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

FORM 10-K

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

For the fiscal year ended February 28, 2011

Commission file number 0-28839

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

Delaware	**13-1964841**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
180 Marcus Blvd., Hauppauge, New York	**11788**
(Address of principal executive offices)	(Zip Code)

(631) 231-7750
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	**Name of Each Exchange on which Registered**
Class A Common Stock $.01 par value	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
☒

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a smaller reporting company. See definition of “accelerated filer”, “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in rule 12b-2 of the Act).

Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the Registrant was $118,252,382 (based upon closing price on the Nasdaq Stock Market on August 31, 2010).

The number of shares outstanding of each of the registrant's classes of common stock, as of May 16, 2011 was:

Class	Outstanding
Class A common stock $.01 par value	20,813,005
Class B common stock $.01 par value	2,260,954

DOCUMENTS INCORPORATED BY REFERENCE

Part III - (Items 10, 11, 12, 13 and 14) Proxy Statement for Annual Meeting of Stockholders to be filed on or before June 28, 2011.

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CAUTIONARY STATEMENT RELATING TO THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Annual Report on Form 10-K, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7, and the information incorporated by reference contains "forward-looking statements" within the meaning of section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend those forward looking-statements to be covered by the safe harbor provisions for forward-looking statements. All statements regarding our expected financial position and operating results, our business strategy, our financing plans and the outcome of any contingencies are forward-looking statements. Any such forward-looking statements are based on current expectations, estimates, and projections about our industry and our business. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," or variations of those words and similar expressions are intended to identify such forward-looking statements. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those stated in or implied by any forward-looking statements. Factors that could cause actual results to differ materially from forward-looking statements include, but are not limited to, matters listed in Item 1A under “Risk Factors” of this annual report. The Company assumes no obligation and does not intend to update these forward-looking statements.

NOTE REGARDING DOLLAR AMOUNTS AND FISCAL YEAR

In this annual report, all dollar amounts are expressed in thousands, except for share prices and per-share amounts. Unless specifically indicated otherwise, all amounts and percentages in our Form 10-K are exclusive of discontinued operations.

The Company’s current fiscal year began March 1, 2010 and ended February 28, 2011.

PART I

Item 1-Business

Audiovox Corporation (“Audiovox", “We", "Our", "Us" or “Company") is a leading international distributor in the accessory, mobile and consumer electronics industries. With our most recent acquisition of Invision Automotive Systems, Inc. we have added manufacturing capabilities to our business model. We conduct our business through seventeen wholly-owned subsidiaries: American Radio Corp., Audiovox Electronics Corporation (“AEC”), Audiovox Accessories Corp. (“AAC”), Audiovox Consumer Electronics, Inc. (“ACE”), Audiovox German Holdings GmbH (“Audiovox Germany”), Audiovox Venezuela, C.A., Audiovox Canada Limited, Audiovox Hong Kong Ltd., Audiovox International Corp., Audiovox Mexico, S. de R.L. de C.V. (“Audiovox Mexico”), Technuity, Inc., Code Systems, Inc, Oehlbach Kabel GmbH ("Oehlbach"), Schwaiger GmbH (“Schwaiger”), Invision Automotive Systems, Inc. (“Invision”) and Omega Research and Development, LLC ("Omega") and Audiovox Websales LLC. We market our products under the Audiovox® brand name, other brand names and licensed brands, such as Acoustic Research®, Advent®, Ambico®, Car Link®, Chapman®, Code-Alarm®, Discwasher®, Energizer®, Heco®, Incaar™, Invision®, Jensen®, Mac Audio™, Magnat®, Movies2Go®, Oehlbach®, Omega®, Phase Linear®, Prestige®, Pursuit®, RCA®, RCA Accessories®, Recoton®, Road Gear®, Schwaiger®, Spikemaster® and Terk®, as well as private labels through a large domestic and international distribution network. We also function as an OEM ("Original Equipment Manufacturer") supplier to several customers and presently have one reportable segment (the "Electronics Group"), which is organized by product category.

Audiovox was incorporated in Delaware on April 10, 1987, as successor to a business founded in 1960 by John J. Shalam, our Chairman and controlling stockholder. Our extensive distribution network and long-standing industry relationships have allowed us to benefit from growing market opportunities and emerging niches in the electronics business.

We make available financial information, news releases and other information on our web site at www.audiovox.com. There is a direct link from the web site to the Securities and Exchange Commission's ("SEC") filings web site, where our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge as soon as reasonably practicable after we file such reports and amendments with, or furnish them to, the SEC. In addition, we have adopted a Code of Business Conduct and Ethics which is available free of charge upon request. Any such request should be directed to the attention of: Chris Lis Johnson, Company Secretary, 180 Marcus Boulevard, Hauppauge, New York 11788, (631) 231-7750.

Acquisitions

We have recently acquired and continue to integrate the following acquisitions, discussed below, into our existing business structure:

On March 1, 2011, Soundtech LLC, a Delaware limited liability company and wholly-owned subsidiary of Audiovox, acquired

all of the issued and outstanding shares of Klipsch Group, Inc. and its worldwide subsidiaries ("Klipsch") for a total purchase price of $167.6 million including a working capital adjustment which is subject to change, plus related transaction fees and expenses. Klipsch is a global provider of high-end speakers for audio, multi-media and home theater applications. The acquisition of Klipsch adds world-class brand names to Audiovox's offerings, increases its distribution network, both domestically and abroad, and provides the Company with entry into the high-end installation market at both the residential and commercial level. In addition to the Klipsch® brand, the Klipsch portfolio includes Jamo®, Mirage®, and Energy®. The Company has outlined key details related to the acquisition and the preliminary purchase price allocation in the Subsequent Events footnote (Note 15).

