the stockholders approved the 1993 Employee Stock Purchase Plan. The stock purchase plan provides eligible employees an opportunity to purchase shares of the Company's Class A Common Stock through payroll deductions up to 15% of base salary compensation. Amounts withheld are used to purchase Class A Common Stock on or about the last business day of each month at a price equal to 85% of the fair market value. The total number of shares available for purchase under this plan is 1,000,000.

(d) Stock Warrants

During the third quarter of fiscal 1993, pursuant to a consulting agreement effective April 1993, the Company granted warrants to purchase 100,000 shares of Class A Common Stock, which have been reserved, at \$7.50 per share. The warrants, which are exercisable in whole or in part at the discretion of the holder, expire on December 31, 1998. There were no warrants exercised as of November 30, 1995. The consulting agreement, valued at \$100, was expensed in 1994 when the services to be provided pursuant to the consulting agreement were completed.

In December 1993, the Company granted warrants to purchase 50,000 shares of Class A Common Stock at a purchase price of \$14.375 per share as part of the acquisition of H&H (Note 2). The per share purchase price and number of shares purchasable are each subject to adjustment upon the occurrence of certain events described in the warrant agreement. The warrants are exercisable, in whole or in part, from time-to-time, until September 22, 2003. If the warrants are exercised in whole, the holder thereof has the right to require the Company to file with the Securities Exchange Commission a registration statement relating to the sale by the holder of the Class A Common Stock purchasable pursuant to the warrant.

On May 9, 1995, the Company issued 1,668,875 warrants in a private placement, each convertible into one share of Class A Common Stock at \$7 1/8, subject to adjustment under

certain circumstances. The warrants were issued to the beneficial holders as of June 3, 1994, of \$57.6 million of the Company's Subordinated Debentures in exchange for a release of any claims such holders may have against the Company, its agents, directors and employees in connection with their investment in the Subordinated Debentures. As a result, the Company incurred a warrant expense of \$2.9 million and recorded a corresponding increase to paid in capital. The warrants are not exercisable (a) until the later of (x) May 9, 1996 and (y) the date a registration statement with respect to the Class A Common Stock issuable upon exercise of the warrants has been filed and declared effective by the Securities and Exchange Commission or (b) after March 15, 2001, unless sooner terminated under certain circumstances. Subsequent to November 30, 1995, the Company has filed a registration statement for the warrants and the underlying common stock pursuant to a registration rights agreement dated as of May 9, 1995, between the Company and the holders of the warrants. John J. Shalam, Chief Executive Officer of the Company, has granted the Company an option to purchase 1,668,875 shares of Class A Common Stock from his personal holdings. The exercise price of this option is \$7 1/8, plus the tax impact, if any, should the exercise of this option be treated as dividend income rather than capital gains to Mr. Shalam.

(e) Profit Sharing Plans

The Company has established two non-contributory employee profit sharing plans for the benefit of its eligible employees in the United States and Canada. The plans are administered by trustees appointed by the Company. In fiscal 1993 and 1994, contributions of \$200 and \$225, respectively, were made by the Company to the United States plan. No contributions were made in fiscal 1995. Contributions required by law to be made for eligible employees in Canada were not material.

(14) Lease Obligations

At November 30, 1995, the Company was obligated under non-cancelable leases for equipment and warehouse facilities for minimum annual rental payments as follows:

	Capital Lease	Operating Leases
1996	\$170	\$1,970
1997	-	1,018
1998	-	600
1999	-	258
2000 and thereafter	-	71
Total minimum lease payments	170	\$3,917
Amounts representing interest	12	
Present value of future minimum lease payments	158	
Less current portion	158	
Obligations under leases excluding current installments	-	

Rental expense for the above-mentioned operating lease agreements and other leases on a month-to-month basis approximated \$2,390, \$3,107 and \$4,080 for the years ended November 30, 1993, 1994 and 1995, respectively.

The Company leases certain facilities from its principal stockholder and several officers. Rentals for such leases are considered by management of the Company to approximate prevailing market rates. At November 30, 1995, minimum annual rental payments on these related party leases, which are included in the above table, are as follows:

1996	\$458
1997	66
1998	68
1999	11

(15) Financial Instruments

(a) Off-Balance Sheet Risk

Commercial letters of credit are issued by the Company during the ordinary course of business through major domestic banks as requested by certain suppliers. The Company also issues standby letters of credit principally to secure certain bank obligations of Audiovox Malaysia (Note 9) and its Debentures (Note 10). The Company had open commercial letters of credit of \$16,000 and \$22,000, of which \$13,100 and \$10,800 were accrued for as of November 30, 1994 and 1995, respectively. The terms of these letters of credit are all less than one year. No material loss is anticipated due to nonperformance by the counterparties to these agreements. The fair value of these open commercial and standby letters of credit is estimated to be the same as the contract values based on the nature of the fee arrangements with the issuing banks.

