

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): July 8, 2019

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

**Delaware**  
(State or other jurisdiction of incorporation)

**0-28839**  
(Commission File Number)

13-1964841  
(I.R.S. Employer Identification No.)

**2351 J Lawson Boulevard**  
(Address of principal executive offices)

**11788**  
(Zip Code)

**(800) 645-7750**  
(Registrant's telephone number, including area code)  
**Securities registered pursuant to Section 12(b) of the Act:**

**Title of each Class:**  
Class A Common Stock \$.01 par value

**Trading Symbol:**  
VOXX

**Name of Each Exchange on which Registered**  
The Nasdaq Stock Market LLC

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)  
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)  
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))  
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

## **Item 2.02 Results of Operations and Financial Condition.**

On July 10, 2019, VOXX International Corporation (the “Company”) issued a press release announcing its earnings for the three months ended May 31, 2019. A copy of the release is furnished herewith as Exhibit 99.1.

## **Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

(e) On July 8, 2019, VOXX International Corporation (“the Company”) entered into a new employment agreement with each of Mr. Patrick M. Lavelle, President and CEO, Mr. Charles M. Stoehr, Senior V.P. and CFO, and Ms. Loriann Shelton, Senior V.P. and COO, and amended its employment agreement with Mr. Thomas Malone, Senior V.P. and President of VOXX Advanced Solutions LLC. The following description of the employment agreements and amendment does not purport to be a complete statement of the parties’ rights and obligations under their respective employment agreements or amendment and is qualified in its entirety by reference to the employment agreements and amendment which are being filed as exhibits herewith.

(i) Mr. Lavelle has entered into a five (5) year Employment Agreement with an annual base salary of \$1.0 million. His annual cash bonus shall be calculated and paid at 1.0% of the Company’s Adjusted EBITDA up to and including \$10.0 million and 2.0% of the Company’s Adjusted EBITDA in excess of \$10.0 million, with such \$10.0 million threshold subject to adjustment for an acquisition, divestiture, or investment by the Company in excess of \$5.0 million. Mr. Lavelle’s annual bonus has been changed to a combination of cash and stock to further align his interests with shareholders. As such, and in lieu of the former annual incentive bonus of \$250,000 for each \$5 million of pre-tax profit earned by the Company and a discretionary bonus, Mr. Lavelle shall immediately receive a stock grant (in lieu of further participating in any of the Company’s stock incentive plans) of 200,000 shares of the Company’s Class A common stock and on each of March 1, 2020, 2021 and 2022, Mr. Lavelle shall be granted an additional 100,000 shares of the Company’s Class A common stock with a hold requirement equal to one year’s base salary of \$1.0 million subject to the terms of the Employment Agreement.

Mr. Lavelle shall also receive from the Company a grant of the Company’s Class A common stock, or the equivalence in cash, up to a maximum value of \$5.0 million based on the closing NASDAQ price exceeding \$5.00/share (“Market Stock Units or MSUs”) during the five year term of the Employment Agreement in accordance with a calculation set forth in a schedule to the Employment Agreement. As noted in Schedule A, “Market Stock Units Calculation,” to Mr. Lavelle’s Employment Agreement, Mr. Lavelle’s MSU’s will be calculated based on the price of the Company’s Class A Common Stock at various levels between \$5.50/share and \$15.00/share, with the number of shares received weighted more heavily towards achieving the higher stock price.

(ii) Mr. Stoehr has entered into a five (5) year Employment Agreement with an annual base salary of \$400,000. His annual cash bonus shall be calculated and paid at .375% of the

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Company's Adjusted EBITDA up to and including \$10.0 million and .75% of the Company's Adjusted EBITDA in excess of \$10.0 million, with such \$10.0 million threshold subject to adjustment for an acquisition, divestiture, or investment by the Company in excess of \$5.0 million.

(iii) Ms. Shelton has entered into a five (5) year Employment Agreement with an annual base salary of \$450,000. Her annual cash bonus shall be calculated and paid at (a) .375% of the Company's Adjusted EBITDA up to [the Threshold (initially \$10.0 million) minus \$10.0 million] (but never less than Zero); plus (b) .75% of the Company's Adjusted EBITDA in excess of [the Threshold, as adjusted by the Board of Directors for acquisitions, divestitures and investments by the Company in excess of \$5.0 million, minus \$10.0 million]; with no minimum Adjusted EBITDA required for the annual bonus to accrue and become payable and with no maximum cap on the annual bonus payable based upon the Company's Adjusted EBITDA.

(iv) Mr. Malone's Employment Agreement was amended to restructure his bonus arrangement. His new bonus criteria consists of (a) a guaranteed bonus of \$125,000 annually; (b) an additional bonus of \$100,000 annually provided that Mr. Malone achieves at least 100% of the net income budgeted for the applicable fiscal year in the original budget for VOXX Advanced Solutions LLC, as approved by the Company's Board of Directors. Such \$100,000 bonus shall be proportionately reduced by the ratio of net income achieved versus net income budgeted for a fiscal year; and (c) a payment of 1.0% of the Company's net gain from the sale, less accumulated losses, of the Company's ownership interest in EyeLock LLC, should a transaction materialize.

#### **Item 8.01 Other Events.**

On July 11, 2019, the Company held a conference call to discuss its financial results for the three months ended May 31, 2019. The Company has prepared a transcript of that conference call, a copy of which is annexed hereto as Exhibit 99.2.

The information furnished under Items 2.02, 5.02, and 8.01, including Exhibits 10.1, 10.2, 10.3, 10.4, 99.1 and 99.2, shall not be deemed to be filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and will not be incorporated by reference into any registration statement filed under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

#### **Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

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<b>Exhibit No.</b>	<b>Description</b>
10.1	<a href="#"><u>Employee Agreement dated July 8, 2019 between the Company and Patrick M. Lavelle (filed herewith)</u></a>
10.2	<a href="#"><u>Employee Agreement dated July 8, 2019 between the Company and Charles M. Stoehr (filed herewith)</u></a>
10.3	<a href="#"><u>Employee Agreement dated July 8, 2019 between the Company and Loriann Shelton (filed herewith)</u></a>
10.4	<a href="#"><u>First Amendment to Employment Agreement dated July 8, 2019 between the Company and Thomas C. Malone (filed herewith)</u></a>
99.1	<a href="#"><u>Press Release, dated July 10, 2019, relating to VOXX International Corporation's earnings release for the three months ended May 31, 2019 (filed herewith)</u></a>
99.2	<a href="#"><u>Transcript of conference call held on July 11, 2019 at 10:00 am (filed herewith)</u></a>

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## 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.

VOXX INTERNATIONAL CORPORATION (Registrant)

Date: July 12, 2019

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

**EMPLOYMENT AGREEMENT**

**THIS EMPLOYMENT AGREEMENT**, executed this 8<sup>th</sup> day of July, 2019 (the “Execution Date”), effective as of March 1, 2019 (the “Effective Date”), by and between Voxx International Corporation, 2351 J Lawson Blvd., Orlando, Florida 32824 (the “Company”), and Patrick M. Lavelle, an individual residing at 131 Celebration Blvd., Celebration, Florida 34747 (the “Executive”).

**WITNESSETH:**

**WHEREAS**, the Company and the Executive are presently parties to an Employment Agreement dated as of March 1, 2007 (the “2007 Agreement”) and now desire to enter into a new employment agreement on the terms and condition set forth herein;

**WHEREAS**, as of the Effective Date, the Company desires to continue to employ the Executive as President and Chief Executive Officer and to enter into a new written employment agreement embodying the terms of such relationship; and

**WHEREAS**, the Executive is willing to continue to be so employed by the Company as President and Chief Executive Officer upon the terms set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the promises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged by the Company and the Executive, the parties agree as follows:

1. **TERMOFAGREEMENT**

- 1.1 This Agreement supersedes the 2007 Agreement in its entirety and shall constitute the binding obligation of the Executive and the Company as of the Effective Date and shall continue for a period of five (5) years thereafter, unless the Agreement is terminated at an earlier date by either party in accordance with Section 4 (such period hereinafter referred to as the “Employment Period”).
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**EMPLOYMENT**

- 2.1 As of the Effective Date, the Executive shall continue to be employed by the Company as, and will perform the duties and responsibilities of, President and Chief Executive Officer of the Company, reporting solely and directly to the Board of Directors of the Company (the “Board”). In that capacity, Executive shall perform such services, acts, and functions necessary or advisable to oversee, manage and conduct the business of the Company, and shall perform such other duties and responsibilities as may be reasonably assigned by the Board. During the Employment Period, the Executive shall not render services to any other person or organization for compensation without the prior written approval of the Company. The Company hereby acknowledges and consents to Executive’s service as a member of the Board of Directors or Trustees (or similar position) on up to two (2) boards. At the present time, the Executive is serving on the Board of Trustees of Marist College and on the Executive Board of the Consumer Technology Association. The Executive’s principal work location shall be in Orlando, Florida, but the Executive shall travel to the extent, and to the places, reasonably necessary for the performance of the Executive’s duties hereunder.
- 2.2 During the Employment Period, the Executive shall serve as a voting member of the Board.

**COMPENSATION AND OTHER BENEFITS**

During the Employment Period, the Executive shall be compensated as follows:

- 3.1 **Base Salary.** The Company shall pay the Executive a base salary of One Million Dollars (\$1,000,000) per annum (the “Base Salary”), payable in accordance with the standard payroll practices of the Company as are in effect from time to time, less all deductions or withholdings required by applicable law. The Board may increase the Executive’s Base Salary at any time and from time to time. The Executive shall remain eligible to elect to defer a portion of the Base Salary in accordance with the terms and conditions of the Company’s Deferred Compensation Plan.
- 3.2 **Annual Cash Bonus.** For each fiscal year of the Company during the Employment Period, the Executive shall be paid an annual bonus of (a) one percent (1%) of the Company’s Adjusted EBITDA up to and including Ten Million Dollars (\$10,000,000), with no minimum Adjusted EBITDA required for this portion of the annual bonus to accrue and become payable; plus (b) two percent (2%) of the Company’s Adjusted EBITDA in excess of Ten Million Dollars (\$10,000,000), with no maximum cap on this portion of the annual bonus payable based upon the Company’s Adjusted EBITDA ((a) and (b), collectively, the “Annual Cash Bonus”). The Annual Cash Bonus shall be determined at the end of each fiscal year of the Company in accordance with generally accepted accounting principles, as in effect from time to time in the United States of America, consistently applied. In addition, subject to the approval of the non-management members of the Board, the Ten Million Dollars (\$10,000,000) threshold (the “Threshold”) set forth in subsections (a) and (b) above shall be subject to adjustment in accordance with the following:
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- (i) the Threshold may only be adjusted as a result of an acquisition, divestiture or investment to the extent that the Company Adjusted EBITDA is impacted by a minimum of Five Million Dollars (\$5,000,000);
- (ii) in connection with any Company divestiture, the Threshold may only be adjusted to the extent that the Company Adjusted EBITDA is impacted by a cumulative minimum (across all such divestitures by the Company following the Effective Date) of Five Million Dollars (\$5,000,000);
- (iii) in the event of an increase or decrease in the Company's Adjusted EBITDA as a result of an acquisition, divestiture or investment by the Company, the maximum upward or downward adjustment to the Threshold shall be the increased or decreased Adjusted EBITDA attributable to that acquisition, divestiture or investment; provided, however, that the Company may choose to increase or decrease the Threshold by a lesser amount; and
- (iv) the Threshold shall not be adjusted in any manner in connection with any action the Company takes with respect to EyeLock LLC including, without limitation, changes in accounting methodology such as accounting treatment of minority interest.

The Annual Cash Bonus shall be due and payable not later than sixty (60) days following the closing of the relevant fiscal year of the Company and filing of the associated Form 10-K (the "Fiscal Year Payment Date"). For purposes of this Agreement, "Adjusted EBITDA" shall be based on the Company's past practices as reflected in the Company's most recently filed Form 10-K, plus the bonuses to be paid to the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer for the relevant fiscal year.

### 3.3 **Stock Grants.**

3.3A As of the Effective Date, Executive shall no longer be eligible to receive awards of restricted stock units under the Company's 2014 Omnibus Equity Incentive Plan (the "Incentive Plan"); however, all 111,918 shares of fully vested stock awarded to the Executive under the Incentive Plan, the 91,505 shares of non-vested stock awarded to the Executive under the Incentive Plan prior to Fiscal Year ended February 28, 2018 and the non-vested stock to be awarded to Executive under the Incentive Plan for the Fiscal Year ended February 28, 2019 shall be retained by the Executive and governed by the terms and conditions of the Incentive Plan.

3.3B As soon as administratively practicable following the Execution Date, the Company shall grant Executive 200,000 shares of common stock of the Company (the "Initial Stock Grant").

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3.3C On each of March 1, 2020, March 1, 2021 and March 1, 2022, the Company shall grant Executive an additional 100,000 shares of common stock of the Company (the “Additional Stock Grant” and, collectively with the Initial Stock Grant, the “Stock Grant”), as adjusted as provided below. Other than with respect to any installment of the Additional Stock Grant that has its vesting accelerated as a result of the terms of Section 3.5 or Section 3.6 below, Executive shall be provided with the opportunity to defer receipt of each installment of the Additional Stock Grant in accordance with the deferral requirements of Code Section 409A (including, but not limited to, a deferral in accordance with the terms of the Incentive Plan). Any such deferral shall be for a period of no more than three (3) years from the date the Additional Stock Grant would have otherwise been received by the Executive.

3.3D The Executive shall be responsible for any personal income tax obligations with respect to the Initial Stock Grant of 200,000 shares set forth in Section 3.3B above. With respect to the Additional Stock Grants of 100,000 shares each, the Executive shall have the option to receive 100,000 shares and be responsible for any personal income tax (and employee Medicare tax) obligations on such Additional Stock Grant, or to only receive the “Net Shares” (as defined below), with the Company being responsible for all federal, state and local income tax (and employee Medicare tax) obligations through payroll withholding on behalf of the Executive. The “Net Shares” shall be the number of shares of common stock of the Company valued as provided herein which is equal to the value of 100,000 shares of common stock of the Company less an amount equal to the federal, state and local income tax and Medicare tax amounts due on such amounts determined at an income tax rate equal to the maximum marginal rate applicable to individuals at such time and the maximum Medicare rate applicable to individuals at such time. For example, assume that at the time the Executive is entitled to receive an Additional Stock Grant, the shares of common stock of the Company are valued at Four Dollars (\$4.00) per share. Additionally, assume the maximum marginal income tax rate is thirty-seven percent (37%) and that employee Medicare taxes are 2.35% because the Executive has already reached the maximum wage limit for Social Security taxes. The value of the 100,000 shares, or \$400,000, would be reduced by an amount equal to  $\$400,000 \times 39.35\%$ , or \$157,400. \$400,000 less \$157,400 equals \$242,600 of value for the “Net Shares,” or 60,650 shares ( $\$242,600/\$4.00$  per share). In such case, the Company would be responsible for remitting \$148,000 of income tax withholding on behalf of Executive to the IRS and \$9,400 of employee Medicare tax to the IRS. To the extent that the Executive is determined to be subject to state and local taxes with respect to the Additional Stock Grant, the Company shall also be responsible for remitting the tax withholding on behalf of Executive to the appropriate state or local agency and the Net Shares would be further reduced to reflect such state and local tax withholding.

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3.3E During the Employment Period, the Executive agrees to hold and retain a minimum number of Stock Grant shares of the Company equal to one years' Base Salary (\$1,000,000 as of the Effective Date, subject to adjustment in accordance with Section 3.1) (the "Hold Requirement"). The Hold Requirement will become effective when the value of the Stock Grant shares issued to the Executive is equivalent to (or exceeds) the Hold Requirement threshold. Prior to the Hold Requirement becoming effective, the Executive will retain all issued Stock Grant shares. The Hold Requirement shall be calculated as of the last Business Day of each fiscal quarter based on the Company's average stock price over the preceding twenty (20) Business Days on the NASDAQ Stock Market (or other principal national securities exchange on which the Company's common stock is then listed or admitted for trading in the United States) (the "NASDAQ Price").

3.4 **Market Stock Units.** The Company shall grant the Executive shares of the Company's common stock, or the equivalence in cash, up to a maximum value of Five Million Dollars (\$5,000,000), based on the closing NASDAQ Price exceeding \$5.00/share during the five (5) year period ending on the Fifth Anniversary Date (the "Market Stock Units") in accordance with the Market Stock Units calculation set forth on Schedule A. Other than as set forth in Section 3.5B(2) or Section 3.6 below, the form of payment of the Market Stock Units at the time of distribution shall be determined by the mutual agreement of the parties in good faith, taking into consideration (among other items not enumerated herein) the tax obligations of Executive resulting from such distribution and the current financial status of the Company. In the absence of the mutual agreement of the parties, the Market Stock Units shall be paid in shares of the Company's common stock.

Notwithstanding anything contained in this Section 3.4 to the contrary, in the event the Executive will receive shares of the common stock of the Company rather than the equivalence in cash, the Executive, at his sole option, shall have the right to receive the full number of shares to which he is entitled under this Section 3.4, and be responsible for the income tax and the employee Medicare tax thereon, or to receive a number of shares equal to the "Net Shares" calculated in a manner consistent with Section 3.3D above with the Company being responsible for the income tax and the employee Medicare tax on behalf of the Executive in the same manner as provided in Section 3.3D above.

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The Executive's right to receive the Market Stock Units determined pursuant to Schedule A shall vest in accordance with the following schedule (provided that the Executive remains employed by the Company as of the applicable vesting date):

- (a) on the third anniversary of the Effective Date (the "Third Anniversary Date"), the Executive shall become vested in Market Stock Units equal to eighty percent (80%) of the value determined under Schedule A hereto as of such date; and
- (b) on the fifth anniversary of the Effective Date (the "Fifth Anniversary Date"), the Executive shall become vested in Market Stock Units equal to twenty percent (20%) of the value determined under Schedule A hereto. as of such date.

Other than as set forth in Section 4 below, (i) the Market Stock Units that vest in accordance with subsection (a) above shall be distributed to the Executive as soon as administratively practicable following the Third Anniversary Date; and (ii) the Market Stock Units that vest in accordance with subsection (b) above shall be distributed to the Executive as soon as administratively practicable following the Fifth Anniversary Date.

The amount of Market Stock Units to which the Executive is entitled shall be determined based on the highest average closing NASDAQ Price for any 90 consecutive calendar day period during the applicable vesting period (the "High Stock Price").

In the event the High Stock Price during the vesting period commencing on the Third Anniversary Date and ending on the Fifth Anniversary Date exceeds the High Stock Price that was determined during the vesting period ending on the Third Anniversary Date in accordance with subsection (a) above, the value of Market Stock Units to which the Executive is entitled shall be increased based on the High Stock Price during such later vesting period (as determined in accordance with Schedule A hereto, less any amounts or value previously vested under subsection (a) above). Notwithstanding anything to the contrary herein, to the extent the Market Stock Units become either 80% or 100% vested in an accelerated manner due to a Change in Control, Termination Without Cause or Resignation With Good Reason on a date prior to the Third Anniversary Date or the Fifth Anniversary Date respectively, there shall be no subsequent or retroactive adjustment to the High Stock Price after the date when such vesting occurs.

In the event that Executive is to be paid Market Stock Units in shares of the Company's common stock and the High Stock Price exceeds the average closing NASDAQ Price for the 90 consecutive calendar day period preceding the Third Anniversary Date or the Fifth Anniversary Date, as applicable, the number of shares to be received by Executive shall be the quotient of (A) the value determined by the High Stock Price under Schedule A, divided by (B) the average closing NASDAQ Price for the 90 consecutive calendar day period preceding the Third Anniversary Date or the Fifth Anniversary Date, as applicable.

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Any Market Stock Units to which Executive is entitled to under this Section 3.4, which are distributed in the form of shares of the Company's common stock, shall be immediately saleable by him subject to normal federal and state Securities law limitations and the Hold Requirement, as applicable.

### 3.5 **Change in Control.**

3.5A For purposes of this Agreement, the term "Change in Control" shall mean that (a) the conditions set forth in any one of the following subsections shall have been satisfied and (b) following the satisfaction of a condition set forth in subsections (1), (2), (3) or (5) below, the election of an independent member to the Board whose nomination is voted against or the vote is withheld by the Shalam Group:

- (1) The acquisition, directly or indirectly, by any "person" (within the meaning of Section 3(a)(9) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act") and used in Sections 13(d) and 14(d) thereof) of "beneficial ownership" (within the meaning of Rule 13d-3 of the Exchange Act) of securities of the Company which results in the Shalam Group owning less than fifty percent (50%) of the total combined voting power of all outstanding securities of the Company;
  - (2) A merger, consolidation or reorganization in which the Company is not the surviving entity, except for a transaction in which the Shalam Group owns securities possessing fifty percent (50%) or more of the total combined voting power of all outstanding voting securities of the surviving entity immediately after such merger or consolidation;
  - (3) A reverse merger in which the Company is the surviving entity but which results in the Shalam Group owning securities possessing less than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the Company;
  - (4) The sale, transfer or other divestiture (in one transaction or a series of transactions) of all or substantially all of the assets of the Company to a third party;
  - (5) Any other event, including but not limited to, a redemption, which results in the Shalam Group owning less than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the Company. For purposes of the foregoing clause, the sale of stock of a subsidiary of the Company (or the assets of such subsidiary) shall be treated as a sale of assets of the Company;
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- (6) The approval by the stockholders of a plan or proposal for the liquidation or dissolution of the Company; or
- (7) Any other event which results in the Shalam Group owning less than ten percent (10%) of the total combined voting power of all outstanding voting securities of the Company.

For purposes of this Agreement, the “Shalam Group” shall mean any and all shares owned by John J. Shalam, his family members or any trusts for the benefit of Mr. Shalam or any of his family members.

3.5B In the event of a Change in Control during the Employment Period:

- (1) all Stock Grants to which the Executive would have been entitled shall become one hundred percent (100%) vested and be distributed to the Executive (subject to the Net Share provisions of Section 3.3D) and the Hold Requirement shall terminate. Notwithstanding the Executive’s right to the benefits provided under this Section 3.5B, provided the Executive remains employed by the Company, the Executive shall resume participation in all stock-based compensation programs at the Company available to employees following a Change in Control. Any Stock Grant shares to which Executive is entitled to under this Section 3.5B shall be immediately saleable by him subject to normal federal and state Securities law limitations.
- (2) all of the Market Stock Units that have not been issued and/or not vested pursuant to the terms of Section 3.4 shall immediately fully vest and be distributed to the Executive (subject to the Net Share provisions of Section 3.3D as applicable) based on the highest of (A) the value set forth on Schedule A attributable to the High Stock Price prior to the Change in Control event, (B) the closing NASDAQ Price immediately prior to the Change in Control, or (C) the price at which the shares of stock of the Company are valued, sold or otherwise transferred for purposes of the Change in Control.

### 3.6 **Tag-Along Right.**

3.6A In the event of a pre-arranged private or secondary sale by the Shalam Group of all or a portion of its holdings in the Company that, following such transaction, would result in the Shalam Group becoming a forty percent (40%) or less holder of the total combined voting power of all outstanding voting securities of the Company (after taking into account all options, Incentive Plan shares and other shares held by the Shalam Group), the Executive shall be entitled to participate in the transaction (the “Tag-Along Sale”) with respect to all of the Eligible Tag-Along Shares (as defined in Section 3.6B below) for the price set forth below and otherwise, the same terms being received by the selling shareholders (the “Selling Shareholders”) in the Tag-Along Sale.

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3.6B The Executive shall be entitled to participate in the Tag-Along Sale in an amount of Executive's shares of the common stock of the Company equal to the product of (X) the number of Executive Shares (as defined below), and (Y) the percentage of the total combined voting power of all outstanding voting securities of the Company sold by the Shalam Group in connection with the Tag-Along Sale (the "Eligible Tag-Along Shares"). For purposes of determining the percentage of the total combined voting power of all outstanding voting securities of the Company sold by the Shalam Group in connection with the Tag-Along Sale, shares of Class A stock shall be calculated at a 1:1 ratio and shares of Class B stock shall be calculated at a 10:1 ratio. By way of example, and for illustrative purposes only, assume that the Executive has 1,000,000 Executive Shares and the Shalam Group reduces its ownership of the total combined voting power of all outstanding voting securities of the Company from 50% to 25%. The Shalam Group would therefore have sold 50% of its total combined voting power of all outstanding voting securities of the Company and the Executive would be entitled to participate in the Tag-Along Sale in an amount up to 50% of his Executive Shares (i.e., 500,000 Eligible Tag-Along Shares).

"Executive Shares" for these purposes shall be all of Executive's vested and unvested shares of the Company's common stock (including, but not limited to, shares held under the Incentive Plan (if then saleable), the Stock Grant or the Market Stock Units and shares personally acquired by the Executive). Subject to the maximum amount of Eligible Tag-Along Shares to be transferred pursuant to the preceding paragraph, the pool of shares to be transferred by the Executive shall be constituted in the following sequence: first, with any and all vested or owned shares held by the Executive; then, if additional capacity exists, with any unvested Additional Stock Grants, deducted sequentially from the earliest to latest tranches of unvested Additional Stock Grants due to the Executive; then if additional capacity permits, with Market Stock Units that, thereupon, will be distributed to the Executive based on the Class A Share value established in Section 3.6D. For the purposes of the foregoing sentence, (i) any Additional Stock Grants not included as Eligible Tag-Along Shares shall remain unvested with future vesting governed by the applicable terms of this Agreement including the Change of Control provisions, (ii) to the extent that some but not all of the Market Stock Units are distributed to the Executive as part of the Eligible Tag-Along Shares, the value established for the Market Stock Units shall apply to all Market Stock Units under this Agreement, and such Market Stock Units shall remain unvested with future vesting governing by the applicable terms of this Agreement including the Change of Control provisions, and (iii) following the Tag Along Sale, the Hold Requirement shall terminate.