In February 2010, the Company's new subsidiary, Invision Automotive Systems, Inc. completed the acquisition of the assets of Invision Industries, Inc., a leading manufacturer of rear seat entertainment systems to OEM's, Toyota port facilities, and car dealers for a total cash purchase price of $10,307, and estimated future consideration of $1,458 and an assumed loan balance of $5,000, with all acquisition costs of $219 expensed as incurred in accordance with ASC 805. The purpose of this acquisition was to increase our R&D capabilities, add a manufacturing facility to our business structure and augment our OE group.

In October 2009, Audiovox German Holdings GmbH completed the acquisition of certain assets of Schwaiger GmbH, a German market leader in the consumer electronics, SAT and receiver technologies for a total net asset payment of $4,348, with acquisition costs of $209 expensed as incurred. The purpose of this acquisition was to expand our European operations and increase our presence in the European accessory market.

Prior to Fiscal 2010, the Company expanded its market presence by acquiring and fully integrating the following businesses:

In December 2007, the Company completed the acquisition of certain assets and liabilities of Thomson's U.S., Canada, Mexico, China and Hong Kong consumer electronics audio/video business, as well as the rights to the RCA brand for the audio/video field of use. Contemporaneous with this transaction, the Company entered into a license agreement with Multimedia Device Ltd., a Chinese manufacturer, to market certain product categories acquired.

In November 2007, AAC completed the acquisition of all of the outstanding stock of Technuity, Inc., an emerging leader in the battery and power products industry and the exclusive licensee of the Energizer® brand in North America for rechargeable batteries and battery packs for camcorders, cordless phones, digital cameras, DVD players and other power supply devices.

In August 2007, Audiovox Germany acquired certain assets of Incaar Limited, a U.K. business that specializes in rear seat electronics systems.

In March 2007, Audiovox Germany acquired the stock of Oehlbach, a European market leader in the accessories business.

In January 2007, we acquired certain assets and liabilities of Thomson's Americas consumer electronics accessory business which included the rights to the RCA Accessories brand for consumer electronics accessories.

Refer to Note 2 "Business Acquisitions" of the Notes to Consolidated Financial Statements for additional information regarding the Fiscal 2010 acquisitions.

Strategy

Our objective is to grow our business by acquiring new brands, embracing new technologies, expanding product development and applying this to a continued stream of new products that should increase gross margins and improve operating income. In addition, we plan to continue to acquire synergistic companies that would allow us to leverage our overhead, penetrate new markets and expand existing product categories through our business channels.

The key elements of our strategy are as follows:

Capitalize on the Audiovox family of brands. We believe the "Audiovox" portfolio of brands is one of our greatest strengths and offers us significant opportunity for increased market penetration. To further benefit from the Audiovox portfolio of brands, we continue to invest and introduce new products using our brand names, in addition to seeking opportunities to license our products.

Capitalize on niche product and distribution opportunities in the electronics industry. We intend to use our extensive distribution and supply networks to capitalize on niche product and distribution opportunities in the mobile, consumer and accessory electronics categories.

Leverage our domestic and international distribution network. We believe our distribution network which includes power retailers,

mass merchandisers, distributors, car dealers and OEM's will allow us to increase market penetration.

Grow our international presence. We continue to expand our international presence through our companies in Germany, Canada, Mexico, Venezuela and Hong Kong. We also continue to export from our domestic operations in the United States. We will pursue additional business opportunities through acquisition.

Pursue strategic and complementary acquisitions. We continue to monitor economic and industry conditions in order to evaluate potential synergistic business acquisitions that would allow us to leverage overhead, penetrate new markets and expand our existing business distribution.

Continue to outsource manufacturing to increase operating leverage. A key component of our business strategy is outsourcing the manufacturing of the majority of our products, which allows us to deliver the latest technological advances without the fixed costs associated with manufacturing.

Monitor operating expenses. We maintain continuous focus on evaluating the current business structure in order to create operating efficiencies, including investments in management information systems, with the primary goal of increasing operating income.

Industry

We participate in selected product categories in the mobile, consumer and accessory electronics markets. The mobile and consumer electronics and accessory industries are large and diverse and encompass a broad range of products. This industry offers the ability to specialize in niche product markets. The introduction of new products and technological advancements are the major growth drivers in the electronics industry. Based on this, we continue to introduce new products across all product lines, with an increased focus on niche product offerings.

Products

The Company currently reports sales data for the following two product categories:

Electronics products include:

- mobile multi-media video products, including in-dash, overhead and headrest systems,
- autosound products including radios, speakers, amplifiers and CD changers,
- satellite radios including plug and play models and direct connect models,
- automotive security and remote start systems,
- automotive power accessories,
- rear observation and collision avoidance systems,
- home and portable stereos,
- digital multi-media products such as personal video recorders and MP3 products,
- camcorders,
- clock-radios,
- digital voice recorders,
- home speaker systems,
- portable DVD players,
- digital picture frames, and
- e-readers.

Accessories products include:

- High-Definition Television ("HDTV") antennas,
- Wireless Fidelity ("WiFi") antennas,
- High-Definition Multimedia Interface ("HDMI") accessories,
- home electronic accessories such as cabling,
- other connectivity products,
- power cords,
- performance enhancing electronics,
- TV universal remotes,
- flat panel TV mounting systems,
- iPod specialized products,

- wireless headphones,
- rechargeable battery backups (UPS) for camcorders, cordless phones and portable video (DVD) batteries and accessories,
- power supply systems,
- electronic equipment cleaning products, and
- set-top boxes.

We believe our product groups have expanding market opportunities with certain levels of volatility related to domestic and international markets, new car sales, increased competition by manufacturers, private labels, technological advancements, discretionary consumer spending and general economic conditions. Also, all of our products are subject to price fluctuations which could affect the carrying value of inventories and gross margins in the future.