(b) Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of trade receivables. The Company's customers are located principally in the United States and Canada and consist of, among others, cellular carriers and service providers, distributors, agents, mass merchandisers, warehouse clubs and independent retailers.

At November 30, 1994, three customers, which included CellStar, a Bell Operating Company and a mass merchandiser, each accounted for approximately 5% of accounts receivable, and one Bell Operating Company accounted for approximately 6% of accounts receivable. At November 30, 1995, three customers, which included two cellular carriers and service providers and a Bell Operating Company accounted for approximately 6%, 7% and 5%, respectively, of accounts receivable.

During the year ended November 30, 1993, two Bell Operating Companies accounted for approximately 6% and 5% of the

Company's sales. A Bell Operating Company accounted for approximately 7% of the Company's 1994 sales. During the year ended November 30, 1995, two Bell Operating Companies and a cellular carrier and service provider accounted for approximately 6%, 7% and 7%, respectively, of the Company's 1995 sales.

The Company generally grants credit based upon analyses of its customers' financial position and previously established buying and payment patterns. The Company establishes collateral rights in accounts receivable and inventory and obtains personal guarantees from certain customers based upon management's credit evaluation. At November 30, 1994 and 1995, 25 and 36 customers, respectively, representing approximately 60% and 63%, of outstanding accounts receivable, had balances owed greater than \$500.

A significant portion of the Company's customer base may be susceptible to downturns in the retail economy, particularly in the consumer electronics industry. Additionally, customers specializing in certain automotive sound, security and accessory products may be impacted by fluctuations in automotive sales. A relatively small number of the Company's significant customers are deemed to be highly leveraged.

(c) Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value. The carrying value of all financial instruments classified as a current asset or liability is deemed to approximate fair value, with the exception of current installments of long-term debt, because of the short maturity of these instruments.

Investment Securities

The carrying amount represents fair value, which is based upon quoted market prices at the reporting date (Note 6).

Long-term debt Including Current Installments

The carrying amount of bank debt under the Company's revolving Credit Agreement approximates fair value because of the short maturity of the related obligations. With respect to the Subordinated Debentures, fair values are based on published statistical data. The Debentures were valued at the closing market price of the Company's Class A Common Stock for the number of shares convertible at November 30, 1994 and 1995. Management believes that the carrying value of the secured term loan approximates fair value because it bears interest at rates currently offered to the Company for similar debt instruments of comparable maturities by the Company's bankers. Other long-term borrowings are valued by the present value of future cash flows at current market interest rates.

The estimated fair value of the Company's financial instruments are as follows:

	November 30, 1994		November 30, 1995	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term obligations including current installments	\$104,912	\$86,662	\$125,221	\$103,699

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(16) Commitments and Contingencies

On February 5, 1993, Motorola, Inc., Mitsubishi Electronic Corp., Nokia Mobile Phones Company, Toshiba Corporation, Panasonic Communications and Systems Company, OKI Electric Industry Company, Ltd. and the Company, all suppliers or manufacturers of cellular telephones, were named as defendants in a class action complaint. The complaint contains several allegations, including negligence and breach of both implied and express warranties under the Uniform Commercial Code, arising from the sale of portable hand-held cellular telephones. The complaint seeks unspecified damages and attorney's fees. Discovery has not yet commenced. On August 12, 1993, a dismissal of the class allegation was granted. On August 20, 1993, an order was entered dismissing the complaint which included the Company as a defendant and permitting plaintiffs to file an amended complaint which does not include the Company as a defendant. Such order, effectively dismissing the Company as a defendant, is being appealed by the plaintiffs. The Company believes that its insurance coverage and rights of recovery against manufacturers of its portable hand-held cellular telephones relating to this case are sufficient to cover any reasonably anticipated damages. The impact of the final resolution of this matter on the Company's results of operations or liquidity in a particular reporting period is not known. Management is of the opinion, however, that there are meritorious defenses to the claims made in this case and that the ultimate outcome of this matter will not have a material adverse effect on the Company's consolidated financial position.

The Company is a defendant in an action alleging, among other things, breach of contract and the plaintiff is seeking damages in excess of \$500. The litigation is currently in the early discovery phase. The impact of the final resolution of this matter on the Company's results of operations or liquidity in a particular reporting period is not known. Management is of the opinion, however, that there are meritorious defenses to the claim made in this case and that the ultimate outcome of this matter will not have a material adverse effect on the Company's consolidated financial position.

The Company is also a defendant in litigation arising from the normal conduct of its affairs. The impact of the final resolution of these matters on the Company's results of operations or liquidity in a particular reporting period is not known. Management is of the opinion, however, that the litigation in which the Company is a defendant is either subject to product liability insurance coverage or, to the extent not covered by such insurance, will not have a material adverse effect on the Company's consolidated financial position.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For Quarter Ended August 31, 1996

Commission file number 1-9532

AUDIOVOX CORPORATION
(Exact name of registrant as specified in its charter)

Delaware 13-1964841
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

150 Marcus Blvd., Hauppauge, New York 11788
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code (516) 231-7750

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

Yes No

Number of shares of each class of the Registrant's Common Stock outstanding as of the latest practicable date.