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3.6C As soon as administratively practicable prior to or immediately following the execution of a definitive Tag-Along Sale agreement, the Selling Shareholders shall deliver a written notice (the “Tag Along Notice”) to the Company and the Executive. The Tag Along Notice shall include the principal terms and conditions of the Tag-Along Sale and an invitation to make an offer for the Executive to be included in the Tag-Along Sale on the same terms and conditions as the Selling Shareholders.

Within five (5) Business Days after the date of delivery of the Tag-Along Notice, time being of the essence, the Executive shall deliver a written notice to the Selling Shareholders with copy to the Company indicating the number of Eligible Tag-Along Shares, if any, which the Executive desires to have included in the Tag-Along Sale (the “Response Notice”). The Executive’s failure to provide the Response Notice prior to such deadline shall be deemed to be an irrevocable waiver of all such rights to participate in the Tag-Along Sale or any future Tag Along Sales.

To the extent that the Executive elects not to provide the Response Notice in a timely fashion, the Executive shall retain the right to sell his Eligible Tag-Along Shares on the open market, subject to normal federal and state Securities law limitations, as applicable.

3.6D With respect to the determination of the price of the Eligible Tag-Along Shares, (i) to the extent not otherwise dictated by the proposed transferee, a ratio of 1.25:1.00 shall be utilized for purposes of apportioning the value received by the Selling Shareholders for their shares of Class B common stock of the Company, if any, relative to the value of their Class A shares (the “Ratio Methodology”) and (ii) the corresponding Class A common stock value shall then be ascribed to the Eligible Tag-Along Shares.

In the event of a Tag-Along Sale that solely involves the Class B common stock of the Company held by the Selling Shareholders, and provided that the proposed transferee does not agree to acquire any shares of the Class A common stock of the Company (including the Eligible Tag-Along Shares), the Executive shall be provided with the requisite Tag Along Notice and the option to have the Company purchase all or a portion of the Eligible Tag-Along Shares. Subject to the Executive providing the Response Notice in timely fashion and the occurrence of the closing of the Tag-Along Sale, the Company shall purchase the indicated number of Eligible Tag-Along Shares. The price of the Eligible Tag-Along Shares to be purchased by the Company shall be the higher of (A) the Ratio Methodology and (B) the closing NASDAQ Price on the date immediately prior to the closing of the Tag-Along Sale (provided that in no event shall the value to be received by the Executive under this paragraph be greater than the price paid by the proposed transferee to the Selling Shareholders for the shares of Class B common stock in the Tag-Along Sale). The corresponding Class A common share value shall then be ascribed to the Eligible Tag-Along Shares.

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In the event of a Tag-Along Sale that involves the Class A common stock of the Company held by the Selling Shareholders, and provided that the proposed transferee does not agree to acquire any Eligible Tag-Along Shares of the Class A common stock of the Company held by the Executive, the Executive shall be provided with the requisite Tag Along Notice and the option to have the Company purchase all or a portion of the Eligible Tag-Along Shares. Subject to the Executive providing the Response Notice in timely fashion and the occurrence of the closing of the Tag-Along Sale, the Company shall purchase the indicated number of Eligible Tag-Along Shares. The price of the Eligible Tag-Along Shares to be purchased by the Company shall be determined under the Ratio Methodology, unless the proposed transferee has set a price with the Selling Shareholders for the shares of Class A common stock, in which case that price set by the proposed transferee and the Selling Shareholders shall be utilized. The corresponding Class A common share value shall then be ascribed to the Eligible Tag-Along Shares.

Any payment by the Company to the Executive under this Section 3.6D shall be made in a single lump sum payment as soon as administratively practicable following the closing of the Tag-Along Sale, or (at the Company's option and in accordance with the deferral requirements of Code Section 409A) in installments over the thirty-six (36) month period following the closing of the Tag-Along Sale. To the extent that installment payments are to be made in accordance with the preceding sentence, the monthly payments to the Executive shall accrue interest at a rate of five percent (5%) per annum.

3.6E John J. Shalam ("JJS") has joined in the execution of this Agreement in his individual capacity and on behalf of the Shalam Group solely with respect to the "tag-along" rights under this Section 3.6 as it applies to any and all shares of the Company's Class A or Class B common stock owned by the Shalam Group. JJS and the Selling Shareholders shall be deemed to have fully complied with their obligations hereunder and shall be released by the Company and the Executive for any and all claims asserted or to be asserted by either the Company or the Executive with respect to the "Tag-Along" rights hereunder, provided that (a) the Shalam Group does not consummate the transfer of their shares prior to the date the Response Notice is due from the Executive; and (b) the Shalam Group utilizes commercially reasonable efforts to have the Eligible Tag-Along Shares included as part of the transaction with the Selling Shareholders.

3.7 **Employee Benefit Plans.** Except as set forth in Section 3.3A above regarding the Executive's ineligibility to receive awards of restricted stock units under the Incentive Plan, during the Employment Period, the Executive (and, if permitted by the terms of the plans, his family) shall be eligible to participate in all retirement, deferred compensation, profit sharing, medical, disability and other welfare plans (the "Employee Benefit Plans") applicable to senior executive officers of the Company generally in accordance with the terms of such plans as in effect from time to time. The foregoing shall not be construed to limit the ability of the Company or any of its affiliates to amend, modify or terminate any such benefit plans, policies or programs at any time or from time to time; provided that at all times the Company shall continue to maintain, either by group or separate, individual plans for the benefit of the Executive (including, to the extent permitted, his family), with not less than the level of the benefits the Executive is receiving under the Employee Benefit Plans on the Effective Date.

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- 3.8 **Executive Life Insurance.** During the Employment Period, the Company shall maintain and pay all premiums on one or more term life insurance policies for the benefit of the Executive, as such policies are made available from time to time to Vice Presidents of the Company (and subject to any age-based reductions in benefits in accordance with the terms of such policies) (collectively, the “Life Insurance Policy”), payable to the Executive's designated beneficiaries.
- 3.9 **Vacation/Paid Time Off.** During the Employment Period, the Executive shall be entitled to not less than four (4) weeks paid vacation each fiscal year and Company-wide paid-time off days at such times as will not materially interfere with the performance of the Executive’s duties.
- 3.10 **Automobile.** The Company shall lease and shall pay all insurance, maintenance, repair and other charges relating to, a late model luxury automobile for use by the Executive.
- 3.11 **Expense Reimbursement.** During the Employment Period, the Executive shall be entitled to utilize Company credit cards for Company business related activities. Furthermore, the Company shall pay or promptly reimburse the Executive for all reasonable expenses, including reasonable business travel expenses, incurred by the Executive in connection with his duties and responsibilities hereunder upon submission of appropriate documentation or receipts in accordance with the policies and procedures of the Company as are in effect from time to time.

#### 4. **TERMINATION OF EMPLOYMENT**

Subject to the notice and other provisions of this Section 4, the Company shall have the right to terminate the Executive’s employment hereunder, and the Executive shall have the right to resign, at any time. The “Date of Termination” (1) for Cause or by resignation without Good Reason shall be determined in accordance with the provisions of Section 4.4; (2) by death or disability shall be the date of death or disability determined in accordance with the provisions of Section 4.3; (3) without Cause or by resignation with Good Reason shall be determined in accordance with the provisions of Section 4.1; or (4) shall mean the date this Agreement expires in accordance with the provisions of Section 4.2.

##### 4.1 **Termination Without Cause or Resignation for Good Reason.**

- 4.1A **Disability.** For purposes of this Agreement, “disability” shall have the same definition of disability as triggers payments to the Executive under the Company provided disability insurance policy covering the Executive, as in effect at the time the determination of “disability” is to be made. If no such policy is then in effect, then “disability” shall mean the Executive’s inability, by reason of any physical or mental injury or illness, to substantially perform the services required by him hereunder for a period in excess of ninety (90) Business Days in any three hundred sixty (360) day period. In such event, Executive’s employment shall be deemed to have terminated by reason of disability on the last day of such ninety (90) Business Day period.
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4.1B **Cause Defined.** For purposes of this Agreement, “Cause” shall mean a termination of the Executive’s employment by the Company due to any of the following reasons:

- (1) The entry of a final non-appealable judgment of conviction of the Executive by a court for a felony, or entry of a plea of nolo contendere by the Executive to such a felony;
- (2) The Executive’s willful failure, or gross negligence, other than by reason of his disability or legal incompetence, to substantially carry out his duties hereunder within ten (10) Business Days of written notice from the Board of Directors, specifying such failure or gross negligence; or
- (3) Executive’s willful engagement in illegal or fraudulent conduct or his willful violation of any material laws applicable to the Executive.

For purposes of this Section 4.1B, no act or failure to act by the Executive shall be considered “willful” if such act or failure to act by the Executive is the result of the Executive’s good faith belief that the act or failure to act is or was in the best interests of the Company.

4.1C **Good Reason.** For purposes of this Agreement, a resignation for “Good Reason” shall mean the Executive’s resignation: (A) within twelve (12) months of a Change in Control; or (B) within one hundred eighty (180) days following: (1) the Executive’s not being a voting member of the Board; (2) Executive’s written notice to the Company of (i) a material reduction in the scope of the Executive’s powers, duties, title or responsibilities, (ii) the assignment to the Executive of duties materially inconsistent with this Agreement or a material adverse change in his title or authority or (iii) the Company’s material breach of this Agreement; or (3) Executive’s written notice to the Company of a change in the Executive’s primary place of work to a location that is more than fifty (50) miles from Orlando, FL, in each case which is not cured by the Company within twenty (20) Business Days of receiving such notice from the Executive.

4.1D **Termination Procedure.** The Company may terminate the Executive’s employment hereunder at any time without Cause on twenty (20) Business Days’ prior written notice to the Executive (the term “Business Day” meaning a day other than one on which commercial banks in New York City are permitted or required to close). The Executive may terminate his employment hereunder for Good Reason at any time on twenty (20) Business Days prior written notice to the Company (subject to the various notice and cure provisions of Section 4.1C above). The Date of Termination in either such event shall be the twentieth (20<sup>th</sup>) Business Day following the giving of such notice.

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4.1E **Accrued Obligations.** Upon the Executive's Date of Termination (regardless of the reason for such termination), the Executive shall be entitled to receive:

- (1) his Base Salary through and including the Date of Termination,
- (2) any bonus(es) actually awarded and earned for prior completed fiscal years, but not yet paid as of the Date of Termination,
- (3) reimbursement for all expenses incurred in accordance with Section 3.11 of this Agreement, but not yet paid, as of the Date of Termination,
- (4) payment of the per diem value of any unused vacation days and paid-time off days which accrued through the Date of Termination, based upon Executive's most recent level of Base Salary,
- (5) any and all vested benefits under the Employee Benefit Plans (including, but not limited to, awards under the Incentive Plan); and
- (6) any and all amounts the Executive has elected to defer during the Term of this Agreement (collectively (1)-(6), the "Accrued Obligations").

4.1F **Post-Employment Benefits.** In addition to the Accrued Obligations, if the Company terminates the Executive's employment hereunder without Cause (other than due to death or disability) or if the Executive terminates his employment hereunder for Good Reason, the Executive, upon execution of mutual releases reasonably satisfactory to the Executive and the Company (and the non-revocation of such release by the Executive), and provided the Executive is in compliance with his duties and obligations under Section 5 hereof, shall be entitled to receive only:

- (1) for two (2) years (the "Separation Period"), an amount equal to two (2) times the Base Salary (as of the Date of Termination), which shall be paid in equal installments on a monthly basis during the Separation Period (the "Separation Payment");
  - (2) a pro rata portion of the Average Bonus set forth in Section 4.1F(2), determined based on the numbers of full months worked in the fiscal year prior to the Date of Termination divided by twelve, times the Average Bonus, which shall be paid in equal installments on a monthly basis during the Separation Period;
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- (3) an amount in cash equal to the average of the Annual Cash Bonuses awarded in the two (2) years immediately preceding the year in which the Date of Termination occurs (the "Average Bonus"), payable in equal installments on a monthly basis during the Separation Period (the "Severance Bonus");
  - (4) all stock based compensation, including all Stock Grants to which the Executive would have been entitled had his employment not been terminated, shall become one hundred percent (100%) vested and be distributed to the Executive as soon as administratively practicable following the Date of Termination (to the extent not already fully vested and distributed pursuant to the Tag Along Sale provisions or otherwise);
  - (5) distribution of all Market Stock Units (as determined under Section 3.4) which have not previously vested or been distributed to Executive shall become one hundred percent (100%) vested and be distributed in their entirety to the Executive as soon as administratively practicable following the Date of Termination (to the extent not already fully vested and distributed). For purposes of determining the number of any Market Stock Units due to the Executive not already distributed pursuant to Section 3.5B, they shall be calculated using the High Stock Price for the period immediately preceding the Date of Termination;
  - (6) rights to indemnification as set forth in Section 6 of this Agreement; and
  - (7) (a) continuation throughout the Separation Period of the Life Insurance Policy, and upon completion of such period, ownership of the Life Insurance Policy shall be transferred to the Executive at no cost to the Executive; and (b) continuation during the Separation Period or until the Executive begins to participate in a subsequent employer's medical plan, of medical, disability and other health coverages at the level in effect on and at the same out-of-pocket cost to the Executive as of, the Date of Termination; it being understood that the period of coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") shall commence on the first day following the Date of Termination.
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**Expiration of the Agreement.**

- 4.2A **Termination.** At least six (6) months prior to the expiration of the Agreement, the Company shall have the option to provide Executive with written notification of its desire to extend the Employment Period beyond the five (5) year term set forth in Section 1.1. Such written notification shall set forth the desired length of the Executive's continued employment by the Company. Upon receipt of such notice from the Company, if such notice is provided, Executive shall have the ability to accept or reject such request. For the avoidance of doubt, if notification is not provided by the Company prior to such six (6) month date, the Agreement shall expire at the end of the Employment Period. Upon the expiration of the Agreement, the employment relationship created pursuant to this Agreement shall immediately terminate, and no further compensation shall be payable to Executive except as provided herein in this Section 4.2.
- 4.2B **Post-Employment Benefits.** In addition to the Accrued Obligations, upon the expiration of this Agreement, the Executive, upon execution of mutual releases reasonably satisfactory to the Executive and the Company (and the non-revocation of such release by the Executive), and provided the Executive is in compliance with his duties and obligations under Section 5 hereof, shall be entitled to receive only:
- (1) a lump sum payment equal to One Million Dollars (\$1,000,000) to be made as soon as administratively practicable following the Date of Termination;
  - (2) all stock based compensation previously awarded and outstanding shall be fully vested and distributed (to the extent not already fully vested and/or distributed) on a pro rata basis based on the number of days prior to the Date of Termination in the relevant performance period (excluding any requirement for continued employment to qualify for such stock based compensation);
  - (3) distribution of any vested Market Stock Units (as determined under Section 3.4) which have not previously vested and distributed to Executive; and
  - (4) rights to indemnification as set forth in Section 6 of this Agreement.
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### 4.3 Termination due to Death or Disability.

4.3A **Termination.** Upon Executive's death or disability during the Employment Period, the employment relationship created pursuant to this Agreement shall immediately terminate, and no further compensation shall be payable to Executive except as provided herein in this Section 4.3.

4.3B **Post-Employment Benefits.** Date of Termination shall be the date of death or disability, as the case may be, and in such event, in addition to the Accrued Obligations, the Executive shall be entitled to receive only:

- (1) a pro rata portion of the Average Bonus set forth in Section 4.1F(2), determined based on the numbers of full months worked in the fiscal year prior to the Date of Termination divided by twelve, times the Average Bonus which shall be paid in Equal installments on a monthly basis during the Separation Period;
  - (2) in the event of termination by reason of disability, (a) payments equal to the Base Salary less amounts payable under the Company's long-term disability policy during the one year period following the Date of Termination, which shall be paid in equal monthly installments during the 12 month period following the Date of Termination; (b) continuation throughout the Separation Period of the Life Insurance Policy, and upon completion of such period, ownership of the Life Insurance Policy shall be transferred to the Executive at no cost to the Executive; and (c) continuation during the Separation Period or until the Executive begins to participate in a subsequent employer's medical plan, of medical, disability and other health coverages at the level in effect on, and at the same out-of-pocket cost to the Executive as of, the Date of Termination; it being understood that the period of coverage under COBRA shall commence on the first day following the Date of Termination;
  - (3) in the event of termination by reason of death, the Company shall take the steps reasonably necessary to have all proceeds from the Life Insurance Policy promptly paid to the beneficiaries designated thereunder;
  - (4) rights to indemnification as set forth in Section 6 of this Agreement;
  - (5) all stock based compensation previously awarded and outstanding shall be vested (to the extent not already fully vested) on a pro rata basis based on the number of days prior to the Date of Termination in the relevant performance period (excluding any requirement for continued employment to qualify for such stock based compensation); and
  - (6) distribution of any vested Market Stock Units (as determined under Section 3.4) which have not previously been distributed to Executive.
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#### 4.4 **Termination for Cause or Resignation without Good Reason.**

- 4.4A **Termination.** Upon the termination of Executive's employment for Cause or the Executive resignation without Good Reason, the employment relationship created pursuant to this Agreement shall immediately terminate, and no further compensation shall be payable to Executive except as provided herein in this Section 4.4.
- 4.4B **Post-Employment Benefits.** In addition to the Accrued Obligations, if the Executive's employment is terminated by the Company for "Cause", or the Executive resigns from his employment hereunder for any reason other than for "Good Reason", the Executive shall be entitled to receive only the following:
- (1) rights to indemnification as set forth in Section 6 of this Agreement;
  - (2) transfer of ownership of the Life Insurance Policy to the Executive, without further obligation of the Company to pay premiums;
  - (3) retention of all stock-based compensation and vested awards under the Incentive Plan previously awarded, which shall be held by the Executive until, and may be executed at any time prior to, their expiration; and
  - (4) distribution of any vested Market Stock Units (as determined under Section 3.4) which have not previously been distributed to Executive.
- 4.4C **Hearing Procedure.** The existence of Cause must be confirmed by not less than a majority of the Board with the existence of a quorum at a meeting called for such purpose prior to any termination. At the discretion of the Chair or a majority of the independent directors of the Board, such meeting will exclude management members of the Board.
- (1) Upon the Board's confirmation of the existence of Cause (following any and all necessary investigations into its existence, as determined by the Board), the Company shall notify the Executive that the Company intends to terminate the Executive's employment for Cause under this Section 4.4C (the "Confirmation Notice"). The Confirmation Notice shall specify in detail the act, or acts, that the Board believes triggered the existence of Cause and the Confirmation Notice must be delivered to the Executive within fifteen (15) Business Days after the Board confirms the existence of Cause.
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- (2) If the Executive notifies the Company in writing (the "Opportunity Notice") within twenty (20) Business Days after the Executive has received the Confirmation Notice, the Executive (together with counsel) shall be provided the opportunity to meet formally with the Board (or a sufficient quorum thereof) to discuss such act or acts. The meeting with the Board shall occur at a mutually agreed upon date, but in no event more than twenty (20) Business Days after the Company receives the Opportunity Notice from the Executive, and at the Company's headquarters or mutually agreed upon location. If the Board in good faith does not rescind its confirmation of Cause at such meeting, the Company shall immediately upon the closing of such meeting, deliver to the Executive a Notice of Termination for Cause under this Section 4.4C.
- (4) If the Executive does not respond in writing to the Confirmation Notice in the manner and within the time period specified in Section 4.4C(2) above, the Company shall thereafter issue a Notice of Termination for Cause which shall set forth the date on which the Company intends to terminate the Executive's employment.
- (5) The Date of Termination shall be the date specified in the Notice of Termination for Cause.
- (6) The procedure set forth in this Section 4.4C to determine the existence of Cause shall at all times be subject to the requirements of applicable law, regulation, regulatory bulletin or other regulatory requirements.

4.4D **Resignation without Good Reason.** A resignation by the Executive without Good Reason shall take effect on, and the Date of Termination shall be, the date specified in the written notice of resignation from the Executive to the Company provided that such date shall be at least ninety (90) days after the date such written notice is given. In the event that the written notice of resignation exceeds ninety (90) days, the Board, at its sole discretion, may adjust the Date of Termination so long as the adjusted Date of Termination is no less than ninety (90) days from the date of written notice from the Executive. The Board may elect to provide written notice to the Executive directing him not to report to the Company for service during all or any portion of the ninety (90) day notice period, during which period the Company shall continue to pay the Executive's Base Salary and other benefits in accordance with the terms of this Agreement. The Executive shall be entitled to the Post-Employment Benefits provided in section 4.4B above.

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- 4.5 **No Mitigation; No Offset.** In the event of any termination of employment under this Section 4, except if the termination is a resignation without Good Reason, the Executive shall be under no obligation to seek other employment or to mitigate damages and there shall be no offset against any amounts due the Executive under this Agreement. Any amounts due under this Section 4 are in the nature of separation benefits, or liquidated damages, or both, and are not in the nature of a penalty. Until the Date of Termination, the Executive shall be entitled, to the extent not prohibited by applicable law, regulation, regulatory bulletin, and/or any other regulatory requirement, as the same exists or may hereafter be promulgated or amended, to be paid his then Base Salary, and otherwise to continue to receive all other benefits to be paid to him during the Employment Period, and there shall be no reduction whatsoever of any amounts payable to the Executive, hereunder.
- 4.6 **No Obligation.** Subject to the terms of this Agreement, the Company shall have no obligation to continue or maintain any Employee Welfare Benefit Plan for any other employees solely as a result of the provisions of this Agreement.
- 4.7 **Section 409A.** If the Executive is a “specified employee” (as defined in Section 409A of the Internal Revenue Code of 1986, as amended) on the Date of Termination, the Company shall not make any payments of “nonqualified deferred compensation” (for purposes of Section 409A of the Code) to the Executive pursuant to Section 4 until one day following the six month anniversary of the Date of Termination, and the amount payable on that day shall equal the sum of all amounts that would otherwise have been paid during the first six months immediately following the Date of Termination. To the extent payments of “nonqualified deferred compensation” (for purposes of Section 409A of the Code) to be made under this Section 4 are conditioned upon the Executive’s execution and non-revocation of a release, such payments shall commence on the sixtieth (60<sup>th</sup>) day following the Date of Termination and the payment on that date shall be inclusive of all payments of “nonqualified deferred compensation” in arrears that would have otherwise been paid during such 60 day period.
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## 5. RESTRICTIVE COVENANTS

### 5.1 **Confidential Information.**

- 5.1A The Executive agrees and acknowledges that during the performance of his duties with the Company he will receive and have access to confidential, proprietary, and/or trade secret information concerning the Company (hereinafter "Confidential Information"). "Confidential Information" means information which has substantial value to the Company, regardless of form or characteristic, and which: (a) the Company does not make available to the public, industry, or third parties; (b) relates to the Company's business operations, products, processes, business plans, purchasing, marketing, clients, suppliers, or service providers; and (c) may include (i) financial information and data, (ii) information pertaining to personnel and compensation, (iii) marketing plans and related information, (iv) the names, lists, contact information, and practices of clients and vendors, (v) plans, products, designs, design concepts, drawings, software, developments, memoranda, data, improvements, and methods of operation, (vi) computer software (including object code and source code), data and databases, outcome research, documentation, instructional material, inventions, processes, formulas, technology, designs, drawings, engineering, hardware, configuration information, models, manufacturing processes, sales and cost information, and (vii) business methods, techniques, plans, and the information contained therein.
- 5.1B During the Employment Period and thereafter, the Executive agrees that he will not publish, use or disclose Confidential Information to anyone other than authorized Company personnel. The Executive specifically agrees that he will not make use of any such Confidential Information for his own purpose, or for the benefit of any person, firm, company or other entity except for the benefit of the Company.
- 5.1C During the Employment Period and thereafter, the Executive agrees that he will not remove any printed, written, recorded, electronic, or graphic material, or any reproduction thereof, constituting, containing or reflecting Confidential Information from the Company's premises, except for legitimate purposes of Company business. At the time his employment with the Company ceases, and as a condition to receive any post-employment benefits under this Agreement, the Executive agrees that he will return any and all materials and/or reproductions constituting, containing or reflecting Confidential Information in his possession or under his custody or control to the Company and certify that he has done so.
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5.1D The Defend Trade Secrets Act of 2016 (the “DTSA”) provides that: (1) an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that: (A) is made – (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The DTSA further provides that: an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual: (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

5.2 **Covenant Not To Compete.** For purposes of the covenant in this Section 5.2, a Competitive Enterprise is any business enterprise located in the United States that engages in any activity or owns a majority voting interest in any entity that engages in any activity, that competes with the Company. The Executive hereby covenants and agrees that during the course of his employment and for 24 months thereafter (the “Restricted Period”), Executive shall not directly or indirectly (a) form, or acquire a five percent (5%) or greater equity ownership interest in, or receive economic benefit (including any economic benefit that is earned or paid on a deferred basis) from any Competitive Enterprise provided that this restriction shall not apply to a Competitive Enterprise whose securities are publicly traded; or (b) become an employee, officer, partner, director, consultant, agent or advisor of any Competitive Enterprise within the United States.