Net sales by product category, gross profit and net assets are as follows:

	Fiscal 2011	Fiscal 2010	Fiscal 2009
Electronics	$ 415,167	$ 375,021	$ 449,433
Accessories	146,505	175,674	153,666
Total net sales	$ 561,672	$ 550,695	$ 603,099
Gross profit	$ 123,937	$ 106,751	$ 100,268
Gross margin percentage	22.1%	19.4%	16.6%
Total assets	$ 501,097	$ 488,978	$ 461,296

Patents, Trademarks/Tradenames, Licensing and Royalties

The Company regards its trademarks, copyrights, patents, domain names, and similar intellectual property as important to its operations. It relies on trademark, copyright and patent law, domain name regulations, and confidentiality or license agreements to protect its proprietary rights. The Company has registered, or applied for the registration of, a number of patents, trademarks, domain names and copyrights by U.S. and foreign governmental authorities. Additionally, the Company has filed U.S. and international patent applications covering certain of its proprietary technology. The Company renews its registrations, which vary in duration, as it deems appropriate from time to time.

The Company has licensed in the past, and expects that it may license in the future, certain of its proprietary rights to third parties. Some of the Company's products are designed to include intellectual property licensed or otherwise obtained from third parties. While it may be necessary in the future to seek or renew licenses relating to various aspects of the Company's products, the Company believes, based upon past experience and industry practice, such licenses generally could be obtained on commercially reasonable terms; however, there is no guarantee such licenses could be obtained at all. We intend to operate in a way that does not result in willful infringement of the patent, trade secret and other intellectual property rights of other parties. Nevertheless, there can be no assurance that a claim of infringement will not be asserted against us or that any such assertion will not result in a judgment or order requiring us to obtain a license in order to make, use, or sell our products.

License and royalty programs offered to our manufacturers, customers and other electronic suppliers are structured using a fixed amount per unit or a percentage of net sales, depending on the terms of the agreement. Current license and royalty agreements have duration periods which range from 1 to 17 years or continue in perpetuity. Certain agreements may be renewed at termination of the agreement. The Company's license and royalty income is recorded upon sale and amounted to $4,248, $4,453 and $4,430 for the years ended February 28, 2011, 2010 and 2009, respectively.

Distribution and Marketing

We sell our products to:

- power retailers,
- mass merchants,
- regional chain stores,

- specialty and internet retailers,
- independent 12 volt retailers,
- distributors,
- new car dealers,
- vehicle equipment manufacturers (OEM's), and
- the U.S. military.

We sell our products under OEM arrangements with domestic and/or international subsidiaries of automobile manufacturers such as Ford Motor Company, Chrysler, General Motors Corporation, Toyota, Kia, Mazda, BMW, Subaru, Nissan and Porsche. These arrangements require a close partnership with the customer as we develop products to meet specific requirements. OEM products accounted for approximately 20%, 10% and 9% of net sales for the years ended February 28, 2011, 2010 and 2009, respectively.

Our five largest customers represented 30% of net sales during the year ended February 28, 2011, and 36% for each of the years ended February 28, 2010 and 2009. Wal-Mart accounted for more than 10% of the Company's sales for Fiscal 2011, 2010 and 2009, whereas Best Buy accounted for more than 10% of sales in Fiscal 2010 only.

We also provide value-added management services, which include:

- product design and development,
- engineering and testing,
- sales training and customer packaging,
- in-store display design,
- installation training and technical support,
- product repair services and warranty,
- nationwide installation network,
- warehousing, and
- specialized manufacturing.

We have flexible shipping policies designed to meet customer needs. In the absence of specific customer instructions, we ship products within 24 to 48 hours from the receipt of an order from public warehouses and leased facilities throughout the United States, Canada, Mexico, Venezuela and Germany. The Company also employs a direct ship model from our suppliers for select customers upon their request.

Product Development, Warranty and Customer Service

Our product development cycle includes:

- identifying consumer trends and potential demand,
- responding to those trends through product design and feature integration, which includes software design, electrical engineering, industrial design and pre-production testing. In the case of OEM customers, the product development cycle may also include product validation to customer quality standards, and
- evaluating and testing new products in our own facilities to ensure compliance with our design specifications and standards.

Utilizing our company-owned and third party facilities in the United States, Europe and Asia, we work closely with customers and suppliers throughout the product design, testing and development process in an effort to meet the expectations of consumer demand for technologically-advanced and high quality products. Our Hauppauge, New York and Troy, Michigan facilities are ISO 14001:2004 and/or ISO/TS 16949:2009 certified, which requires the monitoring of quality standards in all facets of business.

We are committed to providing product warranties for all our product lines, which generally range from 90 days up to the life of the vehicle for the original owner on some automobile-installed products. To support our warranties, we have independent warranty centers throughout the United States, Canada, Mexico, Central America, Puerto Rico, Europe and Venezuela. Our customer service group along with our Company websites, provide product information, answer questions and serve as technical hotlines for installation help for end-users and customers.

Suppliers

We work directly with our suppliers on industrial design, feature sets, product development and testing in order to ensure that our products are manufactured to our design specifications.

We purchase our products from manufacturers principally located in several Pacific Rim countries, including China, Hong Kong, Indonesia, Malaysia, South Korea, Taiwan and Singapore, as well as the United States, Canada and Mexico. In selecting our manufacturers, we consider quality, price, service, reputation and financial stability. In order to provide coordination and supervision of supplier performance such as price negotiations, delivery and quality control, we maintain buying and inspection offices in China and Hong Kong. We consider relations with our suppliers to be good and alternative sources of supply are generally available within 120 days. We do not have long-term contracts with our suppliers and we generally purchase our products under short-term purchase orders. Although we believe that alternative sources of supply are currently available, an unplanned shift to a new supplier could result in product delays and increased cost, which may have a material impact on our operations.