Class	Outstanding at September 30, 1996
Class A Common Stock	7,233,834 Shares
Class B Common Stock	2,260,954 Shares

AUDIOVOX CORPORATION

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AUDIOVOX CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except share data)

	November 30, 1995	August 31, 1996 (unaudited)
Assets		
Current Assets:		
Cash and cash equivalents	\$7,076	\$6,509
Accounts receivable, net	96,930	86,485
Inventory, net	100,422	94,744
Receivable from vendor	5,097	12,120
Prepaid expenses and other current assets	5,443	6,981
Deferred income taxes	5,287	4,661
Restricted cash	5,959	-
Total current assets	226,214	211,500
Investment securities	62,344	20,781
Equity investments	8,527	8,522
Property, plant and equipment, net	6,055	6,760
Debt issuance costs, net	4,235	3,689
Excess cost over fair value of assets acquired and other intangible assets, net	943	850
Other assets	2,737	2,772
	\$311,055	\$254,874
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$17,844	\$19,501
Accrued expenses and other current liabilities	16,800	20,289
Income taxes payable	2,455	3,552
Bank obligations	761	2,000
Documentary acceptances	7,120	2,662
Current installments of long-term debt	5,688	68
Total current liabilities	50,668	48,072
Bank obligations	49,000	34,098
Deferred income taxes	23,268	7,518
Long-term debt, less current installments	70,534	70,181
Total liabilities	193,470	159,869
Minority interest	363	836
Stockholders' equity:		
Preferred stock	2,500	2,500
Common Stock:		
Class A; 30,000,000 authorized; 6,777,788 and 6,983,834 issued on November 30, 1995 and August 31, 1996, respectively	68	70
Class B; 10,000,000 authorized; 2,260,954 issued	22	22
Paid-in capital	42,876	44,201
Retained earnings	40,998	42,393
Cumulative foreign currency translation and adjustment	(963)	(969)
Unrealized gain on marketable securities, net	31,721	5,952
Total stockholders' equity	117,222	94,169
Commitments and contingencies		
Total liabilities and stockholders' equity	\$311,055	\$254,874

See accompanying notes to consolidated financial statements.

AUDIOVOX CORPORATION AND SUBSIDIARIES
 Consolidated Statements of Income (Loss)
 (In thousands, except share and per share data)

	Three Months Ended August 31, 1995 1996 (unaudited)		Nine Months Ended August 31, 1995 1996 (unaudited)	
Net sales	\$112,177	\$142,828	\$349,378	\$406,515
Cost of sales (includes an inventory write-down to market of \$9,300 in 1995)	104,771	118,189	300,115	340,413
Gross profit	7,406	24,639	49,263	66,102
Operating expenses:				
Selling	8,583	9,820	25,723	26,137
General and administrative	11,518	8,274	29,486	23,767
Warehousing, assembly and repair	2,451	2,817	7,286	7,874
	22,552	20,911	62,495	57,778
Operating income (loss)	(15,146)	3,728	(13,232)	8,324
Other income (expenses):				
Interest and bank charges	(2,595)	(2,193)	(7,306)	(6,407)
Equity in income of equity investments	210	135	2,612	550
Management fees and related income	(354)	7	362	157
Gain on sale of investment	8,435	-	8,435	985
Expense related to issuance of warrants	-	-	(2,921)	-
Other, net	(279)	(102)	(836)	(519)
	5,417	(2,153)	346	(5,234)
Income (loss) before provision for (recovery of) income taxes	(9,729)	1,575	(12,886)	3,090
Provision for (recovery of) income taxes	(3,344)	808	(3,265)	1,696
Net income (loss)	\$(6,385)	\$767	\$(9,621)	\$1,394
Net income (loss) per common share (primary)	\$(0.71)	\$0.08	\$(1.06)	\$0.15
Net income (loss) per common share (fully diluted)	\$(0.71)	\$0.08	\$(1.06)	\$0.15
Weighted average number of common shares outstanding, primary	9,038,742	9,285,188	9,038,742	9,285,188
Weighted average number of common shares outstanding, fully diluted	9,038,742	9,325,588	9,038,742	9,330,217

See accompanying notes to consolidated financial statements.