5.3 **Non-Solicitation.** During the Restricted Period, the Executive expressly agrees not to (1) call upon, solicit, sell or attempt to sell any product or services in competition with those offered by the Company to

- (i) any person or firm that was a customer of the Company at any time during the twelve (12) month period prior to the Date of Termination; or
  - (ii) any person or firm that was a prospective customer of the Company during the twelve (12) month period preceding the Date of Termination; or (2) directly or indirectly, solicit, induce, or call upon any employee of the Company to terminate his employment with the Company.
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**Non-Disparagement.**

- 5.4A During the Employment Period and thereafter, the Company and Executive agree that they shall not, directly or indirectly, make or cause or assist any other person to make, any statement or other communication, regardless of form, which impugns or attacks, or is otherwise critical of the reputation, business or character of the other, including any of the officers, directors, employees, products or services of the Company.
- 5.4B Nothing in this Agreement is intended to or shall be interpreted: (i) to restrict or otherwise interfere with Executive's obligation to testify truthfully in any forum; (ii) to restrict or otherwise interfere with Executive's right and/or obligation to contact, cooperate with, provide information in confidence to, report possible violations of federal, state or local law, ordinance or regulation – or testify or otherwise participate in any action, investigation or proceeding of – any government agency, entity or commission (including but not limited to the EEOC, the Department of Justice, the Securities and Exchange Commission, the Congress and any Agency Inspector General) or otherwise taking action or making disclosures that are protected under the whistleblower provisions of any federal, state or local law, ordinance or regulation, including, but not limited to, Rule 21F-17 promulgated under the Securities Exchange Act of 1934, as amended, in connection with which, for the avoidance of doubt, Executive shall be entitled to make reports and disclosures or otherwise take action under this section without prior authorization from or subsequent notification to the Company; (iii) to restrict or otherwise interfere with Executive's right and/or obligation to disclose any information or produce any documents as is required by law or legal process, (iv) to restrict Executive's right to disclose documents and information in confidence to any attorney, financial advisor, or tax preparer or other tax professional for purposes of securing professional advice; (v) to restrict Executive's right to use or disclose documents and information to the extent reasonably necessary in connection with enforcing or defending his legal rights; or (vi) to restrict Executive's ability to disclose his post-employment restrictions in confidence in connection with any potential new employment or business venture.

- 5.5 **Enforceability.** Each covenant in this Section 5 shall be enforceable against the Executive during the Employment Period and during the Restricted Period. If any covenant in this Section 5 is held to be unenforceable or against public policy by the tribunal designated in Section 8 below or, if appropriate, by a court of competent jurisdiction, such covenant will be considered to be divisible with respect to scope, time and geographic area, and such lesser scope, time or geographic area, or all of them, as a court of competent jurisdiction may determine to be reasonable, will be binding and enforceable against the Executive.
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6. **INDEMNIFICATION**

To the fullest extent permitted by law, but subject to the provisions of the Certificate of Incorporation of the Company and the By-laws of the Company in effect from time to time (provided that no amendment thereto shall in any way lessen the Executive's rights hereunder to less than is provided in the Certificate of Incorporation and/or By-laws as of the Effective Date), the Company shall promptly, after receipt of a request by the Executive, indemnify, defend and hold harmless the Executive with respect to any claims (whether litigated or not) against the Executive while the Executive was acting in good faith in his capacity as an employee, officer or director of the Company, whether by or on behalf of the Company, its shareholders or third parties. The Company shall, in addition, promptly advance to the Executive an amount equal to the reasonable fees and expenses incurred in defending such matters, promptly after receipt of a reasonably itemized request for such advance. The Company's obligations under this Section 6 shall only arise to the extent that the Executive was acting within the scope of the authority of the Executive pursuant to his Agreement and under the rules and policies of the Company, except that the Executive must have in good faith believed that such action was in the best interests of the Company and such course of action or inaction must not have constituted gross negligence, fraud, willful misconduct, breach of a fiduciary duty, a breach of this Agreement, or a violation of applicable laws, rules, regulations, or Company rules or policies. The Company may procure insurance with respect to the obligations provided in this Section 6 and shall provide such additional indemnification protection to the Executive as may be provided to other directors or key executive officers of the Company.

7. **INJUNCTIVE RELIEF AND ADDITIONAL REMEDIES**

The parties acknowledge that the injury that would be suffered as a result of a breach of Section 5 of this Agreement would be irreparable and that an award of monetary damages for such a breach would be an inadequate remedy. Consequently, each party acknowledges and expressly agrees that the other party will have the right, in addition to any other rights it may have, to obtain injunctive relief to restrain any breach or threatened breach or otherwise to specifically enforce Section 5 of this Agreement providing the party posts an adequate bond or other security in seeking such relief. Executive agrees and acknowledges that the provisions of Section 5, including the subject matter and temporal and/or geographic scope, are reasonable and necessary to protect the interests of the Company. Executive also agrees and acknowledges that the provisions contained in Section 5 do not preclude the Executive from earning a livelihood, nor do they unreasonably impose limitations on the Executive's ability to earn a living. In the event that Executive violates any of the covenants in Section 5 and the Company commences legal action for injunctive or other equitable relief, the Company shall have the benefit of the full period of the Restricted Period such that the restriction shall have the duration of twenty-four (24) months computed from the date the Executive ceased violation of the covenants, either by order of the court or otherwise.

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8. **ALTERNATE DISPUTE RESOLUTION**

Any dispute concerning the interpretation or enforcement of this Agreement shall be resolved by a panel of three (3) arbitrators in accordance with the rules of JAMS/ENDISPUTE held in Orlando, Florida, or if that organization shall cease to exist, of a successor or similar organization, or if no such organization shall exist, then in accordance with the rules of the American Arbitration Association. The decision of the panel of three (3) arbitrators shall be final and binding on all parties, and shall not be appealable upon any grounds other than as permitted pursuant to the Federal Arbitration Act. All such matters involving the issue, as well as the proceedings at issue, shall be kept strictly confidential, except as may be required by law, it being expressly agreed by all parties hereto that the breach of the confidentiality requirement hereunder shall be materially damaging, directly and indirectly, to all parties hereto. If the panel determines that the non-prevailing party in any such dispute acted in bad faith in connection therewith, the panel may award to the prevailing party reasonable legal fees and costs associated with the dispute. The requirement to arbitrate does not apply to the filing of an employment related claim, dispute or controversy with a federal, state or local administrative agency, including the EEOC and the Securities and Exchange Commission. However, Executive understands that by entering into this Agreement, Executive is waiving Executive's right to have a court and a jury determine Executive's rights, including under federal, state and local statutes prohibiting employment discrimination, harassment and retaliation, including sexual harassment and discrimination on the basis of age, sex, race, color, religion, national origin, disability, veteran status or any other factor prohibited by governing law.

9. **VENUE**

All disputes shall be arbitrated in Orlando, Florida.

10. **NOTICES**

Any notice, demand, request or other communication hereunder by either party to the other shall be given in writing by personal delivery, nationally recognized overnight courier service, certified mail, return receipt requested, or (if to the Company) by facsimile, in any case delivered to the applicable address set forth below:

To the Company:

Voxx International Corporation  
2351 J Lawson Blvd.  
Orlando, Florida 32824

With a copy to:

Timothy B. Collins, Esquire  
Duane Morris LLP  
30 South 17th Street  
Philadelphia, PA 19106

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To the Executive:

Mr. Patrick M. Lavelle  
131 Celebration Blvd.  
Celebration, FL 34747

With a copy to:

Stephen R. Looney, Esquire  
Dean, Mead, Egerton, Bloodworth, Capouano & Bozarth, P.A.  
420 S. Orange Avenue, Suite 700  
Orlando, FL 32801

Any such communication shall be deemed given and received on the date of personal delivery or fax transmittal and three (3) Business Days after being sent by certified mail, return receipt requested.

**11. SUCCESSORS AND ASSIGNS**

This Agreement is personal to Executive and shall not be assignable by Executive. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. Subject to the rights of the Executive under this Agreement, the Company may assign and transfer its rights to, and will require its obligations under this Agreement to be expressly assumed by, a successor to all or substantially all of its equity ownership interests, assets or business by dissolution, merger, consolidation, transfer of assets or stock, or otherwise. Except as stated herein, nothing in this Agreement, expressed or implied, is intended to confer on any person, other than the parties and their respective successors and permitted assigns, any rights or remedies under or by reason of this Agreement.

**12. VOLUNTARY AGREEMENT**

Executive and the Company represent and agree that each has reviewed all aspects of this Agreement, has carefully read, and fully understands, all provisions of this Agreement and is voluntarily entering into this Agreement. Each party represents and agrees that such party has had opportunity to review any and all aspects of this Agreement with the legal, tax, or other advisors of such party's choice. Both parties represent that each has obtained advice regarding the legal, tax, and other consequences of the terms and conditions of this Agreement.

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**13. ENTIRE AGREEMENT**

This is the entire agreement between the parties with respect to the matters set forth herein and supersedes any and all prior or contemporaneous agreements or understandings between them (including, but not limited to, the 2007 Agreement). Except as expressly provided herein, this Agreement may not be changed or terminated orally, and no change, termination, or attempted waiver of any of the provisions hereof shall be binding unless in writing signed by both Executive and the Chairman or other duly authorized representative of the Company. Any such written changes, terminations, or waivers must specifically reference this Agreement, and such changes as the Company may from time-to-time make in its general policies and procedures shall not be deemed or construed to be written amendments to this Agreement, whether such changes are in writing or not.

**14. WAIVER**

No provision of this Agreement may be waived in any manner except by written agreement of the parties. In the event any provision is waived, the balance of the provisions shall nevertheless remain in full force and effect and shall in no way be waived, impaired or otherwise modified. No failure or delay on the part of either the Executive or the Company hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty, covenant or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right.

**15. MODIFICATIONS**

Neither this Agreement nor the provisions contained herein may be extended, renewed, amended or modified other than by a written agreement executed by Executive and the Chairman or other duly authorized representative of the Company.

**16. SEVERABILITY**

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision of this Agreement or the validity, legality or enforceability of such provision in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

**17. CONSTRUCTION**

The rule that a contract is to be construed against the party drafting the contract is hereby expressly waived by the parties and shall have no applicability in construing this Agreement or the terms hereof. Any headings and captions used herein are only for convenience and shall not affect the construction or interpretation of this Agreement.

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18. **SURVIVAL**

The obligations contained in Section 4 through Section 21 and any other provision that by its terms is intended to survive the termination of this Agreement and the termination of the Executive's employment hereunder, shall survive and be fully enforceable after the termination of this Agreement and the termination of Executive's employment with the Company for any reason and regardless of whether initiated by the Company or Executive.

19. **SECTION 409A**

The intent of the parties is that payments and benefits under this Agreement comply with Section 409 of the Code to the extent subject thereto or be exempt therefrom, and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, to the extent required to avoid the application of an accelerated or additional tax under Section 409A of the Code, the Executive shall not be considered to have terminated employment with the Company for purposes of this Agreement until such time as the Executive is considered to have incurred a "separation from service" from the Company within the meaning of Section 409A of the Code. Each payment to be paid or benefit to be provided under this Agreement shall be construed as a separately identified payment for purposes of Section 409A of the Code, and any payments that are due within the "short term deferral period" as defined in Section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise. To the extent required to avoid an accelerated or additional tax under Section 409A of the Code, amounts reimbursable to Executive under this Agreement shall be paid to Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided to Executive) during any one year may not effect amounts reimbursable or provided in any subsequent year.

20. **GOVERNING LAW**

All issues concerning the enforceability, validity, and binding effect of this Agreement shall be governed by and construed in accordance with the laws of Florida without giving effect to any choice of law or conflict of law provision or rule (whether of Florida or any other jurisdiction) that would cause the application of the law of any jurisdiction other than Florida.

21. **COUNTERPARTS**

This Agreement may be executed in more than one counterpart, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

*[Signature Page Follows]*

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**IN WITNESS WHEREOF, THE PARTIES HAVE EXECUTED THIS AGREEMENT AS OF THE DATE WRITTEN ABOVE.**

VOXX INTERNATIONAL  
CORPORATION

By:           /s/ John J. Shalam            
          John J. Shalam, Chairman

          /s/ Patrick M. Lavelle            
          Patrick M. Lavelle

          /s/ John J. Shalam            
          John J. Shalam, in his individual capacity on behalf of the  
          Shalam Group, solely with respect to Section 3.6 of the  
          Agreement

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**Schedule A**

**Market Stock Units Calculation**

<b>Stock Price</b>	<b>Targeted Value to Deliver (000s)</b>	<b># Whole Shares if delivered at once</b>	<b>Value Based on Whole Shares</b>
\$15.00	\$5,000,000	333,333	\$5,000,000
\$14.50		296,667	\$4,301,672
\$14.00		260,000	\$3,640,000
\$13.50		223,333	\$3,014,996
\$13.00		186,666	\$2,426,658
\$12.50	\$1,875,000	150,000	\$1,875,000
\$12.00		140,000	\$1,680,000
\$11.50		130,000	\$1,495,000
\$11.00		120,000	\$1,320,000
\$10.50		110,000	\$1,155,000
\$10.00	\$1,000,000	100,000	\$1,000,000
\$9.50		86,700	\$823,650
\$9.00		73,400	\$660,600
\$8.50		60,100	\$510,850
\$8.00		46,800	\$374,400
\$7.50	\$251,250	33,500	\$251,250
\$7.00		26,800	\$187,600
\$6.50		20,100	\$130,650
\$6.00		13,400	\$80,400
\$5.50		6,700	\$36,850
\$5.00	\$0	0	\$0

**Illustrative Example 1 (Executive Continuously Employed Through Fifth Anniversary Date)**

High Stock Price during the vesting period ending on the Third Anniversary Date: \$10.00.

Executive entitled to \$800,000 in Market Stock Units (i.e., 80% of \$1,000,000 value determined under Schedule A).

High Stock Price during the vesting period ending on the Fifth Anniversary Date: \$12.00.

Executive entitled to \$880,000 (i.e., \$1,680,000 value determined under Schedule A, less \$800,000 previously received)

**Illustrative Example 2 (Executive Continuously Employed Through Fifth Anniversary Date)**

High Stock Price during the vesting period ending on the Third Anniversary Date: \$8.00.

Executive entitled to \$299,520 in Market Stock Units (i.e., 80% of \$374,400 value determined under Schedule A).

High Stock Price during the vesting period ending on the Fifth Anniversary Date: \$6.50.

Executive entitled to \$74,880 (i.e., 20% of \$374,400 value determined under Schedule A).

**Illustrative Example 3 (Executive Continuously Employed Through Fifth Anniversary Date)**

High Stock Price during the vesting period ending on the Third Anniversary Date: \$9.00.

Executive entitled to \$528,480 in Market Stock Units (i.e., 80% of \$660,600 value determined under Schedule A).

High Stock Price during the vesting period ending on the Fifth Anniversary Date: \$15.00.

Executive entitled to \$4,471,520 (i.e., \$5,000,000 value determined under Schedule A, less \$528,480 previously received)

**Illustrative Example 4 (Executive Terminated Without Cause Prior to Third Anniversary Date)**

High Stock Price during the vesting period ending on the Date of Termination Prior to Third Anniversary Date: \$11.00.

Executive entitled to \$1,320,000 in Market Stock Units (i.e., 100% of \$1,320,000 value determined under Schedule A).

**EMPLOYMENT AGREEMENT**

**THIS EMPLOYMENT AGREEMENT**, executed this 8<sup>th</sup> day of July, 2019, effective as of March 1, 2019, by and between Voxx International Corporation, 2351 J Lawson Blvd., Orlando, Florida 32824 (the “Company”), and Charles M. Stoehr, an individual residing at 262 Sunset Avenue, Westhampton Beach, New York (the “Executive”).

**WITNESSETH:**

**WHEREAS**, the Company and the Executive are presently parties to an Employment Agreement dated as of January 12, 2017 (the “2017 Agreement”) and now desire to enter into a new employment agreement on the terms and condition set forth herein;

**WHEREAS**, as of March 1, 2019 (the “Effective Date”), the Company desires to continue to employ the Executive as Senior Vice President and Chief Financial Officer and to enter into a new written employment agreement embodying the terms of such relationship; and

**WHEREAS**, the Executive is willing to continue to be so employed by the Company as Senior Vice President and Chief Financial Officer upon the terms set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the promises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged by the Company and the Executive, the parties agree as follows:

1. **TERM OF AGREEMENT**

1.1 This Agreement supersedes the 2017 Agreement in its entirety and shall constitute the binding obligation of the Executive and the Company as of the Effective Date and shall continue for a period of five (5) years thereafter, unless the Agreement is terminated at an earlier date by either party in accordance with Section 4 (such period hereinafter referred to as the “Employment Period”).

2. **EMPLOYMENT**

2.1 As of the Effective Date, the Executive shall continue to be employed by the Company as, and will perform the duties and responsibilities of, Senior Vice President and Chief Financial Officer of the Company, reporting directly on a day to day basis to the President/CEO and, as requested, to the Board of Directors of the Company (the “Board”). In that capacity, Executive shall perform such services, acts, and functions necessary or advisable to oversee, manage and conduct the business of the Company, and shall perform such other duties and responsibilities as may be reasonably assigned by the President/CEO and the Board. During the Employment Period, the Executive shall not render services to any other person or organization for compensation without the prior written approval of the Company. The Company acknowledges and consents to Executive sitting on the Westhampton Beach Architecture Review Board at a salary of \$1,300/yr. The Executive’s principal work location shall be in Hauppauge, New York, but the Executive shall travel to the extent, and to the places, reasonably necessary for the performance of the Executive’s duties hereunder.

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**COMPENSATION AND OTHER BENEFITS**

During the Employment Period, the Executive shall be compensated as follows:

- 3.1 **Base Salary.** The Company shall pay the Executive a base salary of Four Hundred Thousand Dollars (\$400,000) per annum (the “Base Salary”), payable in accordance with the standard payroll practices of the Company as are in effect from time to time, less all deductions or withholdings required by applicable law. The Board may increase the Executive’s Base Salary at any time and from time to time. The Executive shall remain eligible to elect to defer a portion of the Base Salary in accordance with the terms and conditions of the Company’s Deferred Compensation Plan.
- 3.2 **Annual Cash Bonus.** For each fiscal year during the Employment Period, the Executive shall be paid an annual bonus of (a) three-eighths of one percent (.375%) of the Company’s Adjusted EBITDA up to the Threshold (as hereinafter defined), with no minimum Adjusted EBITDA required for this portion of the annual bonus to accrue and become payable; plus (b) three-quarters of one percent (.75%) of the Company’s Adjusted EBITDA in excess of Ten Million Dollars (\$10,000,000), with no maximum cap on this portion of the annual bonus payable based upon the Company’s Adjusted EBITDA ((a) and (b), collectively, the “Annual Cash Bonus”). The Annual Cash Bonus shall be determined at the end of each fiscal year of the Company in accordance with generally accepted accounting principles, as in effect from time to time in the United States of America, consistently applied. In addition, subject to the approval of the non-management members of the Board, the threshold shall initially be set at Ten Million Dollars (\$10,000,000) as set forth in subsections (a) and (b) above (the “Threshold”) and shall be subject to adjustment in accordance with the following:
- (i) the threshold may only be adjusted as a result of an acquisition or a divestiture or an investment to the extent that the Company Adjusted EBITDA is impacted by a minimum of Five Million Dollars (\$5,000,000);
  - (ii) in connection with any Company divestiture, the Threshold may only be adjusted to the extent that the Company Adjusted EBITDA is impacted by a cumulative minimum (across all such divestitures by the Company following the Effective Date) of Five Million Dollars (\$5,000,000); and
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- (iii) in the event of an increase or decrease in the Company's Adjusted EBITDA as a result of an acquisition or divestiture by the Company, the maximum upward or downward adjustment to the Threshold shall be the increased or decreased Adjusted EBITDA attributable to that acquisition or divestiture; provided, however, that the Company may choose to increase the threshold by a lesser amount; and
- (iv) the threshold shall not be adjusted in any manner in connection with any action the Company takes with respect to EyeLock LLC including, without limitation, changes in accounting methodology such as accounting treatment of minority interest.

The Annual Cash Bonus shall be due and payable not later than sixty (60) days following the closing of the relevant fiscal year of the Company and filing of the associated Form 10-K (the "Fiscal Year Payment Date"). For purposes of this Agreement, "Adjusted EBITDA" shall be based on the Company's past practices as reflected in the Company's most recently filed Form 10-K, plus the bonuses to be paid to the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer for the relevant fiscal year.

3.3 **Change in Control.** For purposes of this Agreement, the term "Change in Control" shall mean that (a) the conditions set forth in any one of the following subsections shall have been satisfied and (b) following the satisfaction of a condition set forth in subsections (1), (2), (3) or (5) below, the election of an independent member to the Board whose nomination is voted against by the Shalam Group:

- (1) The acquisition, directly or indirectly, by any "person" (within the meaning of Section 3(a)(9) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act") and used in Sections 13(d) and 14(d) thereof) of "beneficial ownership" (within the meaning of Rule 13d-3 of the Exchange Act) of securities of the Company which results in the Shalam Group owning less than fifty percent (50%) of the total combined voting power of all outstanding securities of the Company;
  - (2) A merger, consolidation or reorganization in which the Company is not the surviving entity, except for a transaction in which the Shalam Group owns securities possessing fifty percent (50%) or more of the total combined voting power of all outstanding voting securities of the surviving entity immediately after such merger or consolidation;
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- (3) A reverse merger in which the Company is the surviving entity but which results in the Shalam Group owning securities possessing less than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the Company;
- (4) The sale, transfer or other disposition (in one transaction or a series of transactions) of all or substantially all of the assets of the Company to a third party;
- (5) Any other event, including but not limited to, a redemption, which results in the Shalam Group owning less than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the Company. For purposes of the foregoing clause, the sale of stock of a subsidiary of the Company (or the assets of such subsidiary) shall be treated as a sale of assets of the Company; or
- (6) The approval by the stockholders of a plan or proposal for the liquidation or dissolution of the Company.
- (7) Any other event which results in the Shalam Group owning less than ten percent (10%) of the total combined voting power of all outstanding voting securities of the Company.

For purposes of this Section 3.3, the “Shalam Group” shall mean any and all shares owned by John J. Shalam, his family members or any trusts for the benefit of Mr. Shalam or any of his family members.

3.4 **Employee Benefit Plans.** During the Employment Period, the Executive (and, if permitted by the terms of the plans, his family) shall be eligible to participate in all retirement, deferred compensation, profit sharing, medical, disability and other welfare plans (the “Employee Benefit Plans”) applicable to senior executive officers of the Company generally in accordance with the terms of such plans as in effect from time to time. The foregoing shall not be construed to limit the ability of the Company or any of its affiliates to amend, modify or terminate any such benefit plans, policies or programs at any time or from time to time; provided that at all times the Company shall continue to maintain, either by group or separate, individual plans for the benefit of the Executive (including, to the extent permitted, his family), with not less than the level of the benefits the Executive is receiving under the Employee Benefit Plans on the Effective Date.

3.5 **Executive Life Insurance.** During the Employment Period, the Company shall maintain and pay all premiums on one or more term life insurance policies for the benefit of the Executive, as such policies are made available from time to time to Vice Presidents of the Company (and subject to any age-based reductions in benefits in accordance with the terms of such policies) (collectively, the “Life Insurance Policy”), payable to the Executive's designated beneficiaries.

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- 3.6 **Vacation/Paid Time Off.** During the Employment Period, the Executive shall be entitled to not less than four (4) weeks paid vacation each fiscal year and Company-wide paid-time off days at such times as will not materially interfere with the performance of the Executive's duties.
- 3.7 **Automobile.** The Company shall lease and shall pay all insurance, maintenance, repair and other charges relating to, a late model luxury automobile for use by the Executive.
- 3.8 **Expense Reimbursement.** During the Employment Period, the Executive shall be entitled to utilize Company credit cards for Company business related activities. Furthermore, the Company shall pay or promptly reimburse the Executive for all reasonable expenses, including reasonable business travel expenses, incurred by the Executive in connection with his duties and responsibilities hereunder upon submission of appropriate documentation or receipts in accordance with the policies and procedures of the Company as are in effect from time to time.

#### 4. **TERMINATION OF EMPLOYMENT**

Subject to the notice and other provisions of this Section 4, the Company shall have the right to terminate the Executive's employment hereunder, and the Executive shall have the right to resign, at any time. The "Date of Termination" (1) for Cause or by resignation without Good Reason shall be determined in accordance with the provisions of Section 4.4; (2) by death or disability shall be the date of death or disability determined in accordance with the provisions of Section 4.3; (3) without Cause or by resignation with Good Reason shall be determined in accordance with the provisions of Section 4.1; or (4) shall mean the date this Agreement expires in accordance with the provisions of Section 4.2.