Competition

The electronics industry is highly competitive across all product categories, and we compete with a number of well-established companies that manufacture and sell similar products. Brand name, design, advancement of technology and features as well as price are the major competitive factors within the electronics industry. Our Mobile Electronic products compete against factory-supplied products, including those provided by, among others, General Motors, Ford and Chrysler. Our Mobile Electronic products also compete in the automotive aftermarket against major companies such as Sony, Panasonic, Kenwood, Directed Electronics, Autopage, Rosen, Myron and Davis, Coby, Phillips, Insignia, and Pioneer. Our Accessories and Consumer Electronics product lines compete against major companies such as Sony, Phillips, Coby, Emerson Radio, Jasco and Belkin.

Financial Information About Foreign and Domestic Operations

The amounts of net sales and long-lived assets, attributable to foreign and domestic operations for all periods presented are set forth in Note 12 of the Notes to Consolidated Financials Statements, included herein.

Equity Investment

We have a 50% non-controlling ownership interest in Audiovox Specialized Applications, Inc. ("ASA") which acts as a distributor of televisions and other automotive sound, security and accessory products to specialized markets for specialized vehicles, such as, but not limited to, RV's, van conversions and marine vehicles.

Employees

As of February 28, 2011, we employed approximately 1,020 people worldwide. We consider our relations with employees to be good and as of February 28, 2011 no employees were covered by collective bargaining agreements.

Item 1A-Risk Factors

We have identified certain risk factors that apply to us. You should carefully consider each of the following risk factors and all of the other information included or incorporated by reference in this Form 10-K. If any of these risks, or other risks not presently known to us or that we currently believe not to be significant, develop into actual events, then our business, financial condition, liquidity, or results of operations could be adversely affected. If that happens, the market price of our common stock would likely decline, and you may lose all or part of your investment.

Our success will depend on a less diversified line of business.

Currently, we generate substantially all of our sales from the Consumer and Mobile Electronics and Accessories businesses. We cannot assure you that we can grow the revenues of our Electronics and Accessories businesses or maintain profitability. As a result, the Company's revenues and profitability will depend on our ability to maintain and generate additional customers and develop new products. A reduction in demand for our existing products and services would have a material adverse effect on our business. The sustainability of current levels of our Electronics and Accessories businesses and the future growth of such revenues, if any, will depend on, among other factors:

- the overall performance of the economy and discretionary consumer spending,
- competition within key markets,
- customer acceptance of newly developed products and services, and
- the demand for other products and services.

We cannot assure you that we will maintain or increase our current level of revenues or profits from the Electronics and Accessories businesses in future periods.

The Electronics and Accessories Businesses are Highly Competitive and Face Significant Competition from Original Equipment Manufacturers (OEMs) and Direct Imports By Our Retail Customers.

The market for consumer electronics and accessories is highly competitive across all product lines. We compete against many established companies who have substantially greater financial and engineering resources than we do. We compete directly with OEMs, including divisions of well-known automobile manufacturers, in the autosound, auto security, mobile video and accessories industry. We believe that OEMs have diversified and improved their product offerings and place increased sales pressure on new car dealers with whom they have close business relationships to purchase OEM-supplied equipment and accessories. To the extent that OEMs succeed in their efforts, this success would have a material adverse effect on our sales of automotive entertainment and security products to new car dealers. In addition, we compete with major retailers who may at any time choose to direct import products that we may currently supply.

Sales Category Dependent on Economic Success of Automotive Industry.

A portion of our OEM sales are to American automobile manufacturers, specifically Chrysler, General Motors and Ford. Some of these OEM manufacturers have reorganized their operations as a result of general economic conditions. If these reorganizations should fail, it could have a material adverse effect on a portion of our OEM business.

We Do Not Have Long-term Sales Contracts with Any of Our Customers.

Sales of our products are made by written purchase orders and are terminable at will by either party. The unexpected loss of all or a significant portion of sales to any one of our large customers could have a material adverse effect on our performance.

We Depend on a Small Number of Key Customers for a Large Percentage of Our Sales

The electronics industry is characterized by a number of key customers. Specifically 30%, 36% and 36% of our sales were to five customers in Fiscal 2011, 2010 and 2009, respectively. The loss of one or more of these customers could have a material adverse impact on our business.

Sales in Our Electronics and Accessories Businesses are Dependent on New Products, Product Development and Consumer Acceptance.

Our Electronics and Accessories businesses depend, to a large extent, on the introduction and availability of innovative products and technologies. If we are not able to continually introduce new products that achieve consumer acceptance, our sales and profit margins may decline.

Since We Do Not Manufacture All Our Products, We Depend on Our Suppliers to Provide Us with Adequate Quantities of High Quality Competitive Products on a Timely Basis.

We do not manufacture all our products, and we do not have long-term contracts with our suppliers. Most of our products are imported from suppliers under short-term purchase orders. Accordingly, we can give no assurance that:

- our supplier relationships will continue as presently in effect,
- our suppliers will not become competitors,
- our suppliers will be able to obtain the components necessary to produce high-quality, technologically-advanced products for us,
- we will be able to obtain adequate alternatives to our supply sources should they be interrupted,
- if obtained, alternatively sourced products of satisfactory quality would be delivered on a timely basis, competitively priced, comparably featured or acceptable to our customers,
- our suppliers have sufficient financial resources to fulfill their obligations,
- our suppliers will be able to obtain raw materials and labor necessary for production, and
- our suppliers could be impacted by natural disasters directly or via their supply chains.