AUDIOVOX CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)

Nine Months Ended
August 31,
1995 1996
(unaudited)

Cash flows from operating activities:

Net income (loss)	\$(9,621)	\$1,394
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,008	2,433
Provision for bad debt expense	1,181	249
Equity in income of equity investments	(2,612)	(550)
Minority interest	142	473
Gain on sale of investment	(8,435)	(985)
Provision for (recovery of) deferred income taxes, net	(7,300)	670
Provision for unearned compensation	250	228
Expense related to issuance of warrants	2,921	-
Gain on disposal of property, plant and equipment, net	-	(13)
Other non-cash charges to income	(8)	-
Changes in:		
Accounts receivable	18,653	10,251
Inventory	(35,473)	5,785
Accounts payable, accrued expenses and other current liabilities	(4,272)	4,985
Receivable from vendor	(3,954)	(7,022)
Income taxes payable	3,294	1,087
Prepaid expenses and other assets	(9,476)	(1,580)
Net cash provided by (used in) operating activities	(51,702)	17,405
Cash flows from investing activities:		
Purchases of property, plant and equipment, net	(1,402)	(2,240)
Proceeds from sale of investment	17,250	1,000
Proceeds from distribution from equity investment	198	317
Net cash provided by (used in) investing activities	16,046	(923)
Cash flows from financing activities:		
Net borrowings (repayments) under line of credit agreements	29,130	(13,676)
Net borrowings under documentary acceptances	5,800	(4,458)
Principal payments on long-term debt	-	(4,389)
Debt issuance costs	(675)	(323)
Principal payments on capital lease obligation	(190)	(158)
Proceeds from release of restricted cash	450	5,959
Net cash provided by (used in) financing activities	34,515	(17,045)
Effect of exchange rate changes on cash	7	(4)
Net decrease in cash and cash equivalents	(1,134)	(567)
Cash and cash equivalents at beginning of period	5,495	7,076
Cash and cash equivalents at end of period	\$4,361	\$6,509

See accompanying notes to consolidated financial statements.

AUDIOVOX CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Nine Months Ended August 31, 1995 and August 31, 1996

(Dollars in thousands, except share and per share data)

- (1) The accompanying consolidated financial statements were prepared in accordance with generally accepted accounting principles and include all adjustments which, in the opinion of management, are necessary to present fairly the consolidated financial position of Audiovox Corporation and subsidiaries (the "Company") as of November 30, 1995 and August 31, 1996 and the results of operations and consolidated statements of cash flows for the nine month periods ended August 31, 1995 and August 31, 1996.

Accounting policies adopted by the Company are identified in Note 1 of the Notes to Consolidated Financial Statements included in the Company's 1995 Annual Report filed on Form 10-K.

- (2) The information furnished in this report reflects all adjustments (which include only normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the results for the interim period. The interim figures are not necessarily indicative of the results for the year.
- (3) The following is supplemental information relating to the consolidated statements of cash flows:

	Nine Months Ended	
	August 31,	
	1995	1996

Cash paid during the period:

Interest (excluding bank charges)	\$5,393	\$4,219
Income taxes	\$ 722	\$ 193

On February 9, 1996, the Company's 10.8% Series AA and 11.0% Series BB Convertible Debentures matured. As of February 9, 1996, \$1,100 of the Series BB Convertible Debentures converted into 206,046 shares of Common Stock.

AUDIOVOX CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

As of August 31, 1996, the Company recorded an unrealized holding loss relating to available-for-sale marketable securities, net of deferred taxes, of \$25,769 as a separate component of stockholders' equity.

- (4) Receivable from vendor includes \$8,767 prepaid to TALK Corporation (TALK), a vendor who is also a 33%-owned equity investment. This prepayment is for inventory which was delivered to the Company during September 1996. In addition, TALK owes the Company \$3,353 for claims on late deliveries, product modifications and price protection. These claims will be paid in monthly installments, with interest, with the final payment due May 1997.
- (5) On December 1, 1995, the Company purchased a 50% equity investment in a newly-formed company, Quintex Communications West, LLC, for approximately \$97 in contributed assets and a loan of \$100, payable at 8.5%, due March 1997.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain items from the Company's consolidated statements of earnings, expressed as percentages of net sales:

	Three Months Ended		Nine Months Ended	
	August 31, 1995	1996	August 31, 1995	1996
Net sales	100.0%	100.0%	100.0%	100.0%
Gross profit	6.6	17.3	14.1	16.3
Operating expenses	20.1	14.6	17.9	14.2
Income (loss) before provision for (recovery of) income taxes	(8.7)	1.1	(3.7)	0.8
Net income (loss)	(5.7)	0.5	(2.8)	0.3

Net sales by product line for the three and nine month periods ended August 31, 1995 and August 31, 1996 are reflected in the following table:

	Three Months Ended		Nine Months Ended	
	August 31, 1995	1996	August 31, 1995	1996
Cellular product - wholesale	\$ 50,394	\$ 76,339	\$168,439	\$224,117
Cellular product - retail	2,686	2,295	13,225	5,829
Activation commissions	7,630	7,914	29,861	25,515
Residual fees	1,239	1,236	3,461	3,654
Total Cellular	61,949	87,784	214,986	259,115
Automotive sound equipment	28,471	29,296	79,550	75,456
Automotive security and accessory equipment	21,752	24,789	54,823	69,271
Other	5	959	19	2,673
	\$112,177	\$142,828	\$349,378	\$406,515

RESULTS OF OPERATIONS

Net sales increased by approximately \$30,651, or 27.3%, for the three month period ended August 31, 1996, compared to the same period last year. This result was due to increases in net sales from all of the Company's product lines: cellular of approximately \$25,835, or 41.7%, automotive sound equipment of approximately \$825, or 2.9%, and automotive security and accessory equipment of approximately \$3,037, or 14.0%. During the fourth quarter of 1995, the Company introduced a line of leisure products, comprised mostly of home and portable stereo/cassette/CD changers. This new line had net sales of approximately \$556 for the quarter.