##### 4.1 **Termination Without Cause or Resignation for Good Reason.**

- 4.1A **Disability.** For purposes of this Agreement, "disability" shall have the same definition of disability as triggers payments to the Executive under the Company provided disability insurance policy covering the Executive, as in effect at the time the determination of "disability" is to be made. If no such policy is then in effect, then "disability" shall mean the Executive's inability, by reason of any physical or mental injury or illness, to substantially perform the services required by him hereunder for a period in excess of ninety (90) Business Days in any three hundred sixty (360) day period. In such event, Executive's employment shall be deemed to have terminated by reason of disability on the last day of such ninety (90) Business Day period.
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- 4.1B **Cause Defined.** For purposes of this Agreement, “Cause” shall mean a termination of the Executive’s employment by the Company due to any of the following reasons:
- (1) Executive’s willful misconduct or gross negligence in performance of Executive’s duties and responsibilities to the Company or its assets;
  - (2) Executive’s performance of any material act of professional misconduct, dishonesty, or breach of trust;
  - (3) Executive’s conviction of, or plea of guilty or nolo contendere to, a felony (other than traffic offenses) or of any crime involving fraud, embezzlement, theft, or moral turpitude;
  - (4) Executive’s failure to devote substantially all business hours and energy to the Company as provided in Section 2.1 above;
  - (5) Executive’s willful failure to perform lawful directives of the Board promptly; or
  - (6) Executive’s material breach of this Agreement or any other agreement with the Company, or Executive’s material violation of any written policy of the Company (including, but not limited to, the Company’s ethical and Code of Conduct policies).
- 4.1C **Good Reason.** For purposes of this Agreement, a resignation for “Good Reason” shall mean the Executive’s resignation (A) within twelve (12) months of a Change in Control of the Company; or (B) within one hundred eighty (180) days following (1) Executive’s written notice to the Company of (i) a material reduction in the scope of the Executive’s powers, duties, title or responsibilities, (ii) the assignment to the Executive of duties materially inconsistent with this Agreement or a material adverse change in his title or authority or (iii) the Company’s material breach of this Agreement; or (2) Executive’s written notice to the Company of a change in the Executive’s primary place of work to a location that is outside of Suffolk County, NY, in each case which is not cured by the Company within twenty (20) Business Days of receiving such notice from the Executive.
- 4.1D **Termination Procedure.** The Company may terminate the Executive’s employment hereunder at any time without Cause on twenty (20) Business Days’ prior written notice to the Executive (the term “Business Day” meaning a day other than one on which commercial banks in New York City are permitted or required to close). The Executive may terminate his employment hereunder for Good Reason at any time on twenty (20) Business Days prior written notice to the Company (subject to the various notice and cure provisions of Section 4.1C above). The Date of Termination in either such event shall be the twentieth (20<sup>th</sup>) Business Day following the giving of such notice.
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4.1E **Accrued Obligations.** Upon the Executive's Date of Termination (regardless of the reason for such termination), the Executive shall be entitled to receive:

- (1) his Base Salary through and including the Date of Termination,
- (2) any bonus(es) actually awarded and earned for prior completed fiscal years, but not yet paid as of the Date of Termination,
- (3) reimbursement for all expenses incurred in accordance with Section 3.9 of this Agreement, but not yet paid, as of the Date of Termination,
- (4) payment of the per diem value of any unused vacation days and paid-time off days which accrued through the Date of Termination, based upon Executive's most recent level of Base Salary,
- (5) any and all vested benefits under the Employee Benefit Plans; and
- (6) any and all amounts the Executive has elected to defer during the Term of this Agreement (collectively (1)-(6), the "Accrued Obligations").

4.1F **Post-Employment Benefits.** In addition to the Accrued Obligations, if the Company terminates the Executive's employment hereunder without Cause (other than due to death or disability) or if the Executive terminates his employment hereunder for Good Reason, the Executive, upon execution of mutual releases reasonably satisfactory to the Executive and the Company (and the non-revocation of such release by the Executive), and provided the Executive is in compliance with his duties and obligations under Section 5 hereof, shall be entitled to receive only:

- (1) a pro rata portion of the Average Bonus set forth in Section 4.1F(2), determined based on the numbers of full months worked in the fiscal year prior to the Date of Termination divided by twelve, times the Average Bonus, which shall be paid in equal installments on a monthly basis during the Separation Period;
  - (2) an amount in cash equal to the average of the Annual Cash Bonuses awarded in the two (2) years immediately preceding the year in which the Date of Termination occurs (the "Average Bonus"), payable in equal installments on a monthly basis during the Separation Period (the "Severance Bonus");
  - (3) all stock based compensation, including all Stock Grants and SERPs to which the Executive would have been entitled had his employment not been terminated, shall become one hundred percent (100%) vested and be distributed to the Executive as soon as administratively practicable following the Date of Termination (to the extent not already fully vested and distributed);
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- (4) for one (1) year (the "Separation Period"), an amount equal to one (1) times the Base Salary (as of the Date of Termination), which shall be paid in equal installments on a monthly basis during the Separation Period (the "Separation Payment");
- (5) rights to indemnification as set forth in Section 6 of this Agreement; and
- (6) (a) continuation throughout the Separation Period of the Life Insurance Policy, and upon completion of such period, ownership of the Life Insurance Policy shall be transferred to the Executive at no cost to the Executive; and (b) continuation during the Separation Period or until the Executive begins to participate in a subsequent employer's medical plan, of medical, disability and other health coverages at the level in effect on and at the same out-of-pocket cost to the Executive as of, the Date of Termination; it being understood that the period of coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") shall commence on the first day following the Date of Termination.

## 4.2 Expiration of the Agreement.

- 4.2A **Termination.** At least six (6) months prior to the expiration of the Agreement, the Company shall have the option to provide Executive with written notification of its desire to extend the Employment Period beyond the five (5) year term set forth in Section 1.1. Such written notification shall set forth the desired length of the Executive's continued employment by the Company. Upon receipt of such notice from the Company, if such notice is provided, Executive shall have the ability to accept or reject such request. For the avoidance of doubt, if notification is not provided by the Company prior to such six (6) month date, the Agreement shall expire at the end of the Employment Period. Upon the expiration of the Agreement, the employment relationship created pursuant to this Agreement shall immediately terminate, and no further compensation shall be payable to Executive except as provided herein in this Section 4.2.
- 4.2B **Post-Employment Benefits.** In addition to the Accrued Obligations, upon the expiration of this Agreement, the Executive, upon execution of mutual releases reasonably satisfactory to the Executive and the Company (and the non-revocation of such release by the Executive), and provided the Executive is in compliance with his duties and obligations under Section 5 hereof, shall be entitled to receive only:
- (1) all stock based compensation and SERPs previously awarded and outstanding shall be fully vested and distributed (to the extent not already fully vested and/or distributed) on a pro rata basis based on the number of days prior to the Date of Termination in the relevant performance period (excluding any requirement for continued employment to qualify for such stock based compensation); and
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(2) rights to indemnification as set forth in Section 6 of this Agreement.

#### 4.3 Termination due to Death or Disability.

4.3A **Termination.** Upon Executive's death or disability during the Employment Period, the employment relationship created pursuant to this Agreement shall immediately terminate, and no further compensation shall be payable to Executive except as provided herein in this Section 4.3.

4.3B **Post-Employment Benefits.** Date of Termination shall be the date of death or disability, as the case may be, and in such event, in addition to the Accrued Obligations, the Executive shall be entitled to receive only:

- (1) a pro rata portion of the Average Bonus set forth in Section 4.1F(2), determined based on the numbers of full months worked in the fiscal year prior to the Date of Termination divided by twelve, times the Average Bonus which shall be paid in Equal installments on a monthly basis during the Separation Period;
  - (2) in the event of termination by reason of disability, (a) payments equal to the Base Salary less amounts payable under the Company's long-term disability policy during the one year period following the Date of Termination, which shall be paid in equal monthly installments during the 12 month period following the Date of Termination; (b) continuation throughout the Separation Period of the Life Insurance Policy, and upon completion of such period, ownership of the Life Insurance Policy shall be transferred to the Executive at no cost to the Executive; and (c) continuation during the Separation Period or until the Executive begins to participate in a subsequent employer's medical plan, of medical, disability and other health coverages at the level in effect on, and at the same out-of-pocket cost to the Executive as of, the Date of Termination; it being understood that the period of coverage under COBRA shall commence on the first day following the Date of Termination;
  - (3) in the event of termination by reason of death, the Company shall take the steps reasonably necessary to have all proceeds from the Life Insurance Policy promptly paid to the beneficiaries designated thereunder;
  - (4) rights to indemnification as set forth in Section 6 of this Agreement;
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- (5) all stock based compensation and SERPs previously awarded and outstanding shall be vested (to the extent not already fully vested) on a pro rata basis based on the number of days prior to the Date of Termination in the relevant performance period (excluding any requirement for continued employment to qualify for such stock based compensation); and

#### 4.4 **Termination for Cause or Resignation without Good Reason.**

- 4.4A **Termination.** Upon the termination of Executive's employment for Cause or the Executive resignation without Good Reason, the employment relationship created pursuant to this Agreement shall immediately terminate, and no further compensation shall be payable to Executive except as provided herein in this Section 4.4.
  - 4.4B **Post-Employment Benefits.** In addition to the Accrued Obligations, if the Executive's employment is terminated by the Company for "Cause", or the Executive resigns from his employment hereunder for any reason other than for "Good Reason", the Executive shall be entitled to receive only the following:
    - (1) rights to indemnification as set forth in Section 6 of this Agreement;
    - (2) transfer of ownership of the Life Insurance Policy to the Executive, without further obligation of the Company to pay premiums;
    - (3) retention of all stock-based compensation previously awarded, which shall be held by the Executive until, and may be executed at any time prior to, their expiration; and
  - 4.4C **Hearing Procedure/Cure Opportunity.** The existence of Cause must be confirmed by not less than a majority of the Board with the existence of a quorum at a meeting called for such purpose prior to any termination. At the discretion of the Chair or a majority of the independent directors of the Board, such meeting will exclude management members of the Board.
    - (1) Upon the Board's confirmation of the existence of Cause (following any and all necessary investigations into its existence, as determined by the Board), the Company shall notify the Executive that the Company intends to terminate the Executive's employment for Cause under this Section 4.4C (the "Confirmation Notice"). To the extent that the Board determines the claimed breach is subject to cure, the Confirmation Notice shall inform the Executive that he is required to cure such breach within twenty (20) Business Days after the Confirmation Notice is received (the "Cause Cure Period"). The Confirmation Notice shall specify the act, or acts, upon the basis of which the Board has confirmed the existence of Cause and the Confirmation Notice must be delivered to the Executive within fifteen (15) Business Days after the Board confirms the existence of Cause.
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- (2) If the Executive notifies the Company in writing (the "Opportunity Notice") within twenty (20) Business Days after the Executive has received the Confirmation Notice, the Executive (together with counsel) shall be provided the opportunity to meet formally with the Board (or a sufficient quorum thereof) to discuss such act or acts. The meeting with the Board shall occur at a mutually agreed upon date, but in no event more than twenty (20) Business Days after the Company receives the Opportunity Notice from the Executive, and at the Company's headquarters or mutually agreed upon location. If the Board attends such meeting and in good faith does not rescind its confirmation of Cause at such meeting (or the breach is not otherwise cured during the Cause Cure Period), the Company shall immediately upon the closing of such meeting, deliver to the Executive a Notice of Termination for Cause under this Section 4.4C.
- (4) If the Executive does not respond in writing to the Confirmation Notice in the manner and within the time period specified in Section 4.4C(2) above (including with respect to the Executive's ability to potentially cure the claimed breach), the Company shall thereafter issue a Notice of Termination for Cause which shall set forth the date on which the Company intends to terminate the Executive's employment. If the breach is cured within the Cause Cure Period, Cause shall not exist under this Agreement and a Notice of Termination for Cause shall not be issued.
- (5) The Date of Termination shall be the date specified in the Notice of Termination for Cause.
- (6) The procedure set forth in this Section 4.4C to determine the existence of Cause shall at all times be subject to the requirements of applicable law, regulation, regulatory bulletin or other regulatory requirements.

4.4D **Resignation without Good Reason.** A resignation by the Executive without Good Reason shall take effect on, and the Date of Termination shall be, the date specified in the written notice of resignation from the Executive to the Company provided that such date shall be at least ninety (90) days after the date such written notice is given. In the event that the written notice of resignation exceeds ninety (90) days, the Board, at its sole discretion, may adjust the Date of Termination so long as the adjusted Date of Termination is no less than ninety (90) days from the date of written notice from the Executive. The Board may elect to provide written notice to the Executive directing him not to report to the Company for service during all or any portion of the ninety (90) day notice period, during which period the Company shall continue to pay the Executive's Base Salary and other benefits in accordance with the terms of this Agreement. The Executive shall be entitled to the Post-Employment Benefits provided in section 4.4B above.

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- 4.5 **No Mitigation; No Offset.** In the event of any termination of employment under this Section 4, except if the termination is a resignation without Good Reason, the Executive shall be under no obligation to seek other employment or to mitigate damages and there shall be no offset against any amounts due the Executive under this Agreement. Any amounts due under this Section 4 are in the nature of separation benefits, or liquidated damages, or both, and are not in the nature of a penalty. Until the Date of Termination, the Executive shall be entitled, to the extent not prohibited by applicable law, regulation, regulatory bulletin, and/or any other regulatory requirement, as the same exists or may hereafter be promulgated or amended, to be paid his then Base Salary, and otherwise to continue to receive all other benefits to be paid to him during the Employment Period, and there shall be no reduction whatsoever of any amounts payable to the Executive, hereunder.
- 4.6 **No Obligation.** Subject to the terms of this Agreement, the Company shall have no obligation to continue or maintain any Employee Welfare Benefit Plan for any other employees solely as a result of the provisions of this Agreement.
- 4.7 **Section 409A.** If the Executive is a “specified employee” (as defined in Section 409A of the Internal Revenue Code of 1986, as amended) on the Date of Termination, the Company shall not make any payments of “nonqualified deferred compensation” (for purposes of Section 409A of the Code) to the Executive pursuant to Section 4 until one day following the six month anniversary of the Date of Termination, and the amount payable on that day shall equal the sum of all amounts that would otherwise have been paid during the first six months immediately following the Date of Termination. To the extent payments of “nonqualified deferred compensation” (for purposes of Section 409A of the Code) to be made under this Section 4 are conditioned upon the Executive’s execution and non-revocation of a release, such payments shall commence on the sixtieth (60<sup>th</sup>) day following the Date of Termination and the payment on that date shall be inclusive of all payments of “nonqualified deferred compensation” in arrears that would have otherwise been paid during such 60 day period.
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5. **RESTRICTIVE COVENANTS**

5.1 **Confidential Information.**

- 5.1A The Executive agrees and acknowledges that during the performance of his duties with the Company he will receive and have access to confidential, proprietary, and/or trade secret information concerning the Company (hereinafter "Confidential Information"). "Confidential Information" means information which has substantial value to the Company, regardless of form or characteristic, and which: (a) the Company does not make available to the public, industry, or third parties; (b) relates to the Company's business operations, products, processes, business plans, purchasing, marketing, clients, suppliers, or service providers; and (c) may include (i) financial information and data, (ii) information pertaining to personnel and compensation, (iii) marketing plans and related information, (iv) the names, lists, contact information, and practices of clients and vendors, (v) plans, products, designs, design concepts, drawings, software, developments, memoranda, data, improvements, and methods of operation, (vi) computer software (including object code and source code), data and databases, outcome research, documentation, instructional material, inventions, processes, formulas, technology, designs, drawings, engineering, hardware, configuration information, models, manufacturing processes, sales and cost information, and (vii) business methods, techniques, plans, and the information contained therein.
- 5.1B During the Employment Period and thereafter, the Executive agrees that he will not publish, use or disclose Confidential Information to anyone other than authorized Company personnel. The Executive specifically agrees that he will not make use of any such Confidential Information for his own purpose, or for the benefit of any person, firm, company or other entity except for the benefit of the Company.
- 5.1C During the Employment Period and thereafter, the Executive agrees that he will not remove any printed, written, recorded, electronic, or graphic material, or any reproduction thereof, constituting, containing or reflecting Confidential Information from the Company's premises, except for legitimate purposes of Company business. At the time his employment with the Company ceases, and as a condition to receive any post-employment benefits under this Agreement, the Executive agrees that he will return any and all materials and/or reproductions constituting, containing or reflecting Confidential Information in his possession or under his custody or control to the Company and certify that he has done so.
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5.1D The Defend Trade Secrets Act of 2016 (the “DTSA”) provides that: (1) an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that: (A) is made – (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The DTSA further provides that: an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual: (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

5.2 **Covenant Not To Compete.** For purposes of the covenant in this Section 5.2, a Competitive Enterprise is any business enterprise located in the United States that engages in any activity or owns a majority voting interest in any entity that engages in any activity, that competes with the Company. The Executive hereby covenants and agrees that during the course of his employment and for 12 months thereafter (the “Restricted Period”), Executive shall not directly or indirectly (a) form, or acquire a five percent (5%) or greater equity ownership interest in, or receive economic benefit (including any economic benefit that is earned or paid on a deferred basis) from any Competitive Enterprise provided that this restriction shall not apply to a Competitive Enterprise whose securities are publicly traded; or (b) become an employee, officer, partner, director, consultant, agent or advisor of any Competitive Enterprise within the United States.

5.3 **Non-Solicitation.** During the Restricted Period, the Executive expressly agrees not to (1) call upon, solicit, sell or attempt to sell any product or services in competition with those offered by the Company to

(i) any person or firm that was a customer of the Company at any time during the twelve (12) month period prior to the Date of Termination; or

(ii) any person or firm that was a prospective customer of the Company during the twelve (12) month period preceding the Date of Termination;

or (2) directly or indirectly, solicit, induce, or call upon any employee of the Company to terminate his employment with the Company.

5.4 **Non-Disparagement.**

5.3A During the Employment Period and thereafter, the Company and Executive agree that they shall not, directly or indirectly, make or cause or assist any other person to make, any statement or other communication, regardless of form, which impugns or attacks, or is otherwise critical of the reputation, business or character of the other, including any of the officers, directors, employees, products or services of the Company.

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5.3B Nothing in this Agreement is intended to or shall be interpreted: (i) to restrict or otherwise interfere with Executive's obligation to testify truthfully in any forum; (ii) to restrict or otherwise interfere with Executive's right and/or obligation to contact, cooperate with, provide information in confidence to, report possible violations of federal, state or local law, ordinance or regulation – or testify or otherwise participate in any action, investigation or proceeding of – any government agency, entity or commission (including but not limited to the EEOC, the Department of Justice, the Securities and Exchange Commission, the Congress and any Agency Inspector General) or otherwise taking action or making disclosures that are protected under the whistleblower provisions of any federal, state or local law, ordinance or regulation, including, but not limited to, Rule 21F-17 promulgated under the Securities Exchange Act of 1934, as amended, in connection with which, for the avoidance of doubt, Executive shall be entitled to make reports and disclosures or otherwise take action under this section without prior authorization from or subsequent notification to the Company; (iii) to restrict or otherwise interfere with Executive's right and/or obligation to disclose any information or produce any documents as is required by law or legal process, (iv) to restrict Executive's right to disclose documents and information in confidence to any attorney, financial advisor, or tax preparer or other tax professional for purposes of securing professional advice; (v) to restrict Executive's right to use or disclose documents and information to the extent reasonably necessary in connection with enforcing or defending his legal rights; or (vi) to restrict Executive's ability to disclose his post-employment restrictions in confidence in connection with any potential new employment or business venture.

5.5 **Enforceability.** Each covenant in this Section 5 shall be enforceable against the Executive during the Employment Period and during the Restricted Period. If any covenant in this Section 5 is held to be unenforceable or against public policy by the tribunal designated in Section 8 below or, if appropriate, by a court of competent jurisdiction, such covenant will be considered to be divisible with respect to scope, time and geographic area, and such lesser scope, time or geographic area, or all of them, as a court of competent jurisdiction may determine to be reasonable, will be binding and enforceable against the Executive.

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6. **INDEMNIFICATION**

To the fullest extent permitted by law, but subject to the provisions of the Certificate of Incorporation of the Company and the By-laws of the Company in effect from time to time (provided that no amendment thereto shall in any way lessen the Executive's rights hereunder to less than is provided in the Certificate of Incorporation and/or By-laws as of the Effective Date), the Company shall promptly, after receipt of a request by the Executive, indemnify, defend and hold harmless the Executive with respect to any claims (whether litigated or not) against the Executive while the Executive was acting in good faith in his capacity as an employee, officer or director of the Company, whether by or on behalf of the Company, its shareholders or third parties. The Company shall, in addition, promptly advance to the Executive an amount equal to the reasonable fees and expenses incurred in defending such matters, promptly after receipt of a reasonably itemized request for such advance. The Company's obligations under this Section 6 shall only arise to the extent that the Executive was acting within the scope of the authority of the Executive pursuant to his Agreement and under the rules and policies of the Company, except that the Executive must have in good faith believed that such action was in the best interests of the Company and such course of action or inaction must not have constituted gross negligence, fraud, willful misconduct, breach of a fiduciary duty, a breach of this Agreement, or a violation of applicable laws, rules, regulations, or Company rules or policies. The Company may procure insurance with respect to the obligations provided in this Section 6 and shall provide such additional indemnification protection to the Executive as may be provided to other directors or key executive officers of the Company.

7. **INJUNCTIVE RELIEF AND ADDITIONAL REMEDIES**

The parties acknowledge that the injury that would be suffered as a result of a breach of Section 5 of this Agreement would be irreparable and that an award of monetary damages for such a breach would be an inadequate remedy. Consequently, each party acknowledges and expressly agrees that the other party will have the right, in addition to any other rights it may have, to obtain injunctive relief to restrain any breach or threatened breach or otherwise to specifically enforce Section 5 of this Agreement providing the party posts an adequate bond or other security in seeking such relief. Executive agrees and acknowledges that the provisions of Section 5, including the subject matter and temporal and/or geographic scope, are reasonable and necessary to protect the interests of the Company. Executive also agrees and acknowledges that the provisions contained in Section 5 do not preclude the Executive from earning a livelihood, nor do they unreasonably impose limitations on the Executive's ability to earn a living. In the event that Executive violates any of the covenants in Section 5 and the Company commences legal action for injunctive or other equitable relief, the Company shall have the benefit of the full period of the Restricted Period such that the restriction shall have the duration of twenty-four (24) months computed from the date the Executive ceased violation of the covenants, either by order of the court or otherwise.

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8. **ALTERNATE DISPUTE RESOLUTION**

Any dispute concerning the interpretation or enforcement of this Agreement shall be resolved by a panel of three (3) arbitrators in accordance with the rules of JAMS/ENDISPUTE held in New York, New York, or if that organization shall cease to exist, of a successor or similar organization, or if no such organization shall exist, then in accordance with the rules of the American Arbitration Association. The decision of the panel of three (3) arbitrators shall be final and binding on all parties, and shall not be appealable upon any grounds other than as permitted pursuant to the Federal Arbitration Act. All such matters involving the issue, as well as the proceedings at issue, shall be kept strictly confidential, except as may be required by law, it being expressly agreed by all parties hereto that the breach of the confidentiality requirement hereunder shall be materially damaging, directly and indirectly, to all parties hereto. If the panel determines that the non-prevailing party in any such dispute acted in bad faith in connection therewith, the panel may award to the prevailing party reasonable legal fees and costs associated with the dispute. The requirement to arbitrate does not apply to the filing of an employment related claim, dispute or controversy with a federal, state or local administrative agency, including the EEOC and the Securities and Exchange Commission. However, Executive understands that by entering into this Agreement, Executive is waiving Executive's right to have a court and a jury determine Executive's rights, including under federal, state and local statutes prohibiting employment discrimination, harassment and retaliation, including sexual harassment and discrimination on the basis of age, sex, race, color, religion, national origin, disability, veteran status or any other factor prohibited by governing law.

9. **VENUE**

All disputes shall be arbitrated in New York, New York.

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10.

**NOTICES**

Any notice, demand, request or other communication hereunder by either party to the other shall be given in writing by personal delivery, nationally recognized overnight courier service, certified mail, return receipt requested, or (if to the Company) by facsimile, in any case delivered to the applicable address set forth below:

To the Company:

Voxx International Corporation  
2351 J Lawson Blvd.  
Orlando, Florida 32824  
Attn: Patrick M. Lavelle, President/CEO

With a copy to:

Larry N. Stopol, Esq.  
Levy, Stopol & Camelo, LLP  
1425 RXR Plaza  
Uniondale, New York 11556

To the Executive:

Mr. Charles M. Stoehr  
262 Sunset Avenue  
Westhampton Beach, NY

With a copy to:

Any such communication shall be deemed given and received on the date of personal delivery or fax transmittal and three (3) Business Days after being sent by certified mail, return receipt requested.

**11. SUCCESSORS AND ASSIGNS**

This Agreement is personal to Executive and shall not be assignable by Executive. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. Subject to the rights of the Executive under this Agreement, the Company may assign and transfer its rights to, and will require its obligations under this Agreement to be expressly assumed by, a successor to all or substantially all of its equity ownership interests, assets or business by dissolution, merger, consolidation, transfer of assets or stock, or otherwise. Except as stated herein, nothing in this Agreement, expressed or implied, is intended to confer on any person, other than the parties and their respective successors and permitted assigns, any rights or remedies under or by reason of this Agreement.

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**12. VOLUNTARY AGREEMENT**

Executive and the Company represent and agree that each has reviewed all aspects of this Agreement, has carefully read, and fully understands, all provisions of this Agreement and is voluntarily entering into this Agreement. Each party represents and agrees that such party has had opportunity to review any and all aspects of this Agreement with the legal, tax, or other advisors of such party's choice. Both parties represent that each has obtained advice regarding the legal, tax, and other consequences of the terms and conditions of this Agreement.