On occasion our suppliers have not been able to produce the quantities of products that we desire. Our inability to supply sufficient quantities of products that are in demand could reduce our profitability and have a material adverse effect on our relationships with our customers. If any of our supplier relationships were terminated or interrupted, we could experience an immediate or long-term supply shortage, which could have a material adverse effect on our business.

The Impact of Future Selling Prices and Technological Advancements may cause Price Erosion and Adversely Impact our Profitability and Inventory Value

Since we do not make all of our own products and do not conduct a majority of our own research, we cannot assure you that we will be able to source technologically advanced products in order to remain competitive. Furthermore, the introduction or expected introduction of new products or technologies may depress sales of existing products and technologies. This may result in declining prices and inventory obsolescence. Since we maintain a substantial investment in product inventory, declining prices and inventory obsolescence could have a material adverse effect on our business and financial results.

Our estimates of excess and obsolete inventory may prove to be inaccurate, in which case the provision required for excess and obsolete inventory may be understated or overstated. Although we make every effort to ensure the accuracy of our forecasts of future product demand, any significant unanticipated changes in demand or technological developments could have a significant impact on the value of our inventory and operating results.

There is no guarantee that patent/royalty rights will be renewed or licensing agreements will be maintained

Certain product development and revenues are dependent on the ownership and or use of various patents, licenses and license agreements. If the Company is not able to successfully renew or renegotiate these rights, we may suffer from a loss of product sales or royalty revenue associated with these rights or incur additional expense to pursue alternative arrangements.

Because We Purchase a Significant Amount of Our Products from Suppliers in Pacific Rim Countries, We Are Subject to the Economic Risks Associated with Inherent Changes in the Social, Political, Regulatory and Economic Conditions in These Countries.

We import most of our products from suppliers in the Pacific Rim. Countries in the Pacific Rim have experienced significant social, political and economic upheaval over the past several years. Due to the large concentrations of our purchases in Pacific Rim countries, particularly China, Hong Kong, South Korea, Malaysia and Taiwan, any adverse changes in the social, political, regulatory and economic conditions in these countries may materially increase the cost of the products that we buy from our foreign suppliers or delay shipments of products, which could have a material adverse effect on our business. In addition, our dependence on foreign suppliers forces us to order products further in advance than we would if our products were manufactured domestically. This increases the risk that our products will become obsolete or face selling price reductions before we can sell our inventory.

We Plan to Expand the International Marketing and Distribution of Our Products, Which Will Subject Us to Additional Business Risks.

As part of our business strategy, we intend to increase our international sales, although we cannot assure you that we will be able to do so. Conducting business outside of the United States subjects us to significant additional risks, including:

- export and import restrictions, tax consequences and other trade barriers,
- currency fluctuations,
- greater difficulty in accounts receivable collections,
- economic and political instability,
- foreign exchange controls that prohibit payment in U.S. dollars, and
- increased complexity and costs of managing and staffing international operations.

Our Products Could Infringe the Intellectual Property Rights of Others and We May Be Exposed to Costly Litigation.

The products we sell are continually changing as a result of improved technology. Although we and our suppliers attempt to avoid infringing known proprietary rights of third parties in our products, we may be subject to legal proceedings and claims for alleged infringement by us, our suppliers or our distributors, of a third party's patents, trade secrets, trademarks or copyrights.

Any claims relating to the infringement of third-party proprietary rights, even if not meritorious, could result in costly litigation, divert management's attention and resources, or require us to either enter into royalty or license agreements which are not advantageous to us or pay material amounts of damages. In addition, parties making these claims may be able to obtain an injunction, which could prevent us from selling our products. We may increasingly be subject to infringement claims as we expand our product offerings.

If Our Sales During the Holiday Season Fall below Our Expectations, Our Annual Results Could Also Fall below Expectations.

Seasonal consumer shopping patterns significantly affect our business. We generally make a substantial amount of our sales and net income during September, October and November. We expect this trend to continue. December is also a key month for us, due largely to the increase in promotional activities by our customers during the holiday season. If the economy faltered in these periods, if our customers altered the timing or frequency of their promotional activities or if the effectiveness of these promotional activities declined, particularly around the holiday season, it could have a material adverse effect on our annual financial results.

A Decline in General Economic Conditions Could Lead to Reduced Consumer Demand for the Discretionary Products We Sell.

Consumer spending patterns, especially discretionary spending for products such as mobile, consumer and accessory electronics, are affected by, among other things, prevailing economic conditions, energy costs, raw material costs, wage rates, inflation, consumer confidence and consumer perception of economic conditions. A general slowdown in the U.S. and certain international economies or an uncertain economic outlook could have a material adverse effect on our sales and operating results.

Acquisitions and Strategic Investments May Divert Our Resources and Management Attention; Results May Fall Short of Expectations.

We intend to continue pursuing selected acquisitions of and investments in businesses, technologies and product lines as a key component of our growth strategy. Any future acquisition or investment may result in the use of significant amounts of cash, potentially dilutive issuances of equity securities, incurrence of debt and amortization expenses related to intangible assets. Acquisitions involve numerous risks, including:

- difficulties in the integration and assimilation of the operations, technologies, products and personnel of an acquired business,
- diversion of management's attention from other business concerns,
- increased expenses associated with the acquisition, and
- potential loss of key employees or customers of any acquired business.

We cannot assure you that our acquisitions will be successful and will not adversely affect our business, results of operations or financial condition.

We have recorded, or may record in the future, goodwill and other intangible assets as a result of acquisitions, and changes in future business conditions could cause these investments to become impaired, requiring substantial write-downs that would reduce our operating income.