Net sales increased approximately \$57,137, or 16.4%, for the nine months ended August 31, 1996 compared to the same period last year. Both cellular and automotive security and accessory equipment sales increased over last year by approximately \$44,129 (20.5%) and \$14,448 (26.4%), respectively. These increases were partially offset by a decline in sales of automotive sound equipment of approximately \$4,094, or 5.1%. In addition, the Company's new line of leisure products had sales of approximately \$2,052 for the first nine months of 1996.

The increase in cellular sales for the third quarter of 1996 was due to a 218,000 increase in unit sales to approximately

466,000 units, an 87.9% increase over the same period last year. The increase in unit sales was partially offset by a 24.9% decrease in average unit selling prices from \$201 to \$151. For the nine months ended August 31, 1996, unit sales increased by approximately 535,000 units, or 71.4%, over the first nine months of 1995 to 1,284,000. During this same period of time, however, average selling prices declined 25.4% from \$213 to \$159.

During the third quarter of 1995, the Company decided to close retail outlets which were either marginally profitable or unprofitable. As of August 31, 1996, the Company operates approximately 30 retail outlets compared to 77 on August 31, 1995. The closing of these retail outlets affected the number of subscriber activations for the three and nine months ended August 31, 1996, by approximately 6.0% and 23.2%, respectively, compared to last year. The total activation commissions received by the Company increased 3.7% and decreased 14.6% for the three and nine month periods ended August 31, 1996, respectively, compared to the same period last year. However, the average commission earned per activation increased 10.4% and 11.2% for the same periods last year, respectively. In addition, residuals decreased 0.2% for the quarter and increased 5.6% year-to-date compared to last year. The residual customer base is unaffected by the closing of retail

outlets as the majority of the residual agreements are not entered into with specific retail locations.

Net sales of automotive sound equipment increased by approximately \$825, or 2.9%, and decreased by approximately \$4,094, or 5.1%, for the three and nine month periods ended August 31, 1996, compared to the same periods in 1995. The increase for the three months ended August 31, 1996 was due to an increase in sales by the Company's majority-owned international ventures, a large portion of such revenue being attributed to sales by its Malaysian venture and an increase in Private Label and Prestige Audio product lines. These increases were partially offset by lower sales in the AV product line, which is sold to mass merchandisers and catalog showrooms, and the SPS product line. The decrease for the nine months was primarily due to a decrease in sales of products sold to mass merchandise chains and catalog showrooms. Automotive sound sales also decreased in the truck and agricultural vehicle markets, the Prestige and SPS audio product lines. These decreases were partially offset by an increase in sales to private label customers and in sales by the Company's international companies. Net sales of automotive security and accessory products increased approximately \$3,037, or 14.0%, and \$14,448, or 26.4%, for the three and nine month periods ended August 31, 1996, compared to the

same period in 1995, respectively. The increases were principally due to improved sales of Prestige vehicle security products, cruise controls and increased sales in the Company's Malaysian operation, both for the three and nine month periods. These increases were partially offset by reductions in net sales of the Company's security lines sold to mass merchandisers and catalog showrooms.

Gross margins for the quarter ended August 31, 1996 increased to 17.3% from 6.6%, 14.9% before the inventory write-down, for the same period in 1995. For the nine months ended August 31, 1996, gross margins increased to 16.3% from 14.1%, 16.8% before the inventory write-down, for 1995. For the three months ended August 31, 1996, cellular gross margins were 14.6% compared to 9.7% before the aforementioned inventory write-down. The increase in cellular margins is a result of the continuing increase in unit sales and a 31.7% decrease in average unit cost. This is offset by a decline of unit selling prices due to increased competition and the introduction of lower-priced units. The average unit selling price for the three months was 24.9% lower at August 31, 1996 compared to August 31, 1995. Gross margins increased to 13.0% from 9.2%, 13.3% before the inventory write-down, for the nine month period compared to last year. Average unit selling prices decreased 25.3% while average unit costs decreased 27.7%. As

previously discussed, this was partially offset by the decline in new subscriber activations and activation commissions, partially offset by an increase in residuals.

The Company believes that the cellular market will continue to be a highly-competitive, price-sensitive environment. Cellular service providers will continue to try to lower their product costs to the end user which will continue to put pressure on unit selling prices. The Company has negotiated, and is continuing to negotiate, lower inventory purchasing costs for both its existing models and new products. However, increased price competition related to the Company's product lines could result in additional downward pressure on gross margins. In the future, the Company may have to adjust the carrying value of its inventory if selling prices continue to decline and it is unable to obtain competitively-priced product from its suppliers.