**13. ENTIRE AGREEMENT**

This is the entire agreement between the parties with respect to the matters set forth herein and supersedes any and all prior or contemporaneous agreements or understandings between them (including, but not limited to, the 2017 Agreement). Except as expressly provided herein, this Agreement may not be changed or terminated orally, and no change, termination, or attempted waiver of any of the provisions hereof shall be binding unless in writing signed by both Executive and the Chairman or other duly authorized representative of the Company. Any such written changes, terminations, or waivers must specifically reference this Agreement, and such changes as the Company may from time-to-time make in its general policies and procedures shall not be deemed or construed to be written amendments to this Agreement, whether such changes are in writing or not.

**14. WAIVER**

No provision of this Agreement may be waived in any manner except by written agreement of the parties. In the event any provision is waived, the balance of the provisions shall nevertheless remain in full force and effect and shall in no way be waived, impaired or otherwise modified. No failure or delay on the part of either the Executive or the Company hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty, covenant or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right.

**15. MODIFICATIONS**

Neither this Agreement nor the provisions contained herein may be extended, renewed, amended or modified other than by a written agreement executed by Executive and the Chairman or other duly authorized representative of the Company.

**16. SEVERABILITY**

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision of this Agreement or the validity, legality or enforceability of such provision in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

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**17. CONSTRUCTION**

The rule that a contract is to be construed against the party drafting the contract is hereby expressly waived by the parties and shall have no applicability in construing this Agreement or the terms hereof. Any headings and captions used herein are only for convenience and shall not affect the construction or interpretation of this Agreement.

**18. SURVIVAL**

The obligations contained in Section 4 through Section 21 and any other provision that by its terms is intended to survive the termination of this Agreement and the termination of the Executive's employment hereunder, shall survive and be fully enforceable after the termination of this Agreement and the termination of Executive's employment with the Company for any reason and regardless of whether initiated by the Company or Executive.

**19. SECTION 409A**

The intent of the parties is that payments and benefits under this Agreement comply with Section 409 of the Code to the extent subject thereto or be exempt therefrom, and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, to the extent required to avoid the application of an accelerated or additional tax under Section 409A of the Code, the Executive shall not be considered to have terminated employment with the Company for purposes of this Agreement until such time as the Executive is considered to have incurred a "separation from service" from the Company within the meaning of Section 409A of the Code. Each payment to be paid or benefit to be provided under this Agreement shall be construed as a separately identified payment for purposes of Section 409A of the Code, and any payments that are due within the "short term deferral period" as defined in Section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise. To the extent required to avoid an accelerated or additional tax under Section 409A of the Code, amounts reimbursable to Executive under this Agreement shall be paid to Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided to Executive) during any one year may not effect amounts reimbursable or provided in any subsequent year.

**20. GOVERNING LAW**

All issues concerning the enforceability, validity, and binding effect of this Agreement shall be governed by and construed in accordance with the laws of New York without giving effect to any choice of law or conflict of law provision or rule (whether of New York or any other jurisdiction) that would cause the application of the law of any jurisdiction other than New York.

**21. COUNTERPARTS**

This Agreement may be executed in more than one counterpart, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

*[Signature Page Follows]*

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**IN WITNESS WHEREOF, THE PARTIES HAVE EXECUTED THIS AGREEMENT AS OF THE DATE WRITTEN ABOVE.**

VOXX INTERNATIONAL CORPORATION

By: /s/ Patrick M. Lavelle  
\_\_\_\_\_  
Patrick M. Lavelle, President/CEO

/s/ Charles M. Stoehr  
\_\_\_\_\_  
Charles M. Stoehr

**EMPLOYMENT AGREEMENT**

**THIS EMPLOYMENT AGREEMENT**, executed this 8<sup>th</sup> day of July, 2019, effective as of March 1, 2019, by and between Voxx International Corporation, 2351 J Lawson Blvd., Orlando, Florida 32824 (the “Company”), and Loriann Shelton, an individual residing at 8 Emily Court, Moriches, New York 11955 (the “Executive”).

**WITNESSETH:**

**WHEREAS**, the Company and the Executive are presently parties to an Employment Agreement dated as of January 12, 2017, as amended on January 10, 2019 (collectively, the “2017 Agreement”) and now desire to enter into a new employment agreement on the terms and condition set forth herein;

**WHEREAS**, as of March 1, 2019 (the “Effective Date”), the Company desires to continue to employ the Executive as Senior Vice President and Chief Operating Officer and to enter into a new written employment agreement embodying the terms of such relationship; and

**WHEREAS**, the Executive is willing to continue to be so employed by the Company as Senior Vice President and Chief Operating Officer upon the terms set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the promises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged by the Company and the Executive, the parties agree as follows:

1. **TERMOF AGREEMENT**

1.1 This Agreement supersedes the 2017 Agreement in its entirety and shall constitute the binding obligation of the Executive and the Company as of the Effective Date and shall continue for a period of five (5) years thereafter, unless the Agreement is terminated at an earlier date by either party in accordance with Section 4 (such period hereinafter referred to as the “Employment Period”).

2. **EMPLOYMENT**

2.1 As of the Effective Date, the Executive shall continue to be employed by the Company as, and will perform the duties and responsibilities of, Senior Vice President and Chief Operating Officer of the Company, reporting directly on a day to day basis to the President/CEO and, as requested, to the Board of Directors of the Company (the “Board”). In that capacity, Executive shall perform such services, acts, and functions necessary or advisable to oversee, manage and conduct the business of the Company, and shall perform such other duties and responsibilities as may be reasonably assigned by the President/CEO or the Board. During the Employment Period, the Executive shall not render services to any other person or organization for compensation without the prior written approval of the Company. The Executive’s principal work location shall be in Hauppauge, New York, but the Executive shall travel to the extent, and to the places, reasonably necessary for the performance of the Executive’s duties hereunder.

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**COMPENSATION AND OTHER BENEFITS**

During the Employment Period, the Executive shall be compensated as follows:

- 3.1 **Base Salary.** The Company shall pay the Executive a base salary of Four Hundred Fifty Thousand Dollars (\$450,000) per annum (the “Base Salary”), payable in accordance with the standard payroll practices of the Company as are in effect from time to time, less all deductions or withholdings required by applicable law. The Board may increase the Executive’s Base Salary at any time and from time to time. The Executive shall remain eligible to elect to defer a portion of the Base Salary in accordance with the terms and conditions of the Company’s Deferred Compensation Plan.
- 3.2 **Annual Cash Bonus.** For each fiscal year during the Employment Period, the Executive shall be paid an annual bonus of (a) three-eighths of one percent (.375%) of Company’s Adjusted EBITDA up to [the Threshold (as hereinafter defined) minus Ten Million (\$10,000,000) Dollars] (but never less than Zero); plus (b) three-quarters of one percent (.75%) of the Company’s Adjusted EBITDA in excess of [the Threshold minus Ten Million Dollars (\$10,000,000)]; with no minimum Adjusted EBITDA required for the annual bonus to accrue and become payable with no maximum cap on the annual bonus payable based upon the Company’s Adjusted EBITDA ((a) and (b), collectively, the “Annual Cash Bonus”); For illustrative purposes only, if the Company acquires \$15 million Adjusted EBITDA in an acquisition and the Board determines to increase the Threshold by \$7.5 million to \$17.5 million and the Company, after the acquisition, achieves Adjusted EBITDA of \$35 million, the Executive shall be entitled to receive as a bonus under this Section the sum of (i) .375% multiplied by \$7,500,000 (the adjusted Threshold of \$17,500,000 minus \$10,000,000 x .375% = \$28,125) plus (ii) \$35,000,000 minus \$7,500,000 (\$17,500,000 minus \$10,000,000) = \$27,500,000 multiplied by .75% = \$206,250 (bonus totaling [\$28,125 + \$206,250 = \$234,375]). The Annual Cash Bonus shall be determined at the end of each fiscal year of the Company in accordance with generally accepted accounting principles, as in effect from time to time in the United States of America, consistently applied. In addition, subject to the approval of the non-management members of the Board, the threshold shall initially be set at Ten Million Dollars (\$10,000,000) as set forth in subsections (a) and (b) above (the “Threshold”) and shall be subject to adjustment in accordance with the following:
- (i) the Threshold may only be adjusted as a result of an acquisition or a divestiture or an investment to the extent that the Company Adjusted EBITDA is impacted by a minimum of Five Million Dollars (\$5,000,000);
  - (ii) in connection with any Company divestiture, the Threshold may only be adjusted to the extent that the Company Adjusted EBITDA is impacted by a cumulative minimum (across all such divestitures by the Company following the Effective Date) of Five Million Dollars (\$5,000,000);
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- (iii) in the event of an increase or decrease in the Company's Adjusted EBITDA as a result of an acquisition or divestiture by the Company, the maximum upward or downward adjustment to the Threshold shall be the increased or decreased Adjusted EBITDA attributable to that acquisition or divestiture; provided, however, that the Company may choose to increase the threshold by a lesser amount; and
- (iv) the Threshold shall not be adjusted in any manner in connection with any action the Company takes with respect to EyeLock LLC including, without limitation, changes in accounting methodology such as accounting treatment of minority interest.

The Annual Cash Bonus shall be due and payable not later than sixty (60) days following the closing of the relevant fiscal year of the Company and filing of the associated Form 10-K (the "Fiscal Year Payment Date"). For purposes of this Agreement, "Adjusted EBITDA" shall be based on the Company's past practices as reflected in the Company's most recently filed Form 10-K, plus the bonuses to be paid to the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer for the relevant fiscal year.

3.3 Change in Control. For purposes of this Agreement, the term "Change in Control" shall mean that (a) the conditions set forth in any one of the following subsections shall have been satisfied and (b) following the satisfaction of a condition set forth in subsections (1), (2), (3) or (5) below, the election of an independent member to the Board whose nomination is voted against by the Shalam Group:

- (1) The acquisition, directly or indirectly, by any "person" (within the meaning of Section 3(a)(9) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act") and used in Sections 13(d) and 14(d) thereof) of "beneficial ownership" (within the meaning of Rule 13d-3 of the Exchange Act) of securities of the Company which results in the Shalam Group owning less than fifty percent (50%) of the total combined voting power of all outstanding securities of the Company;
  - (2) A merger, consolidation or reorganization in which the Company is not the surviving entity, except for a transaction in which the Shalam Group owns securities possessing fifty percent (50%) or more of the total combined voting power of all outstanding voting securities of the surviving entity immediately after such merger or consolidation;
  - (3) A reverse merger in which the Company is the surviving entity but which results in the Shalam Group owning securities possessing less than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the Company;
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- (4) The sale, transfer or other disposition (in one transaction or a series of transactions) of all or substantially all of the assets of the Company to a third party;
- (5) Any other event, including but not limited to, a redemption, which results in the Shalam Group owning less than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the Company. For purposes of the foregoing clause, the sale of stock of a subsidiary of the Company (or the assets of such subsidiary) shall be treated as a sale of assets of the Company; or
- (6) The approval by the stockholders of a plan or proposal for the liquidation or dissolution of the Company.
- (7) Any other event which results in the Shalam Group owning less than ten percent (10%) of the total combined voting power of all outstanding voting securities of the Company.

For purposes of this Section 3.3, the “Shalam Group” shall mean any and all shares owned by John J. Shalam, his family members or any trusts for the benefit of Mr. Shalam or any of his family members.

- 3.4 **Employee Benefit Plans.** During the Employment Period, the Executive (and, if permitted by the terms of the plans, her family) shall be eligible to participate in all retirement, deferred compensation, profit sharing, medical, disability and other welfare plans (the “Employee Benefit Plans”) applicable to senior executive officers of the Company generally in accordance with the terms of such plans as in effect from time to time. The foregoing shall not be construed to limit the ability of the Company or any of its affiliates to amend, modify or terminate any such benefit plans, policies or programs at any time or from time to time; provided that at all times the Company shall continue to maintain, either by group or separate, individual plans for the benefit of the Executive (including, to the extent permitted, her family), with not less than the level of the benefits the Executive is receiving under the Employee Benefit Plans on the Effective Date.
  - 3.5 **Executive Life Insurance.** During the Employment Period, the Company shall maintain and pay all premiums on one or more term life insurance policies for the benefit of the Executive, as such policies are made available from time to time to Vice Presidents of the Company (and subject to any age-based reductions in benefits in accordance with the terms of such policies) (collectively, the “Life Insurance Policy”), payable to the Executive's designated beneficiaries.
  - 3.6 **Vacation/Paid Time Off.** During the Employment Period, the Executive shall be entitled to not less than four (4) weeks paid vacation each fiscal year and Company-wide paid-time off days at such times as will not materially interfere with the performance of the Executive’s duties.
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- 3.7 **Automobile.** The Company shall lease and shall pay all insurance, maintenance, repair and other charges relating to, a late model luxury automobile for use by the Executive.
- 3.8 **Expense Reimbursement.** During the Employment Period, the Executive shall be entitled to utilize Company credit cards for Company business related activities. Furthermore, the Company shall pay or promptly reimburse the Executive for all reasonable expenses, including reasonable business travel expenses, incurred by the Executive in connection with her duties and responsibilities hereunder upon submission of appropriate documentation or receipts in accordance with the policies and procedures of the Company as are in effect from time to time.

#### 4. **TERMINATION OF EMPLOYMENT**

Subject to the notice and other provisions of this Section 4, the Company shall have the right to terminate the Executive's employment hereunder, and the Executive shall have the right to resign, at any time. The "Date of Termination" (1) for Cause or by resignation without Good Reason shall be determined in accordance with the provisions of Section 4.4; (2) by death or disability shall be the date of death or disability determined in accordance with the provisions of Section 4.3; (3) without Cause or by resignation with Good Reason shall be determined in accordance with the provisions of Section 4.1; or (4) shall mean the date this Agreement expires in accordance with the provisions of Section 4.2.

##### 4.1 **Termination Without Cause or Resignation for Good Reason.**

4.1A **Disability.** For purposes of this Agreement, "disability" shall have the same definition of disability as triggers payments to the Executive under the Company provided disability insurance policy covering the Executive, as in effect at the time the determination of "disability" is to be made. If no such policy is then in effect, then "disability" shall mean the Executive's inability, by reason of any physical or mental injury or illness, to substantially perform the services required by her hereunder for a period in excess of ninety (90) Business Days in any three hundred sixty (360) day period. In such event, Executive's employment shall be deemed to have terminated by reason of disability on the last day of such ninety (90) Business Day period.

4.1B **Cause Defined.** For purposes of this Agreement, "Cause" shall mean a termination of the Executive's employment by the Company due to any of the following reasons:

- (1) The entry of a final non-appealable judgment of conviction of the Executive by a court for a felony, or entry of a plea of nolo contendere by the Executive to such a felony;
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- (2) The Executive's willful failure, or gross negligence, other than by reason of his disability or legal incompetence, to substantially carry out his duties hereunder within ten (10) Business Days of written notice from the Board of Directors, specifying such failure or gross negligence; or
- (3) Executive's willful engagement in illegal or fraudulent conduct or his willful violation of any material laws applicable to the Executive.

For purposes of this Section 4.1B, no act or failure to act by the Executive shall be considered "willful" if such act or failure to act by the Executive is the result of the Executive's good faith belief that the act or failure to act is or was in the best interests of the Company.

- 4.1C **Good Reason.** For purposes of this Agreement, a resignation for "Good Reason" shall mean the Executive's resignation: (A) within twelve (12) months of a Change in Control; or (B) as a result of Executive's voluntary retirement, any time after Executive attains sixty-Five (65) years of age, with the intent to no longer seek full time employment ("Voluntary Retirement"); or (C) within one hundred eighty (180) days following (1) Executive's written notice to the Company of (i) a material reduction in the scope of the Executive's powers, duties, title or responsibilities, (ii) the assignment to the Executive of duties materially inconsistent with this Agreement or a material adverse change in her title or authority or (iii) the Company's material breach of this Agreement; or (2) Executive's written notice to the Company of a change in the Executive's primary place of work to a location that is outside of Suffolk County, NY, in each case which is not cured by the Company within twenty (20) Business Days of receiving such notice from the Executive.
- 4.1D **Termination Procedure.** The Company may terminate the Executive's employment hereunder at any time without Cause on twenty (20) Business Days' prior written notice to the Executive (the term "Business Day" meaning a day other than one on which commercial banks in New York City are permitted or required to close). The Executive may terminate her employment hereunder for Good Reason at any time on twenty (20) Business Days prior written notice to the Company (subject to the various notice and cure provisions of Section 4.1C above). The Date of Termination in either such event shall be the twentieth (20<sup>th</sup>) Business Day following the giving of such notice.
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4.1E **Accrued Obligations.** Upon the Executive's Date of Termination (regardless of the reason for such termination), the Executive shall be entitled to receive:

- (1) her Base Salary through and including the Date of Termination,
- (2) any bonus(es) earned for prior completed fiscal years, but not yet paid as of the Date of Termination,
- (3) reimbursement for all expenses incurred in accordance with Section 3.9 of this Agreement, but not yet paid, as of the Date of Termination,
- (4) payment of the per diem value of any unused vacation days and paid-time off days which accrued through the Date of Termination, based upon Executive's most recent level of Base Salary,
- (5) any and all vested benefits under the Employee Benefit Plans; and
- (6) any and all amounts the Executive has elected to defer during the Term of this Agreement (collectively (1)-(6), the "Accrued Obligations").

4.1F **Post-Employment Benefits.** In addition to the Accrued Obligations, if the Company terminates the Executive's employment hereunder without Cause (other than due to death or disability) or if the Executive terminates her employment hereunder for Good Reason, including, but not limited to, Voluntary Retirement, the Executive, upon execution of mutual releases reasonably satisfactory to the Executive and the Company (and the non-revocation of such release by the Executive), and provided the Executive is in compliance with her duties and obligations under Section 5 hereof, shall be entitled to receive only:

- (1) a pro rata portion of the Average Bonus set forth in Section 4.1F(2), determined based on the numbers of full months worked in the fiscal year prior to the Date of Termination divided by twelve, times the Average Bonus, which shall be paid in equal installments on a monthly basis during the Separation Period;
  - (2) an amount in cash equal to the average of the Annual Cash Bonuses awarded in the two (2) years immediately preceding the year in which the Date of Termination occurs (the "Average Bonus"), payable in equal installments on a monthly basis during the Separation Period (the "Severance Bonus");
  - (3) all stock based compensation, including all Stock Grants and SERPs to which the Executive would have been entitled had her employment not been terminated, shall become one hundred percent (100%) vested and be distributed to the Executive as soon as administratively practicable following the Date of Termination (to the extent not already fully vested and distributed);
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- (4) for one (1) year (the "Separation Period"), an amount equal to one (1) times the Base Salary (as of the Date of Termination), which shall be paid in equal installments on a monthly basis during the Separation Period (the "Separation Payment");
- (5) rights to indemnification as set forth in Section 6 of this Agreement; and
- (6) (a) continuation throughout the Separation Period of the Life Insurance Policy, and upon completion of such period, ownership of the Life Insurance Policy shall be transferred to the Executive at no cost to the Executive; and (b) continuation during the Separation Period or until the Executive begins to participate in a subsequent employer's medical plan, of medical, disability and other health coverages at the level in effect on and at the same out-of-pocket cost to the Executive as of, the Date of Termination; it being understood that the period of coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") shall commence on the first day following the Date of Termination.

## 4.2 Expiration of the Agreement.

- 4.2A **Termination.** At least six (6) months prior to the expiration of the Agreement, the Company shall have the option to provide Executive with written notification of its desire to extend the Employment Period beyond the five (5) year term set forth in Section 1.1. Such written notification shall set forth the desired length of the Executive's continued employment by the Company. Upon receipt of such notice from the Company, if such notice is provided, Executive shall have the ability to accept or reject such request. For the avoidance of doubt, if notification is not provided by the Company prior to such six (6) month date, the Agreement shall expire at the end of the Employment Period. Upon the expiration of the Agreement, the employment relationship created pursuant to this Agreement shall immediately terminate, and no further compensation shall be payable to Executive except as provided herein in this Section 4.2.
- 4.2B **Post-Employment Benefits.** In addition to the Accrued Obligations, upon the expiration of this Agreement, the Executive, upon execution of mutual releases reasonably satisfactory to the Executive and the Company (and the non-revocation of such release by the Executive), and provided the Executive is in compliance with her duties and obligations under Section 5 hereof, shall be entitled to receive only:
- (1) a lump sum payment equal to Four Hundred Fifty Thousand Dollars (\$450,000) to be made as soon as administratively practicable following the Date of Termination;
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- (2) all stock based compensation and SERPs previously awarded and outstanding shall be fully vested and distributed (to the extent not already fully vested and/or distributed) on a pro rata basis based on the number of days prior to the Date of Termination in the relevant performance period (excluding any requirement for continued employment to qualify for such stock based compensation); and
- (3) rights to indemnification as set forth in Section 6 of this Agreement.

#### 4.3 **Termination due to Death or Disability.**

- 4.3A **Termination.** Upon Executive's death or disability during the Employment Period, the employment relationship created pursuant to this Agreement shall immediately terminate, and no further compensation shall be payable to Executive except as provided herein in this Section 4.3.
- 4.3B **Post-Employment Benefits.** Date of Termination shall be the date of death or disability, as the case may be, and in such event, in addition to the Accrued Obligations, the Executive shall be entitled to receive only:
- (1) a pro rata portion of the Average Bonus set forth in Section 4.1F(2), determined based on the numbers of full months worked in the fiscal year prior to the Date of Termination divided by twelve, times the Average Bonus which shall be paid in Equal installments on a monthly basis during the Separation Period;
  - (2) in the event of termination by reason of disability, (a) payments equal to the Base Salary less amounts payable under the Company's long-term disability policy during the one year period following the Date of Termination, which shall be paid in equal monthly installments during the 12 month period following the Date of Termination; (b) continuation throughout the Separation Period of the Life Insurance Policy, and upon completion of such period, ownership of the Life Insurance Policy shall be transferred to the Executive at no cost to the Executive; and (c) continuation during the Separation Period or until the Executive begins to participate in a subsequent employer's medical plan, of medical, disability and other health coverages at the level in effect on, and at the same out-of-pocket cost to the Executive as of, the Date of Termination; it being understood that the period of coverage under COBRA shall commence on the first day following the Date of Termination;
  - (3) in the event of termination by reason of death, the Company shall take the steps reasonably necessary to have all proceeds from the Life Insurance Policy promptly paid to the beneficiaries designated thereunder;
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- (4) rights to indemnification as set forth in Section 6 of this Agreement;
- (5) all stock based compensation and SERPs previously awarded and outstanding shall be vested (to the extent not already fully vested) on a pro rata basis based on the number of days prior to the Date of Termination in the relevant performance period (excluding any requirement for continued employment to qualify for such stock based compensation); and

#### 4.4 **Termination for Cause or Resignation without Good Reason.**

- 4.4A **Termination.** Upon the termination of Executive's employment for Cause or the Executive resignation without Good Reason, the employment relationship created pursuant to this Agreement shall immediately terminate, and no further compensation shall be payable to Executive except as provided herein in this Section 4.4.
- 4.4B **Post-Employment Benefits.** In addition to the Accrued Obligations, if the Executive's employment is terminated by the Company for "Cause", or the Executive resigns from her employment hereunder for any reason other than for "Good Reason", the Executive shall be entitled to receive only the following:
- (1) rights to indemnification as set forth in Section 6 of this Agreement;
  - (2) transfer of ownership of the Life Insurance Policy to the Executive, without further obligation of the Company to pay premiums;
  - (3) retention of all stock-based compensation previously awarded, which shall be held by the Executive until, and may be executed at any time prior to, their expiration; and
- 4.4C **Hearing Procedure/Cure Opportunity.** The existence of Cause must be confirmed by not less than a majority of the Board with the existence of a quorum at a meeting called for such purpose prior to any termination. At the discretion of the Chair or a majority of the independent directors of the Board, such meeting will exclude management members of the Board.
- (1) Upon the Board's confirmation of the existence of Cause (following any and all necessary investigations into its existence, as determined by the Board), the Company shall notify the Executive that the Company intends to terminate the Executive's employment for Cause under this Section 4.4C (the "Confirmation Notice"). The Confirmation Notice shall specify in detail the act, or acts, that the Board believes triggered the existence of Cause and the Confirmation Notice must be delivered to the Executive within fifteen (15) Business Days after the Board confirms the existence of Cause.
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- (2) If the Executive notifies the Company in writing (the "Opportunity Notice") within twenty (20) Business Days after the Executive has received the Confirmation Notice, the Executive (together with counsel) shall be provided the opportunity to meet formally with the Board (or a sufficient quorum thereof) to discuss such act or acts. The meeting with the Board shall occur at a mutually agreed upon date, but in no event more than twenty (20) Business Days after the Company receives the Opportunity Notice from the Executive, and at the Company's headquarters or mutually agreed upon location. If the Board in good faith does not rescind its confirmation of Cause at such meeting, the Company shall immediately upon the closing of such meeting, deliver to the Executive a Notice of Termination for Cause under this Section 4.4C.
- (4) If the Executive does not respond in writing to the Confirmation Notice in the manner and within the time period specified in Section 4.4C(2) above (including with respect to the Executive's ability to potentially cure the claimed breach), the Company shall thereafter issue a Notice of Termination for Cause which shall set forth the date on which the Company intends to terminate the Executive's employment.
- (5) The Date of Termination shall be the date specified in the Notice of Termination for Cause.
- (6) The procedure set forth in this Section 4.4C to determine the existence of Cause shall at all times be subject to the requirements of applicable law, regulation, regulatory bulletin or other regulatory requirements.