Goodwill and other intangible assets recorded on our balance sheet as of February 28, 2011 was $106,562. We evaluate the recoverability of recorded goodwill and other intangible asset amounts annually, or when evidence of potential impairment exists. The annual impairment test is based on several factors requiring judgment. During Fiscal 2009, the Company recorded an impairment charge of $38,814 as a result of its impairment review (see Note 1(k)). Changes in our operating performance or business conditions, in general, could result in an impairment of goodwill, if applicable, and/or other intangible assets, which could be material to our results of operations.

We invest in marketable securities and other investments as part of our investing activities. These investments fluctuate in value based on economic, operational, competitive, political and technological factors. These investments could be subject to loss or impairment based on their performance.

Recently, the Company has incurred other-than-temporary impairments on its investment in Bliss-tel Public Company Limited ("Bliss-tel"). Any further deterioration in Bliss-tel's performance could result in further impairment of its investment. In addition, there is no guarantee that the fair values recorded for other investments will be sustained in the future.

We Depend Heavily on Existing Directors, Management and Key Personnel and Our Ability to Recruit and Retain Qualified Personnel.

Our success depends on the continued efforts of our directors, executives and senior vice presidents, many of whom have worked with Audiovox for over two decades, as well as our other executive officers and key employees. We have no employment contracts with any of our executive officers or key employees, except our President and Chief Executive Officer. The loss or interruption of the continued full-time service of certain of our executive officers and key employees could have a material adverse effect on our business.

In addition, to support our continued growth, we must effectively recruit, develop and retain additional qualified personnel both domestically and internationally. Our inability to attract and retain necessary qualified personnel could have a material adverse effect on our business.

We Are Responsible for Product Warranties and Defects.

Even though we outsource manufacturing, we provide warranties for all of our products for which we have provided an estimated liability. Therefore, we are highly dependent on the quality of our suppliers' products.

Our Capital Resources May Not Be Sufficient to Meet Our Future Capital and Liquidity Requirements.

We believe that our current funds and available credit lines would provide sufficient resources to fund our existing operations for the foreseeable future. However, we may need additional capital to operate our business if:

- market conditions change,
- our business plans or assumptions change,
- we make significant acquisitions,
- we need to make significant increases in capital expenditures or working capital, or
- our borrowing base or restrictive covenants may not provide sufficient credit.

Our Stock Price Could Fluctuate Significantly.

The market price of our common stock could fluctuate significantly in response to various factors and events, including:

- operating results being below market expectations,
- announcements of technological innovations or new products by us or our competitors,
- loss of a major customer or supplier,
- changes in, or our failure to meet, financial estimates by securities analysts,
- industry developments,
- economic and other external factors,
- general downgrading of our industry sector by securities analysts,
- inventory write-downs, and
- ability to integrate acquisitions.

In addition, the securities markets have experienced significant price and volume fluctuations over the past several years that have often been unrelated to the operating performance of particular companies. These market fluctuations may also have a material adverse effect on the market price of our common stock.

John J. Shalam, Our Chairman, Owns a Significant Portion of Our Common Stock and Can Exercise Control over Our Affairs .

Mr. Shalam beneficially owns approximately 54% of the combined voting power of both classes of common stock. This will allow him to elect our Board of Directors and, in general, to determine the outcome of any other matter submitted to the stockholders for approval. Mr. Shalam's voting power may have the effect of delaying or preventing a change in control of the Company.

We have two classes of common stock: Class A common stock is traded on the Nasdaq Stock Market under the symbol VOXX and Class B common stock, which is not publicly traded and substantially all of which is beneficially owned by Mr. Shalam. Each share of Class A common stock is entitled to one vote per share and each share of Class B common stock is entitled to ten votes per share. Both classes vote together as a single class, except in certain circumstances, for the election and removal of directors and as otherwise may be required by Delaware law. Since our charter permits shareholder action by written consent, Mr. Shalam may be able to take significant corporate actions without prior notice and a shareholder meeting.

We exercise our option for the "controlled company" exemption under NASDAQ rules.

The Company has exercised its right to the "controlled company" exemption under NASDAQ rules which enables us to forego certain NASDAQ requirements which include: (i) maintaining a majority of independent directors; (ii) electing a nominating committee composed solely of independent directors; (iii) ensuring the compensation of our executive officers is determined by a majority of independent directors or a compensation committee composed solely of independent directors; and (iv) selecting, or recommending for the Board's selection, director nominees, either by a majority of the independent directors or a nominating

committee composed solely of independent directors. Although we do not maintain a nominating committee, the Company notes that at the present time, we do maintain a majority of independent directors; we maintain a compensation committee comprised solely of independent directors who approve executive compensation; and, the recommendations for director nominees are governed by a majority of independent directors. However, election of the "controlled company" exemption under NASDAQ rules allows us to modify our position at any time.

Other Risks

Other risks and uncertainties include:

- changes in U.S federal, state and local law,
- our ability to implement operating cost structures that align with revenue growth,
- trade sanctions against or for foreign countries,
- successful integration of business acquisitions and new brands in our distribution network,
- compliance with the Sarbanes-Oxley Act, and
- compliance with complex financial accounting and tax standards.

Item 1B-Unresolved Staff Comments

As of the filing of this annual report on Form 10-K, there were no unresolved comments from the staff of the Securities and Exchange Commission.

Item 2-Properties

Our Corporate headquarters is located at 180 Marcus Blvd. in Hauppauge, New York. In addition, as of February 28, 2011, the Company leased a total of 21 operating facilities or offices located in 9 states as well as Germany, China, Canada, Venezuela, Mexico, Hong Kong and England. The leases have been classified as operating leases, with the exception of one, which is recorded as a capital lease. These facilities are located in Florida, Georgia, New York, Ohio, Nevada, Virginia, Illinois, Indiana and Michigan. These facilities serve as offices, warehouses, distribution centers or retail locations. Additionally, we utilize public warehouse facilities located in Virginia, Nevada, Ohio, Illinois, Indiana, Mexico, Germany and Canada.