Automotive sound margins increased to 18.9% from 13.1% for the quarter ended August 31, 1996 compared to the same quarter last year. Year-to-date margins increased to 19.6% from 17.2%. The increase in automotive sound margins was attributable to the Company's international operations, primarily Malaysia, and increases in the margins of the AV Product and Heavy Duty Sound Product lines. This was partially offset by decreases in AV, SPS

and Prestige Audio product lines. Automotive accessory margins decreased to 24.9% from 29.9% for the three month period ended August 31, 1996 compared to the same period in 1995. On a year-to-date basis, automotive accessory margins decreased to 24.9% from 28.9% for the same period last year. These decreases were primarily in the Prestige security and cruise control product lines, and in the Company's international operations.

Total operating expenses decreased approximately \$1,641, or 7.3%, and \$4,717, or 7.5%, for the three and nine month periods ended August 31, 1996 compared to the same periods last year. For the third quarter, warehousing, assembly and repair expenses increased approximately \$366 (14.9%) due to increases in field warehousing expenses, warehouse production expenses and direct labor. Selling expenses increased approximately \$1,237 (14.4%) primarily due to increases in divisional marketing and advertising of approximately \$1,636, and travel expenses. These increases were partially offset by decreases in salesmen's salaries, commissions and payroll taxes. General and administrative expenses decreased approximately \$3,244 (28.2%) primarily in occupancy costs, telephone, and depreciation. These decreases were partially offset by increases in temporary personnel and professional fees. A large part of the decrease in occupancy and related expenses is

attributable to the closing of many retail outlets during the latter part of 1995 and the associated \$2,500 charge recorded in the third quarter of 1995.

For the nine months ended August 31, 1996, warehousing, assembly, and repair expenses increased approximately \$588 (8.1%) due to increases in field warehousing expenses and direct labor, partially offset by a decrease in warehouse production expenses. Selling expenses increased approximately \$414 (1.6%) primarily in divisional marketing and advertising of approximately \$3,468, trade show and travel expenses. These increases were partially offset by decreases in salesmen's salaries, commissions and payroll taxes. General and administrative expenses decreased approximately \$5,719 (19.4%) primarily in occupancy costs, telephone, depreciation and office expenses. These decreases were partially offset by increases in travel and professional fees. As previously stated, a large part of the decrease in occupancy and related expenses is attributable to the closing of many retail outlets.

Operating income increased \$18,874 and \$21,556 over last year for the three and nine month periods, respectively. The Company's retail operations, with fewer outlets compared to last year, increased operating income by \$5,509 and \$7,160 for the three and nine month periods ended August 31, 1996, respectively. The

wholesale business, both automotive and cellular, experienced an increase in operating income of \$13,365 and \$14,397 for the three and nine month periods ended August 31, 1996, respectively.

Equity in income of equity investments decreased \$75 and \$2,062 for the three and nine month periods ended August 31, 1996 compared to the same periods last year. This decrease was primarily due to the Company no longer accounting for its investment in CellStar on the equity method. The change in accounting method was caused by the sale of CellStar shares during the third quarter of 1995 which reduced the Company's holdings below 20% and eliminated the Company's significant influence over CellStar. For the three and nine months ended August 31, 1995, the Company recorded equity income of CellStar of \$106 and \$2,152, respectively. Management fees and related income also decreased compared to last year, primarily due to Audiovox Pacific experiencing a shift in its cellular market. The Company is currently sourcing product which should provide Audiovox Pacific with the ability to meet this change in the marketplace.

Interest expense and bank charges decreased by \$402 and \$899 for the three and nine month periods ended August 31, 1996 compared to 1995, respectively, primarily due to reduced interest-bearing borrowings, partially offset by an increase in interest rates.

Income (loss) before provision for (recovery of) income taxes was \$1,575 and \$3,090 for the three and nine month periods ended August 31, 1996, a \$11,304 and \$15,976 increase over the same periods last year, respectively. However, during 1996, the Company's Canadian operations have experienced losses which do not have a corresponding tax carryback. As a result, the Company must add the Canadian losses back when computing its consolidated provision for income taxes. This has resulted in the Company providing approximately \$808 and \$1,696 in income taxes for the three and nine months ended August 31, 1996, respectively. The Company is in the process of reorganizing its Canadian operations. LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position at August 31, 1996 was approximately \$567 below the November 30, 1995 level. Operating activities provided approximately \$17,405, compared to an operating cash deficit of \$51,702 for the nine months ended August 31, 1995, primarily due to profitable operations and decreases in both accounts receivable and inventory, offset by an advance to a supplier for product delivered in September 1996 and reduced accounts payable and accrued expenses. Investing activities used approximately \$923, primarily from the purchase of property, plant and equipment offset by the proceeds of the sale of an investment.