4.4D **Resignation without Good Reason.** A resignation by the Executive without Good Reason shall take effect on, and the Date of Termination shall be, the date specified in the written notice of resignation from the Executive to the Company provided that such date shall be at least ninety (90) days after the date such written notice is given. In the event that the written notice of resignation exceeds ninety (90) days, the Board, at its sole discretion, may adjust the Date of Termination so long as the adjusted Date of Termination is no less than ninety (90) days from the date of written notice from the Executive. The Board may elect to provide written notice to the Executive directing her not to report to the Company for service during all or any portion of the ninety (90) day notice period, during which period the Company shall continue to pay the Executive's Base Salary and other benefits in accordance with the terms of this Agreement. The Executive shall be entitled to the Post-Employment Benefits provided in section 4.4B above.

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- 4.5 **No Mitigation; No Offset.** In the event of any termination of employment under this Section 4, except if the termination is a resignation without Good Reason, the Executive shall be under no obligation to seek other employment or to mitigate damages and there shall be no offset against any amounts due the Executive under this Agreement. Any amounts due under this Section 4 are in the nature of separation benefits, or liquidated damages, or both, and are not in the nature of a penalty. Until the Date of Termination, the Executive shall be entitled, to the extent not prohibited by applicable law, regulation, regulatory bulletin, and/or any other regulatory requirement, as the same exists or may hereafter be promulgated or amended, to be paid her then Base Salary, and otherwise to continue to receive all other benefits to be paid to her during the Employment Period, and there shall be no reduction whatsoever of any amounts payable to the Executive, hereunder.
- 4.6 **No Obligation.** Subject to the terms of this Agreement, the Company shall have no obligation to continue or maintain any Employee Welfare Benefit Plan for any other employees solely as a result of the provisions of this Agreement.
- 4.7 **Section 409A.** If the Executive is a “specified employee” (as defined in Section 409A of the Internal Revenue Code of 1986, as amended) on the Date of Termination, the Company shall not make any payments of “nonqualified deferred compensation” (for purposes of Section 409A of the Code) to the Executive pursuant to Section 4 until one day following the six month anniversary of the Date of Termination, and the amount payable on that day shall equal the sum of all amounts that would otherwise have been paid during the first six months immediately following the Date of Termination. To the extent payments of “nonqualified deferred compensation” (for purposes of Section 409A of the Code) to be made under this Section 4 are conditioned upon the Executive’s execution and non-revocation of a release, such payments shall commence on the sixtieth (60<sup>th</sup>) day following the Date of Termination and the payment on that date shall be inclusive of all payments of “nonqualified deferred compensation” in arrears that would have otherwise been paid during such 60 day period.

## 5. **RESTRICTIVE COVENANTS**

### 5.1 **Confidential Information.**

- 5.1A The Executive agrees and acknowledges that during the performance of her duties with the Company he will receive and have access to confidential, proprietary, and/or trade secret information concerning the Company (hereinafter “Confidential Information”). “Confidential Information” means information which has substantial value to the Company, regardless of form or characteristic, and which: (a) the Company does not make available to the public, industry, or third parties; (b) relates to the Company’s business operations, products, processes, business plans, purchasing, marketing, clients, suppliers, or service providers; and (c) may include (i) financial information and data, (ii) information pertaining to personnel and compensation, (iii) marketing plans and related information,
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(iv) the names, lists, contact information, and practices of clients and vendors, (v) plans, products, designs, design concepts, drawings, software, developments, memoranda, data, improvements, and methods of operation, (vi) computer software (including object code and source code), data and databases, outcome research, documentation, instructional material, inventions, processes, formulas, technology, designs, drawings, engineering, hardware, configuration information, models, manufacturing processes, sales and cost information, and (vii) business methods, techniques, plans, and the information contained therein.

- 5.1B During the Employment Period and thereafter, the Executive agrees that she will not publish, use or disclose Confidential Information to anyone other than authorized Company personnel. The Executive specifically agrees that she will not make use of any such Confidential Information for her own purpose, or for the benefit of any person, firm, company or other entity except for the benefit of the Company.
- 5.1C During the Employment Period and thereafter, the Executive agrees that she will not remove any printed, written, recorded, electronic, or graphic material, or any reproduction thereof, constituting, containing or reflecting Confidential Information from the Company's premises, except for legitimate purposes of Company business. At the time her employment with the Company ceases, and as a condition to receive any post-employment benefits under this Agreement, the Executive agrees that she will return any and all materials and/or reproductions constituting, containing or reflecting Confidential Information in her possession or under her custody or control to the Company and certify that he has done so.
- 5.1D The Defend Trade Secrets Act of 2016 (the "DTSA") provides that: (1) an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that: (A) is made – (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The DTSA further provides that: an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual: (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.
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5.2 **Covenant Not To Compete.** For purposes of the covenant in this Section 5.2, a Competitive Enterprise is any business enterprise located in the United States that engages in any activity or owns a majority voting interest in any entity that engages in any activity, that competes with the Company. The Executive hereby covenants and agrees that during the course of her employment and for 12 months thereafter (the “Restricted Period”), Executive shall not directly or indirectly (a) form, or acquire a five percent (5%) or greater equity ownership interest in, or receive economic benefit (including any economic benefit that is earned or paid on a deferred basis) from any Competitive Enterprise provided that this restriction shall not apply to a Competitive Enterprise whose securities are publicly traded; or (b) become an employee, officer, partner, director, consultant, agent or advisor of any Competitive Enterprise within the United States.

5.3 **Non-Solicitation.** During the Restricted Period, the Executive expressly agrees not to (1) call upon, solicit, sell or attempt to sell any product or services in competition with those offered by the Company to

- (i) any person or firm that was a customer of the Company at any time during the twelve (12) month period prior to the Date of Termination; or
- (ii) any person or firm that was a prospective customer of the Company during the twelve (12) month period preceding the Date of Termination;

or (2) directly or indirectly, solicit, induce, or call upon any employee of the Company to terminate her employment with the Company.

5.4 **Non-Disparagement.**

5.3A During the Employment Period and thereafter, the Company and Executive agree that they shall not, directly or indirectly, make or cause or assist any other person to make, any statement or other communication, regardless of form, which impugns or attacks, or is otherwise critical of the reputation, business or character of the other, including any of the officers, directors, employees, products or services of the Company.

5.3B Nothing in this Agreement is intended to or shall be interpreted: (i) to restrict or otherwise interfere with Executive’s obligation to testify truthfully in any forum; (ii) to restrict or otherwise interfere with Executive’s right and/or obligation to contact, cooperate with, provide information in confidence to, report possible violations of federal, state or local law, ordinance or regulation – or testify or otherwise participate in any action, investigation or proceeding of – any government agency, entity or commission (including but not limited to the EEOC, the Department of Justice, the Securities and Exchange Commission, the Congress and any Agency Inspector General) or otherwise taking action or making disclosures that are protected under the whistleblower provisions of any federal, state or local law, ordinance or regulation, including, but not limited to, Rule 21F-

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17 promulgated under the Securities Exchange Act of 1934, as amended, in connection with which, for the avoidance of doubt, Executive shall be entitled to make reports and disclosures or otherwise take action under this section without prior authorization from or subsequent notification to the Company; (iii) to restrict or otherwise interfere with Executive's right and/or obligation to disclose any information or produce any documents as is required by law or legal process, (iv) to restrict Executive's right to disclose documents and information in confidence to any attorney, financial advisor, or tax preparer or other tax professional for purposes of securing professional advice; (v) to restrict Executive's right to use or disclose documents and information to the extent reasonably necessary in connection with enforcing or defending her legal rights; or (vi) to restrict Executive's ability to disclose her post-employment restrictions in confidence in connection with any potential new employment or business venture.

5.5 **Enforceability.** Each covenant in this Section 5 shall be enforceable against the Executive during the Employment Period and during the Restricted Period. If any covenant in this Section 5 is held to be unenforceable or against public policy by the tribunal designated in Section 8 below or, if appropriate, by a court of competent jurisdiction, such covenant will be considered to be divisible with respect to scope, time and geographic area, and such lesser scope, time or geographic area, or all of them, as a court of competent jurisdiction may determine to be reasonable, will be binding and enforceable against the Executive.

## 6. **INDEMNIFICATION**

To the fullest extent permitted by law, but subject to the provisions of the Certificate of Incorporation of the Company and the By-laws of the Company in effect from time to time (provided that no amendment thereto shall in any way lessen the Executive's rights hereunder to less than is provided in the Certificate of Incorporation and/or By-laws as of the Effective Date), the Company shall promptly, after receipt of a request by the Executive, indemnify, defend and hold harmless the Executive with respect to any claims (whether litigated or not) against the Executive while the Executive was acting in good faith in her capacity as an employee, officer or director of the Company, whether by or on behalf of the Company, its shareholders or third parties. The Company shall, in addition, promptly advance to the Executive an amount equal to the reasonable fees and expenses incurred in defending such matters, promptly after receipt of a reasonably itemized request for such advance. The Company's obligations under this Section 6 shall only arise to the extent that the Executive was acting within the scope of the authority of the Executive pursuant to her Agreement and under the rules and policies of the Company, except that the Executive must have in good faith believed that such action was in the best interests of the Company and such course of action or inaction must not have constituted gross negligence, fraud, willful misconduct, breach of a fiduciary duty, a breach of this Agreement, or a violation of applicable laws, rules, regulations, or Company rules or policies. The Company may procure insurance with respect to the obligations provided in this Section 6 and shall provide such additional indemnification protection to the Executive as may be provided to other directors or key executive officers of the Company.

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**7. INJUNCTIVE RELIEF AND ADDITIONAL REMEDIES**

The parties acknowledge that the injury that would be suffered as a result of a breach of Section 5 of this Agreement would be irreparable and that an award of monetary damages for such a breach would be an inadequate remedy. Consequently, each party acknowledges and expressly agrees that the other party will have the right, in addition to any other rights it may have, to obtain injunctive relief to restrain any breach or threatened breach or otherwise to specifically enforce Section 5 of this Agreement providing the party posts an adequate bond or other security in seeking such relief. Executive agrees and acknowledges that the provisions of Section 5, including the subject matter and temporal and/or geographic scope, are reasonable and necessary to protect the interests of the Company. Executive also agrees and acknowledges that the provisions contained in Section 5 do not preclude the Executive from earning a livelihood, nor do they unreasonably impose limitations on the Executive's ability to earn a living. In the event that Executive violates any of the covenants in Section 5 and the Company commences legal action for injunctive or other equitable relief, the Company shall have the benefit of the full period of the Restricted Period such that the restriction shall have the duration of twenty-four (24) months computed from the date the Executive ceased violation of the covenants, either by order of the court or otherwise.

**8. ALTERNATE DISPUTE RESOLUTION**

Any dispute concerning the interpretation or enforcement of this Agreement shall be resolved by a panel of three (3) arbitrators in accordance with the rules of JAMS/ENDISPUTE held in New York, New York, or if that organization shall cease to exist, of a successor or similar organization, or if no such organization shall exist, then in accordance with the rules of the American Arbitration Association. The decision of the panel of three (3) arbitrators shall be final and binding on all parties, and shall not be appealable upon any grounds other than as permitted pursuant to the Federal Arbitration Act. All such matters involving the issue, as well as the proceedings at issue, shall be kept strictly confidential, except as may be required by law, it being expressly agreed by all parties hereto that the breach of the confidentiality requirement hereunder shall be materially damaging, directly and indirectly, to all parties hereto. If the panel determines that the non-prevailing party in any such dispute acted in bad faith in connection therewith, the panel may award to the prevailing party reasonable legal fees and costs associated with the dispute. The requirement to arbitrate does not apply to the filing of an employment related claim, dispute or controversy with a federal, state or local administrative agency, including the EEOC and the Securities and Exchange Commission. However, Executive understands that by entering into this Agreement, Executive is waiving Executive's right to have a court and a jury determine Executive's rights, including under federal, state and local statutes prohibiting employment discrimination, harassment and retaliation, including sexual harassment and discrimination on the basis of age, sex, race, color, religion, national origin, disability, veteran status or any other factor prohibited by governing law.

**9. VENUE**

All disputes shall be arbitrated in New York, New York.

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**10. NOTICES**

Any notice, demand, request or other communication hereunder by either party to the other shall be given in writing by personal delivery, nationally recognized overnight courier service, certified mail, return receipt requested, or (if to the Company) by facsimile, in any case delivered to the applicable address set forth below:

To the Company:

Voxx International Corporation  
2351 J Lawson Blvd.  
Orlando, Florida 32824  
Attn: Patrick M. Lavelle,  
President/CEO

With a copy to:

Larry N. Stopol, Esq.  
Levy, Stopol & Camelo, LLP  
1425 RXR Plaza  
Uniondale, New York 11556

To the Executive:

Mrs. Loriann Shelton  
8 Emily Court  
Moriches, NY 11955

With a copy to:

Any such communication shall be deemed given and received on the date of personal delivery or fax transmittal and three (3) Business Days after being sent by certified mail, return receipt requested.

**11. SUCCESSORS AND ASSIGNS**

This Agreement is personal to Executive and shall not be assignable by Executive. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. Subject to the rights of the Executive under this Agreement, the Company may assign and transfer its rights to, and will require its obligations under this Agreement to be expressly assumed by, a successor to all or substantially all of its equity ownership interests, assets or business by dissolution, merger, consolidation, transfer of assets or stock, or otherwise. Except as stated herein, nothing in this Agreement, expressed or implied, is intended to confer on any person, other than the parties and their respective successors and permitted assigns, any rights or remedies under or by reason of this Agreement.

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**12. VOLUNTARY AGREEMENT**

Executive and the Company represent and agree that each has reviewed all aspects of this Agreement, has carefully read, and fully understands, all provisions of this Agreement and is voluntarily entering into this Agreement. Each party represents and agrees that such party has had opportunity to review any and all aspects of this Agreement with the legal, tax, or other advisors of such party's choice. Both parties represent that each has obtained advice regarding the legal, tax, and other consequences of the terms and conditions of this Agreement.

**13. ENTIRE AGREEMENT**

This is the entire agreement between the parties with respect to the matters set forth herein and supersedes any and all prior or contemporaneous agreements or understandings between them (including, but not limited to, the 2017 Agreement). Except as expressly provided herein, this Agreement may not be changed or terminated orally, and no change, termination, or attempted waiver of any of the provisions hereof shall be binding unless in writing signed by both Executive and the Chairman or other duly authorized representative of the Company. Any such written changes, terminations, or waivers must specifically reference this Agreement, and such changes as the Company may from time-to-time make in its general policies and procedures shall not be deemed or construed to be written amendments to this Agreement, whether such changes are in writing or not.

**14. WAIVER**

No provision of this Agreement may be waived in any manner except by written agreement of the parties. In the event any provision is waived, the balance of the provisions shall nevertheless remain in full force and effect and shall in no way be waived, impaired or otherwise modified. No failure or delay on the part of either the Executive or the Company hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty, covenant or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right.

**15. MODIFICATIONS**

Neither this Agreement nor the provisions contained herein may be extended, renewed, amended or modified other than by a written agreement executed by Executive and the Chairman or other duly authorized representative of the Company.

**16. SEVERABILITY**

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision of this Agreement or the validity, legality or enforceability of such provision in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

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**17. CONSTRUCTION**

The rule that a contract is to be construed against the party drafting the contract is hereby expressly waived by the parties and shall have no applicability in construing this Agreement or the terms hereof. Any headings and captions used herein are only for convenience and shall not affect the construction or interpretation of this Agreement.

**18. SURVIVAL**

The obligations contained in Section 4 through Section 21 and any other provision that by its terms is intended to survive the termination of this Agreement and the termination of the Executive's employment hereunder, shall survive and be fully enforceable after the termination of this Agreement and the termination of Executive's employment with the Company for any reason and regardless of whether initiated by the Company or Executive.

**19. SECTION 409A**

The intent of the parties is that payments and benefits under this Agreement comply with Section 409 of the Code to the extent subject thereto or be exempt therefrom, and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, to the extent required to avoid the application of an accelerated or additional tax under Section 409A of the Code, the Executive shall not be considered to have terminated employment with the Company for purposes of this Agreement until such time as the Executive is considered to have incurred a "separation from service" from the Company within the meaning of Section 409A of the Code. Each payment to be paid or benefit to be provided under this Agreement shall be construed as a separately identified payment for purposes of Section 409A of the Code, and any payments that are due within the "short term deferral period" as defined in Section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise. To the extent required to avoid an accelerated or additional tax under Section 409A of the Code, amounts reimbursable to Executive under this Agreement shall be paid to Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided to Executive) during any one year may not effect amounts reimbursable or provided in any subsequent year.

**20. GOVERNING LAW**

All issues concerning the enforceability, validity, and binding effect of this Agreement shall be governed by and construed in accordance with the laws of New York without giving effect to any choice of law or conflict of law provision or rule (whether of New York or any other jurisdiction) that would cause the application of the law of any jurisdiction other than New York.

**21. COUNTERPARTS**

This Agreement may be executed in more than one counterpart, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

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**IN WITNESS WHEREOF, THE PARTIES HAVE EXECUTED THIS AGREEMENT AS OF THE DATE WRITTEN ABOVE.**

VOXX INTERNATIONAL CORPORATION

By: /s/ Patrick M. Lavelle

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Patrick M. Lavelle, President/CEO

/s/ Loriann Shelton

\_\_\_\_\_  
Loriann Shelton

## Exhibit 10.4

**THIS FIRST AMENDMENT DATED JULY 8, 2019 TO EMPLOYMENT AGREEMENT** (this “First Amendment”) dated January 12, 2017 (the “Employment Agreement”), by and between **VOXX INTERNATIONAL CORPORATION**, a Delaware corporation (“Employer”), and **THOMAS MALONE**, an individual (the “Executive”).

### RECITALS

**WHEREAS**, Employer desires to continue to employ Executive in the capacity of Senior Vice President of Employer and President of Voxx Advanced Solutions LLC pursuant to the terms set forth in this First Amendment.

**WHEREAS**, Executive desires to continue to work for Employer with the duties and responsibilities pursuant to this First Amendment.

Subject to the foregoing, the parties, intending to be legally bound, agree as follows:

1. Section 2(c) of the Employment Agreement is hereby amended and restated in its entirety as follows:

(c) **Rights and Powers; Duties.** The Executive shall serve as the President of Voxx Advanced Solutions LLC, a wholly owned subsidiary of the Employer. The Executive shall provide executive, administrative, and managerial services to the Employer and shall have such duties and powers as are prescribed by the Chief Executive Officer of Employer. The Executive shall devote full time and attention, skill and energy exclusively to the business of Voxx Advanced Solutions LLC, shall use best efforts to promote the success of the Employer’s and its Affiliates’ businesses and shall cooperate fully in the advancement of the best interests of the Employer and its Affiliates. Nothing in this § 2(c), however, shall prevent the Executive from engaging in additional activities in connection with personal investments and community affairs, from serving on boards of directors of businesses, as long as such activities are not in competition with the Employer or its Affiliates and/or do not create a conflict of interest and as long as such additional activities or services are not inconsistent with or intrusive on the Executive's duties under this Agreement.

2. Exhibit “A” to the Employment Agreement is hereby amended and restated in its entirety as per the attached Exhibit “A”.

3. As amended and modified by this First Amendment, the Parties ratify and confirm the terms of the Employment Agreement in its entirety.

4. This First Amendment may be executed in counterparts, which when taken together shall constitute one and the same Agreement.

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IN WITNESS WHEREOF, the parties have executed and delivered this First Amendment as of the date first written above.

EMPLOYER:

VOXX INTERNATIONAL CORPORATION

By: /s/ Patrick M. Lavelle  
Patrick M. Lavelle, President/CEO

EXECUTIVE:

/s/ Thomas Malone  
Thomas Malone, individually

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## **EXHIBIT "A"**

### **Bonus Criteria**

1. Executive shall receive a guaranteed bonus of \$125,000 annually.
2. Executive may earn an additional bonus of \$100,000 annually, provided that Executive achieves at least one hundred (100%) percent of the net income budgeted for the applicable fiscal year in the original budget for Voxx Advanced Solutions LLC as approved by the Company's Board of Directors. In the event that Voxx Advanced Solutions LLC achieves net income of less than one hundred (100%) percent of the original budgeted net income amount for a fiscal year, Executive's \$100,000 additional bonus shall be proportionately reduced by the ratio of net income achieved versus net income budgeted. For illustrative purposes only, if the budgeted net income for Voxx Advanced Solutions LLC for fiscal 2020 was \$100,000 and it achieved net income for fiscal 2020 of \$50,000, the Executive's additional bonus would be \$50,000 ( $\$100,000 \times \$50,000 / \$100,000 = \$50,000$ ).
3. In the event of a sale of the Company's ownership stake in Eyelock LLC, Executive shall receive 1% of the Company's net gain from the sale, less accumulated losses.



**FOR IMMEDIATE RELEASE**

**VOXX INTERNATIONAL CORPORATION REPORTS ITS FISCAL 2020 FIRST QUARTER FINANCIAL RESULTS**

- Fiscal 2020 first quarter net sales declined by \$7.4 million year-over-year due primarily to declining automotive car sales and timing of various programs, partially offset by growth in the Consumer Electronics segment
- Fiscal 2020 first quarter gross profit margins increased 40-basis points year-over-year
- Fiscal 2020 first quarter net loss attributable to VOXX of \$1.1 million, as compared to a net loss attributable to VOXX of \$0.9 million in the Fiscal 2019 first quarter
- Corporate restructuring and SKU reduction programs continue to lower fixed costs and improve gross margins
- New executive Employment Agreements reached, further aligning executives with shareholders
- Company to begin executing its Share Repurchase Program for the repurchase of up to three million shares

**ORLANDO, Fla., July 10, 2019** – VOXX International Corporation (NASDAQ: VOXX), a leading manufacturer and distributor of automotive and consumer technologies for the global markets, today announced financial results for its Fiscal 2020 first quarter ended May 31, 2019.

Pat Lavelle, President and Chief Executive Officer of VOXX International stated, “Our Fiscal 2020 first quarter materialized mostly as planned, with the key exception being the Automotive market, as the decline in global car sales has impacted our Automotive Electronics segment. On the other hand, Consumer Electronics segment sales grew by 4.5% and gross margins improved by 130-basis points. Demand for new products introduced last fiscal year, coupled with increased distribution for certain Premium Audio product lines, should help drive growth of the product categories we are focused on. We are continuing to make progress with our corporate realignment programs and will continue to de-emphasize certain product lines that do not meet our gross margin criteria. Ignoring both the legal fee reimbursement last fiscal year and the benefit from a life insurance policy this year, our losses decreased quarter-over-quarter. We expect operating expenses to decline year-over-year and for VOXX to be in a stronger position to drive more consistent profitability as we enter our Fiscal 2020 third quarter.”

Lavelle continued, “In April, we unveiled our plan to unlock shareholder value and outlined the various steps we are taking to improve profitability and strengthen our balance sheet. In June, we announced a Definitive Agreement to sell our German Accessories business for approximately \$19.0 million, and this week, we executed a Purchase and Transfer Agreement to sell our real estate in Pulheim, Germany for approximately \$12.0 million, following the non-binding LOI we announced earlier. Our cash position of \$60.0 million increased by \$10.2 million year-over-year, and we expect further increases pending the close of these two transactions. We’re continuing to explore all paths that will result in a stronger VOXX and that includes potential divestitures, acquisitions, investments, or joint ventures. When the window opens, we will be executing on the previously announced increase to our Share Repurchase Program. We also entered into new Employment Agreements with key executives and have changed the criteria used for calculating bonus payouts for select executives from pre-tax income to Adjusted EBITDA based on an independent, 3<sup>rd</sup>-party analysis of best practices. Lastly, our Board continues to explore the potential of a dividend later this Fiscal year. We are not standing still. We are taking the right actions that we believe will return VOXX to consistent profitability, leverage our strong assets and balance sheet, and increase shareholder value.”

Fiscal 2020 and Fiscal 2019 First Quarter Financial Comparisons

Effective March 1, 2019, the Company changed its reporting structure to include the results of operations for the following three reporting segments: 1) Automotive Electronics, which includes the Company's OEM and aftermarket automotive business; 2) Consumer Electronics, which includes the former Premium Audio segment and the former Consumer Accessories segment, less EyeLock, LLC, and; 3) Biometrics, a newly formed segment which includes the results of EyeLock, LLC, the Company's majority-owned investment.

Net sales for the Fiscal 2020 first quarter ended May 31, 2019 were \$93.5 million, as compared to \$100.9 million in the Fiscal 2019 first quarter, a decline of \$7.4 million.

The Automotive Electronics segment had net sales of \$29.6 million in the Fiscal 2020 first quarter, as compared to \$39.6 million in the comparable year-ago period, a decline of \$10.0 million. The year-over-year decline within this segment was primarily related to lower volume of rear-seat entertainment systems, due to a slowdown in car sales and due to certain launch delays. Additionally, the Company's OEM remote start and security sales declined, as did aftermarket satellite radio and headrest product sales, partially offset by an increase in sales of certain automotive safety and security products.

The Consumer Electronics segment had net sales of \$63.7 million in the Fiscal 2020 first quarter, as compared to \$60.9 million in the comparable year-ago period, an increase of \$2.7 million. Driving this year-over-year increase were higher sales of premium home separate speakers, new distribution partners for premium commercial speaker products, higher sales of reception and karaoke products, and higher sales of wearable devices. This increase was partially offset by a decline in sales of a variety of Consumer Accessories product lines, some due to lower year-over-year comparisons and others due to the Company's SKU rationalization program, intended to limit sales of lower margin products.