Item 3-Legal Proceedings

The Company is currently, and has in the past been, a party to various routine legal proceedings incident to the ordinary course of business. If management determines, based on the underlying facts and circumstances, that it is probable a loss will result from a litigation contingency and the amount of the loss can be reasonably estimated, the estimated loss is accrued for. The Company believes its outstanding litigation matters will not have a material adverse effect on the Company's financial statements, individually or in the aggregate; however, due to the uncertain outcome of these matters, the Company disclosed these specific matters below:

Certain consolidated class actions transferred to a Multi-District Litigation Panel of the United States District Court of the District of Maryland against the Company and other suppliers, manufacturers and distributors of hand-held wireless telephones alleging damages relating to exposure to radio frequency radiation from hand-held wireless telephones are still pending. No assurances regarding the outcome of this matter can be given, as the Company is unable to assess the degree of probability of an unfavorable outcome or estimated loss or liability, if any. Accordingly, no estimated loss has been recorded for the aforementioned case.

The products the Company sells are continually changing as a result of improved technology. As a result, although the Company and its suppliers attempt to avoid infringing known proprietary rights, the Company may be subject to legal proceedings and claims for alleged infringement by its suppliers or distributors, of third party patents, trade secrets, trademarks or copyrights. Any claims relating to the infringement of third-party proprietary rights, even if not meritorious, could result in costly litigation, divert management's attention and resources, or require the Company to either enter into royalty or license agreements which are not advantageous to the Company or pay material amounts of damages.

Item 4-Removed and Reserved

None

PART II

Item 5-Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity

Securities

Market Information

The Class A Common Stock of Audiovox is traded on the Nasdaq Stock Market under the symbol "VOXX". The following table sets forth the low and high sale price of our Class A Common Stock, based on the last daily sale in each of the last eight fiscal quarters:

Year ended February 28, 2011	High	Low
First Quarter	$ 9.73	$ 7.38
Second Quarter	8.54	6.21
Third Quarter	7.45	6.33
Fourth Quarter	8.91	6.99

Year ended February 28, 2010	High	Low
First Quarter	$ 6.45	$ 2.13
Second Quarter	7.98	5.55
Third Quarter	7.91	6.08
Fourth Quarter	7.49	6.29

Dividends

We have not paid or declared any cash dividends on our common stock. We have retained, and currently anticipate that we will continue to retain, all of our earnings for use in developing our business. Future cash dividends, if any, will be paid at the discretion of our Board of Directors and will depend, among other things, upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and such other factors as our Board of Directors may deem relevant giving consideration to any requirements or restrictions under the Company's recently negotiated credit agreement (see Note 6(a)).

Holders

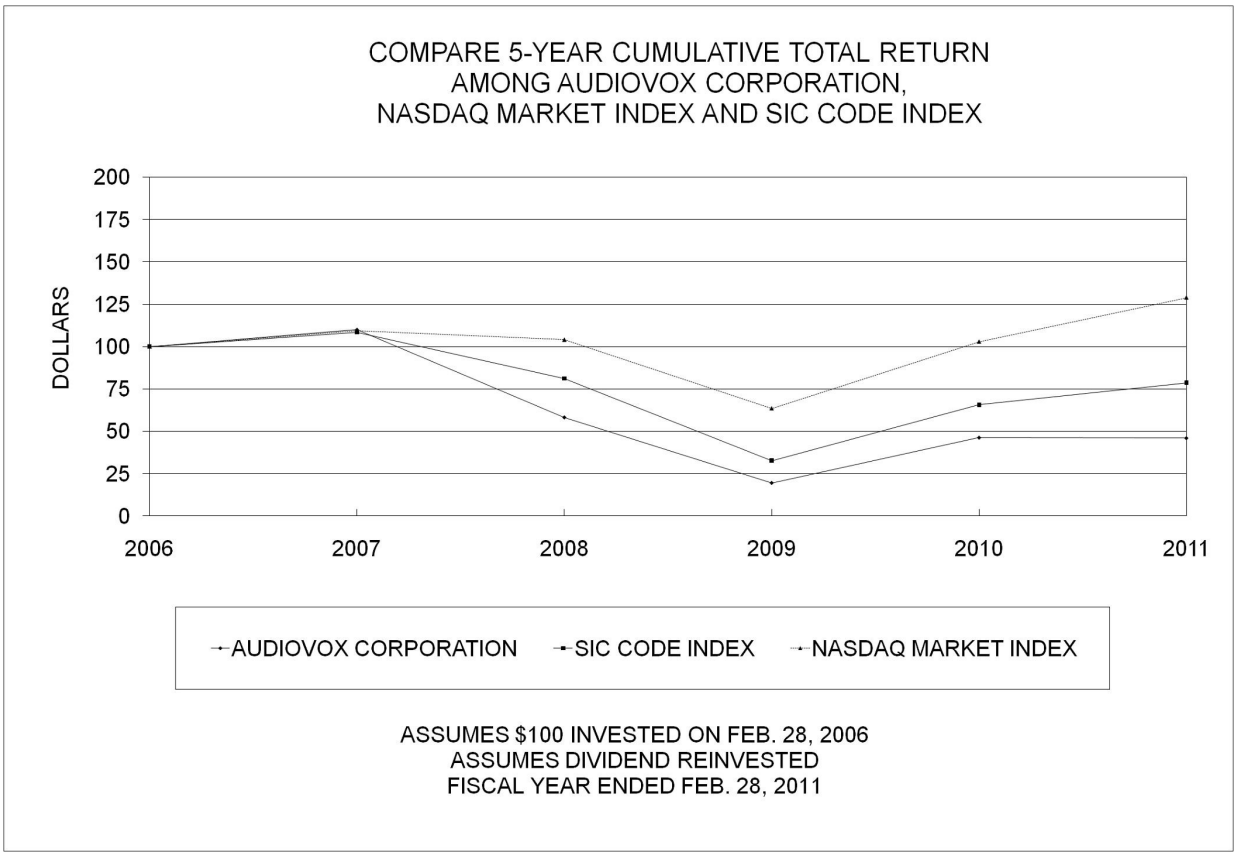
There are approximately 814 holders of record of our Class A Common Stock and 4 holders of Class B Convertible Common Stock.