Financing activities used approximately \$17,045, primarily from repayments of bank obligations. In addition, on February 9, 1996, the Company's 10.8% Series AA and 11.0% Series BB Convertible Debentures matured. The Company paid \$4,362 to holders on that date. The remaining \$1,100 was converted into 206,046 shares of Common Stock.

On May 5, 1995, the Company entered into an amended and restated Credit Agreement ("Credit Agreement") with five banks, including Chemical Bank which acts as agent for the bank group, which provides that the Company may obtain credit through direct borrowings and letters of credit. The obligations of the Company under the Credit Agreement continue to be guaranteed by certain of the Company's subsidiaries and are secured by accounts receivable and inventory of the Company and those subsidiaries. The obligations are also secured by a pledge agreement entered into by the Company for 1,075,000 shares of CellStar Common Stock. Availability of credit under the Credit Agreement is in a maximum aggregate amount of \$95,000, is subject to certain conditions and is based upon a formula taking into account the amount and quality of its accounts receivable and inventory. The Company amended the Credit Agreement, effective December 22, 1995 and February 9, 1996, which amendments provided for, among other things, increased

interest rates, which may be reduced under certain circumstances, and a change in the criteria for and method of calculating certain financial covenants in the future as follows: net income of \$2,500 was changed to pre-tax income of \$4,000 per annum; the Company must have pre-tax income of \$1,500 for the first six months of fiscal 1996; the Company cannot have pre-tax losses of more than \$500 in any quarter; and the Company cannot have pre-tax losses in any two consecutive quarters. In addition, the Company must maintain a minimum level of total net worth of \$100,000, of which a minimum level of \$80,000, adjusted for the unrealized holding gain for CellStar, must be maintained.

Effective May 13, 1996, the Company executed a Third Amendment to the Credit Agreement and a Pledge Agreement Amendment and Supplement. The Amendment amends the Credit Agreement to provide that the Company shall not permit (i) Consolidated Net Worth to be less than \$90,000 at any time or (ii) Consolidated Adjusted Net Worth to be less than \$80,000 at any time. The Pledge Agreement Amendment and Supplement increases the number of shares of CellStar stock pledged by Audiovox Holding Corp. by 1,050,000 additional shares. The total number of shares pledged by Audiovox Holding Corp., as increased, is 2,125,000.

On July 26, 1996, the Company executed a Fourth Amendment to the Credit Agreement. The Amendment amends the Credit Agreement to decrease the availability of credit under the Agreement to a maximum aggregate of \$75,000. In addition, the term of the Agreement was extended to February 28, 1998 from February 28, 1997. On September 10, 1996, the Company entered into a Fifth Amendment to the Credit Agreement. This Amendment increased the Company's line of credit to \$85,000. All other terms and conditions remained the same.

The Company believes that it has sufficient liquidity to satisfy its anticipated working capital and capital expenditure needs through November 30, 1996 and for the reasonable foreseeable future.

On October 1, 1996, business formally conducted by the Audiovox Cellular Division will be continued in a newly-formed wholly-owned subsidiary called Audiovox Communications Corp. Capitalization of this company was accomplished by exchanging the assets of the former division, less their respective liabilities, for all of the common stock.

PART II - OTHER INFORMATION

Item 6. Reports on Form 8-K

No reports were filed on Form 8-K during the quarter ended August 31, 1996.

SIGNATURES

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

AUDIOVOX CORPORATION

By:s/John J. Shalam
John J. Shalam
President and Chief
Executive Officer

Dated: October 4, 1996

By:s/Charles M. Stoehr
Charles M. Stoehr
Senior Vice President and
Chief Financial Officer

FOR IMMEDIATE RELEASE

Michael Stoehr
Audiovox Corporation
(516) 231-7750

Joseph Kist
Edelman Financial
(212) 704-8239

AUDIOVOX TO EXCHANGE 6 1/4% CONVERTIBLE SUBORDINATED
DEBENTURES AS PART OF LONG-TERM FINANCIAL STRATEGY

HAUPPAUGE, New York, October 17, 1996 -- Audiovox Corporation (AMEX:VOX) today announced that it has authorized an Exchange Offer for its \$65 million outstanding of 6 1/4% Convertible Subordinated Debentures due 2001 for Class A Common Stock.

The Company set an exchange ratio of 165 shares of Common Stock for each \$1,000 principal amount of the Debentures. The total number of shares issued could be up to 10,725,000, depending on participation in the Exchange Offer. Accrued interest through the exchange acceptance date will be paid in cash.

Holder of the Debentures have the right to exchange the Debentures for Common Stock of Audiovox no later than November 19, 1996, unless the offer is extended. The Exchange Offer is subject to certain conditions, including, among others, approval by the shareholders of the Company of the issuance of the Class A Common Stock necessary to effect the Exchange Offer. A special meeting to be called to vote upon issuance of the Class A Common Stock is tentatively scheduled for November 19, 1996. However, the proxy materials to be mailed to shareholders in connection with the special meeting is subject to review by the Securities and Exchange Commission, and, accordingly, the date of the special meeting (and, consequently, the expiration date of the Exchange Offer) may be delayed beyond November 19, 1996. The Board of Directors has fixed the close of business on October 21, 1996, as the record date for determining the shareholders entitled to notice of and to vote at the special meeting or any adjournments thereof.