The Biometrics segment essentially had no net sales during the Fiscal 2020 first quarter as the Company sold out of its inventory for its NXT perimeter access products. Additional product inventory was delivered subsequent to the Company's Fiscal 2020 first quarter end and the Company is now filling customer orders and expects increases throughout the fiscal year.

The gross margin in the Company's Fiscal 2020 first quarter was 27.8%, representing a 40-basis point increase over the Fiscal 2019 first quarter. The year-over-year gross margin improvement was driven by higher gross margins in the Consumer Electronics segment, partially offset by lower gross margins in the Automotive Electronics segment. During the Fiscal 2020 first quarter, the Company experienced higher gross margins due to higher sales of premium home separate speakers, mobility products and commercial speakers, as well as higher sales of the Company's karaoke products, and also experienced higher gross margins in the Biometrics segment due to the release of inventory reserves. These positive factors were partially offset by lower sales of OEM security and remote start products and aftermarket headrest products in the Automotive Electronics segment, as well as lower European margins in the Consumer Electronics segment, the latter due to changes in product mix and discounts offered on certain products in the Fiscal 2020 first quarter which were not offered in the comparable year-ago period, among other factors.

- Automotive Electronics segment gross margin of 22.4% as compared to 25.2%.
- Consumer Electronics segment gross margin of 30.0% as compared to 28.7%.
- Biometrics segment gross margin of 1,816.7% as compared to 61.8%.

Total operating expenses in the Fiscal 2020 first quarter were \$33.1 million, as compared to \$32.7 million in the comparable year-ago period, an increase of \$0.4 million or 1.2%. During the Fiscal 2019 first quarter, the Company had a reimbursement of legal fees associated with a lawsuit of \$2.1 million which did not repeat in the current Fiscal year period. Excluding this, total operating expenses declined \$1.7 million year-over-year.

- Selling expenses of \$9.9 million as compared to \$10.7 million, a reduction of \$0.8 million. The year-over-year improvement was driven primarily by headcount reductions as part of the corporate restructuring program, lower commissions, and lower advertising and display amortization expense, partially offset by salary increases resulting from the transfer of certain employees from general and administrative to selling in conjunction with restructuring activities in Fiscal 2019.
- General and administrative expenses of \$17.4 million as compared to \$16.1 million, an increase of \$1.3 million. As noted above, the primary driver was the reimbursement of legal fees in the Fiscal 2019 first quarter. Excluding this, general and administrative expenses declined by approximately \$0.8 million due to lower headcount and lower salary expenses as a result of corporate restructuring activities.
- Engineering and technical support expenses of \$5.8 million as compared to \$5.9 million, a reduction of \$0.1 million.

Total other income, net for the Fiscal 2020 first quarter was \$2.1 million, as compared to \$1.4 million in the Fiscal 2019 first quarter, an increase of \$0.7 million. Interest and bank charges declined by \$0.1 million; equity in income of equity investee declined by \$0.4 million; and other, net increased by \$1.0 million. The increase in other, net is primarily related to the benefit from a key man life insurance policy of \$1.0 million related to a former employee of Klipsch Group, Inc. that VOXX became the beneficiary of in conjunction with the acquisition of Klipsch in Fiscal 2012.

The Company reported an operating loss of \$7.1 million in the Fiscal 2020 first quarter, as compared to an operating loss of \$5.0 million in the comparable year-ago period. Net loss attributable to VOXX International Corporation (“VOXX”) was \$1.1 million in the Fiscal 2020 first quarter, as compared to a net loss attributable to VOXX of \$0.9 million in the Fiscal 2019 first quarter. Net loss attributable to the Company’s non-controlling interest declined from \$1.6 million in the Fiscal 2019 first quarter to \$1.2 million in the Fiscal 2020 first quarter. On a per share basis, the Company reported a basic and diluted loss per share attributable to VOXX of \$0.05 in the Fiscal 2020 first quarter, as compared to a basic and diluted loss per share attributable to VOXX of \$0.04 in the Fiscal 2019 first quarter.

The Company reported an Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”) loss in the Fiscal 2020 first quarter of \$0.8 million, as compared to Adjusted EBITDA of \$1.5 million in the comparable Fiscal 2019 period.

#### Balance Sheet Update

For the period ended May 31, 2019, the Company had cash and cash equivalents of \$60.0 million, an increase of \$1.8 million, as compared to February 28, 2019. When compared to the Fiscal 2019 first quarter ended May 31, 2018, cash and cash equivalents increased by \$10.2 million. Total debt as of May 31, 2019 was \$16.0 million as compared to \$17.6 million as of February 28, 2019, a decrease of \$1.6 million. The Company’s total debt consists of mortgages related to its domestic and international properties and a Euro asset-based lending obligation to support its German operations. Total long-term debt as of May 31, 2019 was \$7.5 million, as compared to \$7.6 million as of February 28, 2019, a decrease of \$0.1 million.

The Company anticipates its net cash position will increase pending the successful sale of VOXX German Accessory Holdings GmbH and its real estate holding in Pulheim, Germany. Upon the successful completion of both transactions, the Company anticipates gross proceeds of approximately \$31.0 million. Additionally, the proposed sale of VOXX German Accessory Holdings GmbH has an Option Agreement which could result in the sale of additional real estate in Langenzenn for a net amount of approximately \$2.2 million.

New Employment Agreements

On July 8, 2019, the Board of Directors approved new Employment Agreements, effective as of March 1, 2019, by and between the Company and Patrick M. Lavelle, President and Chief Executive Officer; C. Michael Stoehr, Senior Vice President and Chief Financial Officer; and Loriann Shelton, Senior Vice President and Chief Operating Officer. The Company also amended its Employment Agreement with Thomas C. Malone, President, VOXX Advanced Solutions LLC.

- Mr. Lavelle has entered into a five (5) year Employment Agreement with an annual base salary of \$1.0 million. His annual cash bonus shall be calculated and paid at 1.0% of the Company's Adjusted EBITDA up to and including \$10.0 million and 2.0% of the Company's Adjusted EBITDA in excess of \$10.0 million, with such \$10.0 million threshold subject to adjustment for an acquisition, divestiture, or investment by the Company in excess of \$5.0 million. Mr. Lavelle shall immediately receive a stock grant (in lieu of further participating in any of the Company's stock incentive plans) of 200,000 shares of the Company's Class A common stock and on each of March 1, 2020, 2021 and 2022, Mr. Lavelle shall be granted an additional 100,000 shares of the Company's Class A common stock with a hold requirement equal to one year's base salary of \$1.0 million subject to the terms of the Employment Agreement. He shall also receive from the Company a grant of the Company's Class A common stock, or the equivalence in cash, up to a maximum value of \$5.0 million based on the closing NASDAQ price exceeding \$5.00/share ("Market Stock Units or MSUs") during the five year term of the Employment Agreement in accordance with a calculation set forth in a schedule to the Employment Agreement.
- Mr. Stoehr has entered into a five (5) year Employment Agreement with an annual base salary of \$0.4 million. His annual cash bonus shall be calculated and paid at .375% of the Company's Adjusted EBITDA up to and including \$10.0 million and .75% of the Company's Adjusted EBITDA in excess of \$10.0 million, with such \$10.0 million threshold subject to adjustment for an acquisition, divestiture, or investment by the Company in excess of \$5.0 million.
- Ms. Shelton has entered into a five (5) year Employment Agreement with an annual base salary of \$0.45 million. Her annual cash bonus shall be calculated and paid at (a) .375% of the Company's Adjusted EBITDA up to [the Threshold (initially \$10.0 million) minus \$10.0 million] (but never less than Zero); plus (b) .75% of the Company's Adjusted EBITDA in excess of [the Threshold, as adjusted by the Board of Directors for acquisitions, divestitures and investments by the Company in excess of \$5.0 million, minus \$10.0 million]; with no minimum Adjusted EBITDA required for the annual bonus to accrue and become payable and with no maximum cap on the annual bonus payable based upon the Company's Adjusted EBITDA.
- Mr. Malone's Employment Agreement was amended to restructure his bonus arrangement. His new bonus criteria consists of (a) a guaranteed bonus of \$0.125 million annually; (b) an additional bonus of \$0.1 million annually, provided that Mr. Malone achieves at least 100% of the net income budgeted for the applicable fiscal year in the original budget for VOXX Advanced Solutions LLC, as approved by the Company's Board of Directors. Such \$0.1 million bonus shall be proportionately reduced by the ratio of net income achieved versus net income budgeted for a fiscal year; and (c) a payment of 1.0% of the Company's net gain from the sale, less accumulated losses, of the Company's ownership interest in EyeLock LLC, should a transaction materialize.

All of the new Employment Agreements and the Amendment were approved by the Compensation Committee of VOXX International Corporation and the compensation terms were formulated with the assistance of a global, leading executive compensation benefits advisory firm. In addition to the above Agreements, and as previously announced, the Company's Chairman John Shalam has agreed to forgo his annual cash bonus.

Conference Call and Webcast Information

VOXX International will be hosting its conference call on Thursday, July 11, 2019 at 10:00 a.m. Eastern. Interested parties can participate by visiting [www.voxxintl.com](http://www.voxxintl.com), and clicking on the webcast in the Investor Relations section or via teleconference (toll-free: 877-303-9079; international: 970-315-0461 / conference ID: 2665908). A replay will be available on the Company's website approximately one hour after the completion of the call.

Non-GAAP Measures

EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per common share are not financial measures recognized by GAAP. EBITDA represents net (loss) income attributable to VOXX International Corporation, computed in accordance with GAAP, before interest expense and bank charges, taxes, and depreciation and amortization. Adjusted EBITDA represents EBITDA adjusted for stock-based compensation expense and life insurance proceeds. Depreciation, amortization and stock-based compensation are non-cash items. Diluted Adjusted EBITDA per common share represents the Company's diluted earnings per common share based on Adjusted EBITDA.

We present EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per common share in this Form 10-Q because we consider them to be useful and appropriate supplemental measures of our performance. Adjusted EBITDA and Diluted Adjusted EBITDA per common share help us to evaluate our performance without the effects of certain GAAP calculations that may not have a direct cash impact on our current operating performance. In addition, the exclusion of certain costs or gains relating to certain events allows for a more meaningful comparison of our results from period-to-period. These non-GAAP measures, as we define them, are not necessarily comparable to similarly entitled measures of other companies and may not be an appropriate measure for performance relative to other companies. EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per common share should not be assessed in isolation from, are not intended to represent, and should not be considered to be more meaningful measures than, or alternatives to, measures of operating performance as determined in accordance with GAAP.

About VOXX International Corporation

VOXX International Corporation (NASDAQ: VOXX) has grown into a worldwide leader in many automotive and consumer electronics and accessories categories, as well as premium high-end audio. Today, VOXX International is a global company, with an extensive distribution network that includes power retailers, mass merchandisers, 12-volt specialists and most of the world's leading automotive manufacturers. The Company has an international footprint in Europe, Asia and Latin America, and a growing portfolio, which is comprised of over 30 trusted brands. For additional information, please visit our website at [www.voxxintl.com](http://www.voxxintl.com).

Safe Harbor Statement

*Except for historical information contained herein, statements made in this release constitute forward-looking statements and thus may involve certain risks and uncertainties. All forward-looking statements made in this release are based on currently available information and the Company assumes no responsibility to update any such forward-looking statements. The following factors, among others, may cause actual results to differ materially from the results suggested in the forward-looking statements. The factors include, but are not limited to: statements with respect to the anticipated results of the proposed transaction; the proposed transaction's anticipated benefits to the Company; the anticipated closing of the proposed transaction; and, other risk factors described in the Company's annual report on Form 10-K for the fiscal year ended February 28, 2019 which was filed with the SEC on May 14, 2019, as amended on Form 10-K/A filed on May 30, 2019, and other filings made by the Company from time to time with the SEC. The factors described in such SEC filings include, without limitation: the Company's ability to realize the anticipated results of its business realignment; cybersecurity risks; risks that may result from changes in the Company's business operations; our ability to keep pace with technological advances; significant competition in the automotive, premium audio and consumer accessories businesses; our relationships with key suppliers and customers; quality and consumer acceptance of newly introduced products; market volatility; non-availability of product; excess inventory; price and product competition; new product introductions; foreign currency fluctuations; and restrictive debt covenants.*

**Company Contact:**

Glenn Wiener, President / GW Communications

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**Tables to Follow**

**VOXX International Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
*(In thousands, except share and per share data)*

	May 31, 2019	February 28, 2019
	<i>(unaudited)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 60,004	\$ 58,236
Accounts receivable, net	61,585	73,391
Inventory, net	103,275	102,379
Receivables from vendors	547	1,009
Prepaid expenses and other current assets	9,572	10,449
Income tax receivable	1,041	921
Total current assets	<u>236,024</u>	<u>246,385</u>
Investment securities	2,994	2,858
Equity investment	21,853	21,885
Property, plant and equipment, net	59,695	60,493
Operating lease, right of use asset	2,187	—
Goodwill	54,785	54,785
Intangible assets, net	117,588	119,449
Deferred income tax assets	78	79
Other assets	2,816	2,877
Total assets	<u>\$ 498,020</u>	<u>\$ 508,811</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 32,349	\$ 31,143
Accrued expenses and other current liabilities	34,395	39,129
Income taxes payable	227	1,349
Accrued sales incentives	11,069	13,574
Current portion of long-term debt	8,554	10,021
Total current liabilities	<u>86,594</u>	<u>95,216</u>
Long-term debt, net of debt issuance costs	5,859	5,776
Finance lease liabilities, less current portion	404	516
Operating lease liabilities, less current portion	1,689	—
Deferred compensation	2,931	2,605
Deferred income tax liabilities	4,148	5,284
Other tax liabilities	1,337	1,332
Other long-term liabilities	3,074	2,981
Total liabilities	<u>106,036</u>	<u>113,710</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock:		
No shares issued or outstanding	—	—
Common stock:		
Class A, \$.01 par value, 60,000,000 shares authorized, 24,106,194 shares issued and 21,938,100 shares outstanding at both May 31, 2019 and February 28, 2019	242	242
Class B Convertible, \$.01 par value, 10,000,000 shares authorized, 2,260,954 shares issued and outstanding at both May 31, 2019 and February 28, 2019	22	22
Paid-in capital	297,105	296,946
Retained earnings	147,434	148,582
Accumulated other comprehensive loss	(17,848)	(16,944)
Treasury stock, at cost, 2,168,094 shares of Class A Common Stock at both May 31, 2019 and February 28, 2019	(21,176)	(21,176)
Total VOXX International Corporation stockholders' equity	<u>405,779</u>	<u>407,672</u>
Non-controlling interest	(13,795)	(12,571)
Total stockholders' equity	<u>391,984</u>	<u>395,101</u>
Total liabilities and stockholders' equity	<u>\$ 498,020</u>	<u>\$ 508,811</u>

**VOXX International Corporation and Subsidiaries**  
**Unaudited Consolidated Statements of Operations and Comprehensive (Loss) Income**  
*(In thousands, except share and per share data)*

	Three months ended May 31,	
	2019	2018
Net sales	\$ 93,454	\$ 100,855
Cost of sales	67,445	73,178
Gross profit	26,009	27,677
Operating expenses:		
Selling	9,881	10,694
General and administrative	17,425	16,112
Engineering and technical support	5,807	5,911
Total operating expenses	33,113	32,717
Operating loss	(7,104)	(5,040)
Other income (expense):		
Interest and bank charges	(997)	(1,100)
Equity in income of equity investee	1,440	1,814
Other, net	1,644	661
Total other income, net	2,087	1,375
Loss before income taxes	(5,017)	(3,665)
Income tax benefit	(2,645)	(1,113)
Net loss	(2,372)	(2,552)
Less: net loss attributable to non-controlling interest	(1,224)	(1,613)
Net loss attributable to VOXX International Corporation	\$ (1,148)	\$ (939)
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(811)	(2,020)
Derivatives designated for hedging	(107)	442
Pension plan adjustments	14	36
Unrealized holding gain on available-for-sale investment securities, net of tax	—	24
Other comprehensive loss, net of tax	(904)	(1,518)
Comprehensive loss attributable to VOXX International Corporation	\$ (2,052)	\$ (2,457)
Loss per share - basic: Attributable to VOXX International Corporation	\$ (0.05)	\$ (0.04)
Loss per share - diluted: Attributable to VOXX International Corporation	\$ (0.05)	\$ (0.04)
Weighted-average common shares outstanding (basic)	24,355,791	24,316,103
Weighted-average common shares outstanding (diluted)	24,355,791	24,316,103

**Reconciliation of GAAP Net Income Attributable to VOXX International Corporation to EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per Common Share**

	Three months ended May 31,	
	2019	2018
Net loss attributable to VOXX International Corporation	\$ (1,148)	\$ (939)
Adjustments:		
Interest expense and bank charges (1)	878	747
Depreciation and amortization (1)	2,986	2,654
Income tax benefit	(2,645)	(1,113)
EBITDA	71	1,349
Stock-based compensation	159	107
Life insurance benefit	(1,000)	—
Adjusted EBITDA	\$ (770)	\$ 1,456
Diluted loss per common share attributable to VOXX International Corporation	\$ (0.05)	\$ (0.04)
Diluted Adjusted EBITDA per common share attributable to VOXX International Corporation	\$ (0.03)	\$ 0.06

(1) For purposes of calculating Adjusted EBITDA for the Company, interest expense and bank charges, as well as depreciation and amortization, have been adjusted in order to exclude the non-controlling interest portion of these expenses attributable to EyeLock LLC.

**VOXX(2020 Q1 Results)**

**July 11, 2019**

**Corporate Speakers:**

- Glenn Wiener, VOXX International Corporation; Investor Relations
- Patrick Lavelle; VOXX International Corporation; President, CEO & Director
- Charles Stoehr; VOXX International Corporation; Senior VP, CFO & Director
- John Shalam; VOXX International Corporation; Chairman of the Board

**Participants:**

- Eric Landry; BML Capital Management, LLC; Senior Analyst
- Thomas Kahn; Kahn Brothers Advisors LLC; Chairman, President, Treasurer, Chief Compliance Officer & Director
- Michael Malouf; Craig-Hallum Capital Group LLC; Research Division, Partner, Senior Research Analyst & Head of Boston Team
- Braden Leonard; BML Capital Management, LLC; Managing Member and Founder

**PRESENTATION**

Operator^ Good day, ladies and gentlemen. Welcome to VOXX International's First Quarter Conference Call. (Operator Instructions). As a reminder, today's conference is being recorded. I would now like to turn the call over to Mr. Glenn Wiener, Investor Relations. Sir, you may begin.

Glenn Wiener^ Thank you, Victor. Good morning. Welcome to VOXX International's Fiscal 2020 First Quarter Results Conference Call. Our call today is being webcast live on our website, [www.voxxintl.com](http://www.voxxintl.com), and a replay is available for those who are unable to make today's call.

Speaking from management will be Pat Lavelle, President and Chief Executive Officer; and Michael Stoehr, Senior Vice President, Chief Financial Officer. Following their remarks, we'll have a Q&A session for those investors wishing to ask any questions.

Additionally, John Shalam, Chairman of the Board, is also with us today and will be available during the Q&A. I would like to remind everyone that except for historical information contained herein, statements made on today's call and webcast that would constitute forward-looking statements are based on currently available information.

The company assumes no responsibility to update any such forward-looking statements. And risk factors associated with our business are detailed in our Form 10-K for the period ended February 28, 2019. I'd like to thank you all for your interest in VOXX. And at this time, I'd like to turn the call over to Pat Lavelle.

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Patrick Lavelle^ Good morning and thank you Glenn. It's been roughly 2 months since we reported our year-end results and outline our plan to return VOXX to profitability. As we have seen from our last 2 divestitures, there is significant value in our assets.

Frankly, more value in our cash and real estate assets than what our current share price yields, which is what is driving the aggressive actions underway to increase shareholder value.

Improving cash flow and adjusted EBITDA are key priorities as we move to recapture the value in our business assets, so this too becomes reflected in our share price.

As I said on our year-end call, we'll take a few quarters to align our cost structure and exit non-core products and product categories as well as to generate some of the synergies resulting from our restructuring.

I'm confident that as we move further into the fiscal year, we will be in a stronger position operationally, unfortunately with 1 caveat, and that is the Automotive market. Economic indicators point to lower car sales this year, which will affect our OEM business given the lower volume of vehicle launches compared to our original fiscal 2020 expectations.

In the first half of the year, major automakers saw U.S. new car sales drop 6 straight months of weaker sales compared with the same period in 2018 and the trend is expected to continue throughout 2019.

It's not a catastrophic drop, but with rising car prices, the pace of sales and current inventory, it could continue to lead to not just lower volume but a delay in certain vehicle launches.

Our Q1 results reflect this as OEM sales were down \$8.1 million year-over-year, [2] vehicle launches were delayed by customers, lower sales at one of our major OEM customers left them with higher inventory and reduce the purchases from us, and finally, another OE dropped passive entry products from their line, though this last piece was accounted for in our budgeting process.

Aftermarket sales were also affected by lower vehicle sales and were down \$1.9 million or just over 11%. Although, satellite radio, which continues to move to the OE side accounted for more than half of that decline. For VOXX, the decline in the auto market will certainly impact this fiscal year.

But long-term, this is not a major concern as our position with our OEM customers remains strong. We're adding new vehicles for our Evo Rear Seat Entertainment systems and are in discussions with new OEM partners, which if they materialize, would positively impact our business in the years ahead.

Our (inaudible) technology is also making steady progress and should positively impact next year's segment sales.

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Additionally, the good news from what we are seeing overall is that U.S. buyers are gravitating towards SUV and pickup trucks this year, which is more heavily weighted to our current business model.

Our Consumer Electronics segment, which consists of our former premium audio segment and the Consumer Accessories segment, less EyeLock, they performed well in the first quarter. Net sales were up \$2.7 million year-over-year in Q1 with Premium Audio product sales up \$4.3 million or over 13%.

We saw a significant increase in the sale of premium home separate speakers, mobility products and our Premium commercial speakers. The commercial business should be a source of growth this year as we have expanded distribution and see higher volume for our Margaritaville resort projects.

Additionally, a few weeks ago, we announced the distribution partnership with SnapAV, becoming their exclusive national custom installation distribution partner for speakers in the United States.

(inaudible) will join SnapAV's brand of episode speakers in their portfolio and will be available for purchase in August, which will start contributing to our performance in the end of Q2. And over the first year, 12 months should generate an additional \$10 million in new revenue with growth projected thereafter.

We ran a successful pilot with the dish and last month just launched on their on-text smart home services. A new direct-to-consumer smart home solutions brand, where on-tech will provide consumers with professional installations, set up and education for the latest smart home devices and entertainment systems.

This new business places Klipsch as 1 of 2 audio brands on all dish on-tech trucks, providing soundbars and multi-room audio along with a good, better, best passive speaker offering.

Our Klipsch 1 GBA will be going into all trucks beginning in November and will begin contributing to our Q4 results.

Another positive development announced last week as Klipsch will begin selling a limited assortment of its headphones, tabletop speakers and soundbars online and to select retailers in China.

We will offer these products on tmall.com, the world's second largest e-commerce site effective immediately, with plans to expand online distribution and to select retailers websites in the fall.

We will be selling online initially, managing inventory accordingly and building marketing campaigns to expand Klipsch's premium brand equity in one of the world's fastest growing economies.

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Staying within the Consumer Electronics segment, other CE product sales were down (inaudible) but keep in mind, we had a lot of discontinued products and deemphasized several product categories.

Many of the categories we are focusing on grew in Q1 year-over-year, helping to offset lower sales as a result of reduced SKUs.

Additionally, total Germany sales were down \$1.6 million for the comparable Q1 period. So our domestic business was essentially flat, which is a positive given the declines in recent years.

Just a few things to highlight. The total audio sales increased by close to \$5 million, as we added Costco of Canada as a distribution partner for our acoustic research outdoor speakers. We also saw an increase in sales of karaoke products under our (inaudible) brand due to expanded offerings and higher sales via Amazon.

Sales of hookup, reception and remote were down approximately \$300,000, where much of the SKU rationalization took place in the hookup category.

Reception, which is an area we remained focused on giving our strong technology, our brands and our customer base grew close to 15% year-over-year as some of our new products exceed expectation, particularly at Walmart.

General Accessories, which consist of just about everything else, less our wearable category, which where we had the decline domestically and that is in line with our strategy. And that strategy is to focus on higher margin, longer life cycle and more sustainable product categories.

And lastly, healthcare and the wearable category. (inaudible) is the distribution partner in support of the United Healthcare's Motion Program, handling the distribution and logistical support for the wearable devices for our Apple, Fitbit, Samsung, Garmin and Stride.

During Q1, we saw a \$1.2 million sales increase year-over-year as more members were added to the motion program, and we added Apple product, which is not part of the prior year's results.

This program and our position overall in the wearable category is expected to drive nice growth for VOXX in the coming fiscal year and the years that follow. Within the biometrics segment. Essentially, we had no revenue for the quarter as we had orders for both EXT and NXT products but did not have the inventory to ship in Q1.

NXTs were being modified and upgraded, and the EXTs were just about to be launched. Both situations have since been remedied, and we began shipping both solutions to customers in the healthcare, financial services and educate -- education verticals in June.

As we noted on our last call, we also had orders for the ViaTouch AI vending machine. But ViaTouch manufacturing delays had stumped shipments.

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That too has been rectified, and we shipped our first 250,000 units for this year in June with more to follow throughout the year based on projected pilots, launches and marketing activities of ViaTouch.

We're also making progress on healthcare side. But we're still not in a position to provide specific details as we are currently in contractual negotiations. We believe that by next quarter, we will be in a position to being talking about the program and anticipated contributions.

On the physical security side, our focus over the next 2 to 3 quarters will be in healthcare, financial services and education, as this is where the greatest volume of near-term opportunities exist.

On the embedded side, our focus will be in healthcare and will various security applications. There is also a new development on the Automotive side that we are working on.

This is a new application incorporating EyeLock embedded solution in vehicle. But this is in the early stage of development similar to other pilot and prototype projects we are engaged on, but this one, we should be demonstrating samples and things at this year's coming CES show.

EyeLock should generating more revenue in the coming quarters and losses are anticipated to decline throughout the year as we are now truly moving from R&D to commercialization.

And just a few more comments before I turn the call over to Mike. In our earnings release yesterday, we announced new employment agreements for Mike Stoehr, Lori and Shelton, our COO and for myself.

We had an independent compensation benefits advisory firm working with us to determine best practices and to further align key executives with shareholders. In all agreements, you will see that bonuses will now be paid on adjusted EBITDA, whereas our past bonuses were based on pretax net income.

This was done to align further compensation with more of a true operating figure, and there are different calculations for each of us based on meeting minimum adjusted EBITDA thresholds.

Additionally, my stock composition will increase as part of the new agreement with terms and conditions set forth in the agreement, and based on our stock price exceeding \$5 per share during the 5-year employment term.

The goal is to further align my interest with shareholders, which this new agreement accomplishes.

And as a reminder, John Shalam has agreed to forego his annual bonus and remains the largest shareholder at VOXX.

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As a follow up to the share repurchase program, I just wanted to point out that we were precluded from purchasing stock after the program was announced and intend to execute on this program once the window opens, as we believe our stock at present value represents a strong investment for the company.

Subject to the completion of a financing contingency, we remain on track to close our previously announced sale of our German Accessories business on and around August 31, which will further strengthen our cash position and balance sheet.

The transaction is expected to generate approximately \$19 million in gross proceeds with the final purchase price subject to further net cash and working capital requirements.

At the same time, we expect to remove approximately \$30 million in revenue and a little over \$3 million in adjusted EBITDA on an annual basis, once the transaction is complete.

Additionally, the potential to generate [EUR 2.4 million] exists and there is an option agreement granting (inaudible) company the right to purchase the real estate property in line (inaudible) which we expect that this will close just pending the resolution and environmental study, and this is going to be a subsequent event to the transaction.

In May, we signed a nonbinding LOI to sell our real estate in Pauline Germany with anticipating gross proceeds of \$12 million.

This past Monday, the parties entered into a formal purchase and transfer agreement for the sale of the Pauline property, which is expected to close in the fall.

We are continuing to look at acquisitions. Our current focus is on strengthening our consumer and Automotive Electronics segments. And there are a number of companies that we have identified and/or have been in discussions with.

Nothing is eminent but our strategy while divesting is to replace sales, EBITDA and cash flow and find companies that may enable us to leverage our infrastructure and generate even more synergies and profitability.

And lastly, the Board is continuing to evaluate the benefits and timing of the decline in dividend. We believe the shared repurchase program and dividend represent good uses of capital. And we would like to get through the next few quarters and see how our business performs, and what other corporate events may come about. But I want you to know, this is part of our strategy.

I'm going to turn the call over to Mike now to review some of the quarterly numbers and our balance sheet. And then will come back for the questions.

Charles Stoehr^ Thanks, Pat. Just a little clarity, the shipments in June for the (inaudible) is 250 units, not 250,000.

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Good morning, everyone. As a reminder, we changed our segment reporting structure effective March 1. The first day of our fiscal year and our results of operations taking into account the segments of Automotive Electronics, Consumer Electronics and Biometrics.

All P&L comparisons are based on the first quarter ended May 31, 2019 and May 31, 2018. We reported net sales of \$93.5 million compared to \$100.9 million, a decline of \$7.4 million.

Automotive Electronics segment sales were \$29.6 million, a decline of \$10 million and biometrics segment sales were down approximately \$200,000. This was partially offset by a \$2.7 million increase in our Consumer Electronics segment. Pat provided with the key drivers for the year-over-year variances.

Consolidated gross margins at 27.8% were up 40 basis points. On a segment basis, Automotive electronic gross margins were 22.4%, down 280 basis points due primarily to declines in OEM security and remote stock products sales as well as aftermarket head rest products, as these products typically generate higher gross margins.

Sales of certain aftermarket security products contributed favorably to the segment margins for the quarter as the lower volumes of satellite radio product sales.

Consumer Electronics segment gross margins of 30% increased by 130 basis points, driven by higher sales and premium home separate speakers, mobility products and commercial speakers as well as higher margins of karaoke products.

Offsetting factors within this segment included lower European margins caused by changes in product mix, discounts (inaudible) on certain products in fiscal 2020 first quarter, which were not offered in the prior-year period.

Biometrics segment gross margins were up, but again, sales were immaterial and the increase was a result of the release of inventory results in the fiscal 2020 first quarter. This remains a high gross margin offering. And as we begin to wrap up sales this year, we expect positive contributions.

Total operating expenses of \$33.1 million increased [\$400,000] year-over-year. However, in last year's fiscal first quarter, we had approximately \$2.1 million in reimbursement of legal fees.

Excluding this, year-over-year operating expenses were down \$1.7 million. Selling expenses of \$9.9 million declined by \$800,000 due to a decline in commissions based on lower sales, a decline in sales salaries resulting from the restructuring, and other declines throughout our business due to lower headcount.

We also had lower advertising costs and display amortization expense as many displays and fixtures are fully amortized. This was partially offset by new hires and approximately [\$200,000] for employees that shifted from a G&A to selling relating to structuring initiatives.

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General and administrative expenses of \$17.4 million increased by \$1.3 million. Though note, the \$2.1 million reimbursement I just spoke of, is included within our fiscal 2019 G&A, and excluding this, G&A was down approximately \$800,000.

We also had a decrease in salary expense due to lower headcount and the transfer of certain employees to selling as noted above.

Engineering and technical support expenses of \$5.8 million were roughly in line with prior year, down approximately \$100,000. We had higher engineering labor cost in our Automotive segment to offset by lower engineering labor cost in our Consumer Electronics segment.

Within this CE segment, R&D increased to support new product launches. And within our biometrics segment, R&D declined as a majority of the products are now nearly completed.

On an operating basis, we [\$7.1 million] versus \$5 million in fiscal 2019 first quarter. Excluding the \$2.1 million reimbursement of legal fees in fiscal 2019 first quarter, operating loss would have been roughly in line with -- for the comparable period.

We spoke -- with respect to total and other income net, we had \$2.1 million in total other income in the fiscal 2020 first quarter compared to \$1.4 million in the comparatively year-ago period.

(inaudible) bank charges declined by approximately \$100,000 due to the amendment in our Wells Fargo lending agreement, in which the fees changes charged for unused portion of line of credit were lowered. And as we stated, we currently have no borrowings outstanding on our domestic credit facility.

Equity and income of equity investees declined by approximately \$400,000 due to partially to lower sales, the impact of tariffs and certain product (inaudible) expenses incurred this fiscal year that were not present in the first quarter of last fiscal year.

This resulted in a pretax loss of \$5 million in fiscal 2020 first quarter versus a pretax loss of \$3.7 million in the comparable period a year ago period.

We recorded an income tax benefit of \$2.6 million in the fiscal 2020 first quarter compared to \$1.1 million in the fiscal 2019 first quarter. The effective tax rate for the 3 months ended May 31, 2019 was an income tax benefit of 52.7% compared to 30.4% in the comparable period last year.

The effective tax rate differs from the statutory rate of 21%, primarily due to the immediate U.S. taxation of borrowings earnings, noncontrolling interest related to EyeLock, LLC, state and local income taxes, nondeductible permanent differences and income tax in foreign jurisdiction at varying tax rates.

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In addition, the valuation allowance primarily increased the U.S. tax credits for which no income tax benefit can be recognized. The estimated annual effective tax rate for fiscal 2020 is 54.2% and is based on our annual pretax income forecast, which includes profitable jurisdictions anticipating an income tax provision and loss jurisdictions for which a limited tax benefit can be recognized.

If the annual pretax income forecast is achieved for the remainder of the fiscal year, the company anticipates recognizing an income tax provision subsequent quarters of fiscal 2020.

Net loss attributable to VOXX was \$1.1 million in this fiscal year's first quarter compared to a net loss attributable to VOXX of approximately \$900,000 in the comparable period last year, where a loss per basic and diluted shares of \$0.05 versus a loss of \$0.04.

Lastly, we reported an adjusted EBITA loss of \$800,000 for fiscal 2020 first quarter versus adjusted EBITDA of \$1.5 million or \$2.2 million decline. This was due to lower sales and higher expenses, which include the one-time settlement reimbursement and offset by higher gross margins and other income net.

As for the balance sheet, cash and cash equivalents as of May 31, 2019, were [\$60] million, up \$1.8 million since fiscal year end at February 28. On a year-over-year basis, compared to May 31, 2018, our cash and cash equivalents increased by \$10.2 million.

Where the 2 transactions to be announced and upon the closing of each, we expect cash to increase by approximately \$30 million.

Based on working capital adjustments and related fees and net of closing cost and margins. Also note, the international accessory sales includes the option to purchase real estate and could generate an additional \$2.7 million based on the current euro to U.S. dollar conversion net of fees.

Total debt as of May 31, 2019, was \$16 million as compared to \$17.6 million as of February 28, 2019, an improvement of \$1.6 million. The company's total debt consists of mortgages related to our domestic and international properties and a euro asset-based lending obligation to support our German operations. Total long-term debt as of May 31, 2019, was \$7.5 million as it compared to \$7.6 million as of February 28, 2019, improvement of \$100,000. We expect our debt to decline further upon the completion of the sale of our Pauline facility. Our balance sheet remains a company strength and affords us to leverage to execute a number of initiatives to improve our business. Operator, we are now ready to open up the call for questions.

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## QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) And your first question will come from the line of Eric Landry with BML Capital Management.

Eric Landry^ So the EyeLock deals that you're currently in negotiations but can't say anything, with this is -- did I hear that correctly? This is 1 deal?

Patrick Lavelle^ Yes. This is 1 deal that is essentially a multiyear deal.

Eric Landry^ In the healthcare space?

Patrick Lavelle^ Yes.

Eric Landry^ Okay. So the number of facilities is -- I mean, shot in the dark, is in the tens or the hundreds or thousands as far as facilities go?

Patrick Lavelle^ I -- it could be very substantial because customer negotiations with the company on the final numbers and everything else. I'd like to pass on that, and hopefully come back in the third quarter.

Charles Stoehr^ We have a nondisclosure at this time.

Patrick Lavelle^ Yes. We're working on a nondisclosure at this point, but it is significant to our numbers.

Eric Landry^ Got you. Okay. I thought I'd give it a shot. The inventory issue with the NXT and the EXT, is it safe to assume that the sales would have, sort of, been at the normal run rate in the quarter had that not happening, the couple [hundred thousand range?]

Patrick Lavelle^ A little bit higher because of the fact that we had the EXTs were all new, okay. The NXT were upgraded and modified to the latest software. And the EXT, which is the outdoor unit were all new, those would have been our first shipments. So we were anticipating a higher run rate than last year on the hardware sales.

Eric Landry^ Okay. And on the vending machine, you mentioned that it was a manufacturing issue. I just want to make clear that there hasn't been any sort of adjustment on the number, the initial forecast has -- is still intact as far as the eventual number of those things in the market?

Patrick Lavelle^ Yes. This was a launch for them. They wanted to make sure that it's a very expensive machine, and they want to make sure that everything was right. So the launch was scheduled for the first quarter.

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They didn't make it in but they are now shipping product. And not only are they -- they are quite bullish about the number of units that they're going to be able to build. The think their biggest hold back right now is the ramping up to the numbers that they have.

Eric Landry^ I got you. Shifting gears a little bit, was there any key true wireless revenue in the May quarter?

Patrick Lavelle^ No.

Eric Landry^ Okay. I'm assuming that, that is starting to shift this quarter if it hasn't already?

Patrick Lavelle^ Yes. It started this month, yes. And we're getting late reviews on the true wireless.

Eric Landry^ Believe me, I've read them. Is that a product that we can assume is at the segment margin?

Patrick Lavelle^ Yes. You can assume that, yes.

Eric Landry^ Great. And is that going to be on T-Mall?

Patrick Lavelle^ Yes. Those are some of the things that are planned for them.

Eric Landry^ Okay. Great. To me it looks like a fantastic product, and I'm really excited to see how you're doing it. Now this is, sort of, kind of, a dumb question here, but is there any sort of IP protection on that case?

Patrick Lavelle^ The -- No. No, there isn't. The only IP protection on the unit is the shape of the earplugs.

Eric Landry^ Yes. Right. And you're not nervous that there's going to be an issue in China with that?

Patrick Lavelle^ Well, we fought (inaudible) claims and (inaudible) product over the years. It's a constant battle with the Klipsch brand, but it's going to exist. We're to monitor the situation, and we will do our best to protect our position.

Eric Landry^ Okay.

Patrick Lavelle^ Just -- by the way, the \$2.1 million pickup that we had on the expenses last year was the award of legal fees on counterfeiter claim that Klipsch against the counterfeiters. So we are very active and very protective position of the Klipsch products.

Eric Landry^ Okay. Real quick here, any comments on the initial selling for that (inaudible) true wireless?

Patrick Lavelle^ We're out of stock.

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Eric Landry^ Okay. Lastly, the product recall in ASA, was that a one-timer, or is that sort of an ongoing thing?

Charles Stoehr^ Do we call an ASA?

Patrick Lavelle^ That will -- they will be handling that over the course of this next fiscal year. So we can look forward to so it's not a one-time effect this quarter.

Eric Landry^ Okay. We're going to look forward to lower earnings for a year now in that thing?

Patrick Lavelle^ That would offset some of the increases, but ASA has got some very positive things happening in other segments of their market that can offset it.

Operator^ (Operator Instructions) And we have Thomas Kahn with Kahn Brothers.

Thomas Kahn^ John, this is a very, I would say, disappointing release, and I've listened a long time, John. Our clients own maybe 17% of the company stock. And if you're going to listen to the release, the calls from the past, let's say 3 years is always some optimistic statements in the call the close.

And for some reason the optimism, John, never comes through. The way we look at it is, it's probably \$7 a shared of liquid assets, and then some more in the way of net assets. So the compensation package regardless of what a paid consultant says to you, kind of, doesn't make sense.

I mean you have to hit \$5 and there's \$7 of cash in ASA liquid assets. I mean it's all wrong from my perspective. I mean the way these things should be done, John, if there were in shareholder interests, would be like stretch options. Very large options with a \$10, \$15, \$20 strike price to align the shareholder interest with the management.

Now I remember that you said in a public meeting that our company stock was worth 4 or 5x the \$7 price that we're selling for. Now maybe you had a bad mushroom for breakfast in your omelette, so maybe well that numbers is wrong, maybe it's not worth it [28 to 35.]

Maybe it's worth less, but we all know that is mostly undervalued. So the compensation plan, irrespective of what was said by consultant, doesn't make any sense.

I'd like to see, by the way I copy of the compensation plan, if you would please make a filing, so we all the shareholder can look at it because it's way off base as far as I'm concerned.

Patrick Lavelle^ Tom, let me address that, and we will be putting out a -- is in the 10-Q with the compensation plans as far as...

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Thomas Kahn^ With the name of the consultant because I want to be sure not to use those guys again. And I have to tell you that I can't recommend to our clients that they vote for this management board whatever because of what I just said. I can't recommend it. I mean our stock is...

Patrick Lavelle ^ I think when you read the agreement, you'll realize that there are stretch goals, okay. The amount of awards depend on us, at least me, for example getting to a \$15 share price. So when you read the agreement, I think, you'll have a different look at it. And we can hold that and you and I can discuss it when we're here for the shareholders meeting.

Thomas Kahn ^ Okay. That's perfectly all right, John. But I will say that I think what the \$5 price, when I look at ASa and cash being what \$7 right now today going nowhere, doing nothing, John, seems to me to be a giveaway.

And I like that, I'm a nice guy, I don't want you giving away things to him. But we're talking about shareholder value and shareholder assets. And I don't believe is conscionable.

Regardless, you can always get the consultant to say anything you want. But I just think is unconscionable, if there's \$7 worth of ASA and cash in here, and Pat has a contingency or \$5? Well, what am I missing here?

Patrick Lavelle ^ You're missing the point.

Thomas Kahn ^ I hope John will be at the meeting, I'm sure he will be able to talk about this with us. I still -- our stock is so cheap. I still -- I'm always very concerned about managers not buying shares when the windows open for their own account because there's nothing better than (inaudible) or somebody (inaudible) or somebody else stepping up to the plate and putting \$50 or \$100 into it or any of the other directors. There's something wrong here, and I can't tell you.

Patrick Lavelle^ I think, Tom, let me -- read the contracts, and then we'll have a discussion because you're missing a big portion of it so...

Thomas Kahn^ I will read absent anybody telling us and I think anything for the country. We are not going to work with management because we're not happy. You can see the price of the stock for the past 5 years during one of the biggest bull markets in American history.

And you can listen to the tapes recorder, John, to see what Pat says, that pretty much optimistic saying of 1 kind or another. And there something wrong, but we'll discuss it at the meeting.

Patrick Lavelle ^ Sounds good. Let's move on.

Operator^ And the next question comes from the line of Brad Leonard from BML Capital Management.

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Braden Leonard^ I have 1 question. On the comp plan, those have not been filed yet, right? The point of actual plan, the contracts? So the detail on the queue, but I didn't see anything else. There was no are there detail on that, was it?

Patrick Lavelle^ No. But it will be filed.

Braden Leonard^ Okay. Okay. We'll look for that. And so, here's my -- I think you guys have done a lot of -- taking a lot of steps to try to clean up the reporting structure, realized some asset value and try to get the value recognized in the stock.

I mean this is very easy. When I look at this, I mean you're going to have \$3 in that cash, you've got a bunch of real estate that you own. You said that comes as our president (inaudible) and let's say that's worth \$5, and ASA is worth [250 or 3] this is really get to our surprise and so the basis is where it may be not what you paid for but it's got to be worth I don't know for dollars, \$4, \$5 a share probably.

Patrick Lavelle^ I would think, I would disagree. The Klipsch acquisition would probably sell for more than what we paid for it at this point.

Braden Leonard^ Okay. Well that's great. I don't think you probably know better than me, I'm trying to be conservative here. But that would be even better if it's worth that. The rest of the CE is worth maybe nothing, I don't know. If that's been conserving again, it might be worth something.

Autos worth \$1 to \$2 a share, and EyeLock is worth an unknown. That's I, kind of, how I add this back at the back of envelope least at that level up and a master with a dollars worth. Could be what a lot, could be with nothing.

So my back of the unlock map with Klipsch being worth less than you think it is like [\$12.50 or \$15]a share. And thinking this is really exciting I mean I should be stepping on this thing. And so here's my biggest concern I mean you taking a lot of steps to utilize some value and try to clean this up.

Is -- if my math is in more ballpark correct, why are we not just dismantling the company? And selling off their partners and returning cash to shareholders and everybody goes on that happy way versus and here the risk, right, for me is the unknown risks that you're going to take this part of cash and your asset value, you're going to buy some acquisition and make do something that doesn't work out and all of a sudden we're just spending stuff and ends up being like a 360Fly or potentially EyeLock and EyeLock is unknown.

Hopefully, it's what hit him and we're going to all secret results from that. But that's my risk. And I know that John owns a ton of stock. So he's got a lot of skin in the game here. And -- but -- help me to have comfort that wanted to do something stupid that we're really going to do the best thing and try to realize the value of this company.

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And whether that's dismantling it and everybody goes home and we sell off the divisions? Or you would do something smart with your asset value and/or keep the earnings full point where it looks like there's enough value there to create a stock value \$10, \$12 or \$14 a share. I know that was a really good question but I like to hear your thoughts.

Patrick Lavelle^ No we get it.

John Shalam^ Brad, you're absolutely correct in your appraisal. This is John Shalam, and you're absolutely correct in your appraisal. And we are well aware of all the points you have mentioned.

But before dismantling the company, we really believe the potential of VOXX is very substantial and is not reflected in the shared value right now partially stuck. And if you want to try and sell the company right now based on these stock valuations, I don't think the shareholders would come up with anything of real value.

We do believe very strongly in the potential of restructuring that have taken place the plans now for the different divisions possible acquisitions to render existing businesses should all make a substantial contribution to the future, revenue and earnings of this corporation, which will then be accurately reflected in the price of the stock.

And I'm not sure at that age to the advantage of the shareholders to dismantle as you call it the by the presell of bits and pieces at this time. I think if we can materialize our plans now, and with cash that we have and the bank and we are debt-free, we have a potential to share a much better performance and a much better improvement. So that's our plan.

Operator^ And our next question comes from the line of Thomas Kahn with Kahn Brothers.

Thomas Kahn^ As a follow up, I don't believe that other things going to be sold of course, I can prove it unless John would tell us that John stock has a very low basis and probably would result in a taxable event. So I think the best way to kind of realize these large values were talking about share repurchase.

That's the best way because if John Shalam has a low basis why would he sell it now? Doesn't make sense. Is the state can select whether stepped up from higher basis I think. So I think the best thing and I'm really distressed trying to see that some of your directors or not buying shares.

I mean they take vacations, they buy cars, summer houses, winter houses, whatever but if they want to sit on this Board, they should step up to the plate and put their money where their mouth is.

John Shalam^ We're well aware of that Tom, and you've made this point very clearly and amply in the past. And I think now you will see some changes taking place as we go along.

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And during the term of all my materialistic value for my stock it's not a tax problem, Tom, it's a problem the lowest price of the stock right now. I think it's worth a lot more as you do.

And I am in no hurry to disclose our precious and I'm not sure everyone so measures altogether. Assuming that I can decide as we go along. But right now it's not a tax problem it's more of a valuation problem in getting Wall Street to recognize the value that's in the stock of VOXX and in our services and cash and our holdings and that's what were working on.

Thomas Kahn^ Well, that's a good answer and I think that one of the things that will help our share price would be if people were on the inside, not you, but directors and so forth. When they're permitted, step up to the plate and buy shares. They don't do it, they are reluctant, there's something wrong. I don't understand it. If the stock is worth \$10 or \$15 or \$20, why aren't these directors stepping up to the plate?

Patrick Lavelle^ They have in the past, Tom, and I think you'll see that they'll continue in the future and as I've indicated in my comments earlier all of these management's plans are based on having more stock the bonus is based on stock not cash dnocash, which will put more stock into the hands of management and the lines of more with the show respect that was the intent of what we went out to do with the advisors, that's exactly what happened. So I think after you read the agreement, you'll see that that was -- what was accomplished.

Thomas Kahn^ We'll talk at the meeting, John. I think you've been getting bad advice. I haven't read this report yet but the way I see that advice, John, is if I look over the past 16 quarters and I listen to the calls, the shareholder calls, I think you've been somehow getting bad advice. But we can talk further at the meeting.

John Shalam^ Well a lot of recommendations to be honest have come from you, Tom.

Thomas Kahn^ For then you've been getting bad advice for me but I will tell you that if you look back over the past 3 or 4 years they have been problems. And we can talk.

John Shalam^ Yes, they have been and we'll talk again and we'll see you in a couple.

Patrick Lavelle^ When we get together we'll talk because again, your suggestions over the past years to apply first cause investors, banks, advisors, comp advisors, we've used some of the best in the industry. So from that standpoint, I'm not concerned with any of your comments because the plans were thoroughly vetted and thoroughly laid out.

Thomas Kahn^ I'm not accusing you of doing anything improper or illegal. I'm not accusing you of that. Don't even go there. I'm accusing management and the Board of making poor judgments, business judgments, which have been poor.

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Patrick Lavelle^ I get that. But if you will accuse the Board of and management of making poor acquisitions like in the case of Hirschmann will be turned around and made \$45 million and in the case of Klipsch where Klipsch is -- we will -- I can certainly sell for more money than we paid for it, okay. And they are doing well. So some of the comments, I understand you're upset with the stock price. That's fine. But some of the other comments are not terribly correct.

Thomas Kahn^ I'm not upset so much for the stock price as I'm upset with the judgments and decisions of my fiduciaries, my directors. That's what I'm upset with.

That they mostly don't have skin in the game and they been making some good place some bad decisions and they don't seem to be motivated but what I motivated by, which is we own clients on what, 17% of the stock so I have to talk to them every day about the decisions you guys are making.

Patrick Lavelle^ Yes. I get it. And I hopefully -- the plans that we've laid out on the new changes that we've made and that divestitures and the reutilization of capital that we have here now in the company, we have no debt, we're estimated to be sitting on north of 100 -- north of \$80 million in cash after we close the German acquisitions will allow us to do the things that we've talked about as far as buyback stock to help the share prioress potentially do a dividend but also help though some of our EBITDA and leverage our existing overhead here in the states to generate better returns on any acquisitions that we do. That's the basic game plan and that's what you'll see us to over the next few quarters.

Operator^ All right ladies and gentlemen, thank you for participating in today's conference. Thank you for interest.

Patrick Lavelle^ Thanks for your interest in VOXX and looking to implement the plans and stock. Have a good day, and rest of the summer. Thank you.