John J. Shalam, majority shareholder, has indicated he will vote his shares in favor of the Offer.

The Company indicated that it believes that the Exchange Offer is an important part of Audiovox's long-term strategy to improve financial strength and meet growth objectives. The Company further stated that regardless of the outcome of the offering, it believes the Company remains well-positioned financially, operationally and strategically to grow. As a result of the accounting treatment of this transaction, if the transaction is consummated, the Company could report a substantial non-cash charge to its income statement and an increase to its paid-in-capital to its balance sheet.

This press release shall not constitute an offer to sell, exchange or redeem or the solicitation of an offer to buy, exchange or redeem, or the solicitation of a proxy, nor shall there be any exchange of these securities in any state in which such offer or solicitation would be unlawful prior to registration or qualification under the securities laws of any such state. The Exchange Offer may be made only by means of an offering circular, and the solicitation of proxies may only be made by means of a definitive proxy statement.

Audiovox Corporation markets cellular telephones and accessories, automotive aftermarket sound and security equipment, as well as other aftermarket automotive accessories.

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[Audiovox Corporation Letterhead]

October 18, 1996

To The Holders of Audiovox Corp.'s 6 1/4%
Convertible Subordinated Debentures due 2001:

I am pleased to tell you about a new financial initiative that the Board of Directors has authorized which should improve our capital structure and allow us to grow our wireless and automotive business.

The Board has approved a plan to exchange 165 shares of the Company's Class A Common Stock for each \$1,000 principal amount of its 6 1/4% Convertible Subordinated Debentures due March 2001. Accrued interest through the conversion date will be paid in cash.

For a detailed description of the terms for the proposed transaction and necessary procedures to participate in the Exchange Offer, please see the enclosed Offering Circular, dated October 18, 1996, the accompanying Letter of Transmittal and the other ancillary documents. The Exchange Offer is subject to certain conditions, including, among others, approval by the shareholders of the Company of the issuance of the Class A Common Stock necessary to effect the Exchange Offer. A special meeting to be called to vote upon issuance of the Class A Common Stock is tentatively scheduled for November 19, 1996. However, the proxy materials to be mailed to shareholders in connection with the special meeting is subject to review by the Securities and Exchange Commission, and, accordingly, the date of the special meeting (and, consequently, the expiration date of the Exchange Offer) may be delayed beyond November 19, 1996. The Board of Directors has fixed the close of business on October 21, 1996, as the record date for determining the shareholders entitled to notice of, and to vote at, the special meeting or any adjournment thereof.

The Exchange Offer would allow the Company to increase its equity base by approximately \$60 million after all related charges (assuming 100% participation). In addition to an immediate positive effect on our earnings due to the reduction of interest and debt service costs, our strengthened equity base will permit us to grow in tandem with the rapidly expanding technology markets in which we compete.

As of October 16, 1996, the number of outstanding shares of Class A Common Stock were 7,233,834 and the number of outstanding shares of Class B Common Stock were 2,240,954. Assuming 100% of the holders of the Debentures participate in the Exchange, the number of additional shares of Class A Common Stock to be issued will be approximately 10,725,000.

Recently, Audiovox has taken a number of steps to increase shareholder value. We have reduced corporate overhead; closed unprofitable retail locations; strengthened the performance of our remaining locations; introduced exciting new wireless and automotive products and entered new, rapidly growing international markets in Asia, Europe and Latin America.

Please note that regardless of the outcome of the offering, I believe the Company remains well-positioned financially, operationally and strategically to grow.

I intend to vote my personal holdings in the Company's voting common stock (currently constituting approximately 74.4% of the Company's outstanding voting power), which will assure passage of the shareholder vote in favor of the issuance of the necessary Class A Common Stock.

Management and the Board of Directors are convinced that the Exchange Offer is an important part of Audiovox's long-term strategy to improve our financial strength and meet our growth objectives even though there will be an increased number of shares outstanding after the transaction.

I strongly believe that this transaction is in the best interests of the Company and its Bondholders even though my personal ownership in the Company will be reduced.

I look forward to your continued support of our Company.

Sincerely,

/s/ John Shalam
John Shalam

President and Chief Executive
Officer

[KPMG Peat Marwick LLP Letterhead]

Independent Auditors' Consent

The Board of Directors
Audiovox Corporation:

We consent to the use of our reports incorporated herein by reference.

Our report refers to changes in the methods of accounting for certain investments in equity securities and income taxes.

//s// KPMG Peat Marwick LLP

KPMG PEAT MARWICK LLP

Jericho, New York
October 18, 1996