Issuer Purchases of Equity Securities

In September 2000, we were authorized by the Board of Directors to repurchase up to 1,563,000 shares of Class A Common Stock in the open market under a share repurchase program (the “Program”). In July 2006, the Board of Directors authorized an additional repurchase up to 2,000,000 Class A Common Stock in the open market in connection with the Program. As of February 28, 2011, the cumulative total of acquired shares (net of reissuances of 6,895) pursuant to the program was 1,817,832, with a cumulative value of $18,376 reducing the remaining authorized share repurchase balance to $1,738,263. During the year ended February 28, 2011, the Company did not purchase any shares.

Performance Graph

The following table compares the annual percentage change in our cumulative total stockholder return on our common Class A common stock during a period commencing on February 28, 2006 and ending on February 28, 2011 with the cumulative total return of the Nasdaq Stock Market (US) Index and our SIC Code Index, during such period.



Item 6-Selected Consolidated Financial Data

The following selected consolidated financial data for the last five years should be read in conjunction with the consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K.

Consolidated Statement of Operations Data	Year Ended February 28, 2011	Year Ended February 28, 2010 (4)	Year Ended February 28, 2009	Year Ended February 29, 2008 (3)	Year Ended February 28, 2007 (2)
Net sales (1)	$ 561,672	$ 550,695	$ 603,099	$ 591,355	$ 456,690
Operating income (loss) (1)	9,017	3,760	(53,443)	4,422	(5,077)
Net income (loss) from continuing operations (1)	23,031	22,483	(71,029)	6,746	3,692
Net income (loss) from discontinued operations (5)	—	—	—	1,719	(756)
Net income (loss)	$ 23,031	$ 22,483	$ (71,029)	$ 8,465	$ 2,936
Net income (loss) per common share from continuing operations:					
Basic	$ 1.00	$ 0.98	$ (3.11)	$ 0.29	$ 0.16
Diluted	$ 1.00	$ 0.98	$ (3.11)	$ 0.29	$ 0.16
Net income (loss) per common share:					
Basic	$ 1.00	$ 0.98	$ (3.11)	$ 0.37	$ 0.13
Diluted	$ 1.00	$ 0.98	$ (3.11)	$ 0.37	$ 0.13

	As of February 28,			As of February 29	As of February 28,
Consolidated Balance Sheet Data	2011	2010	2009	2008	2007
Total assets	$ 501,097	$ 488,978	$ 461,296	$ 533,036	$ 499,120
Working capital	258,528	239,787	241,080	275,787	305,960
Long-term obligations	25,849	32,176	31,651	27,260	22,026
Stockholders' equity	392,946	364,263	340,502	423,513	404,362

(1) Amounts exclude the financial results of discontinued operations.
(2) 2007 amounts reflect the acquisition of Thomson Accessory business.
(3) 2008 amounts reflect the acquisition of Oehlbach, Incaar, Technuity and Thomson A/V.
(4) 2010 amounts reflect the acquisition of Schwaiger and Invision (see Note 2 of the Notes to Consolidated Financial Statements).
(5) 2008 amount reflects the proceeds associated with the May 2007 derivative settlement net of administrative and legal fees, and taxes.

Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")

This section should be read in conjunction with the “Cautionary Statements” and “Risk Factors” in Item 1A of Part I, and Item 8 of Part II, “Consolidated Financial Statements and Supplementary Data.”

We begin Management’s Discussion and Analysis of Financial Condition and Results of Operations with an overview of the business, including our strategy to give the reader a summary of the goals of our business and the direction in which our business is moving. This is followed by a discussion of the Critical Accounting Policies and Estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results. In the next section, we discuss our Results of Operations for the year ended February 28, 2011 compared to the years ended February 28, 2010 and February 28,

2009. We then provide an analysis of changes in our balance sheet and cash flows, and discuss our financial commitments in the sections entitled “Liquidity and Capital Resources, including Contractual and Commercial Commitments”. We conclude this MD&A with a discussion of “Related Party Transactions” and “Recent Accounting Pronouncements”.

Segment

We have determined that we operate in one reportable segment, the Electronics Group, based on review of ASC 280 “Segment Reporting” (“ASC 280”). The characteristics of our operations that are relied on in making and reviewing business decisions include the similarities in our products, the commonality of our customers, suppliers and product developers across multiple brands, our unified marketing and distribution strategy, our centralized inventory management and logistics, and the nature of the financial information used by our Executive Officers. Management reviews the financial results of the Company based on the performance of the Electronics Group.

Outlook

The Company’s domestic and international business is subject to retail industry conditions and the sales of new and used vehicles. The current worldwide economic condition has adversely impacted consumer spending and vehicle sales. If the global macroeconomic environment continues to be weak or deteriorates further, this could have a negative effect on the Company’s revenues and earnings. In an attempt to offset the current market condition, the Company has reduced its operating expenses and has been introducing new product to obtain a greater market share. The Company continues to focus on cash flow and anticipates having sufficient resources with its recent negotiated credit agreement, to operate during Fiscal 2012 and 2013.

Business Overview and Strategy

Audiovox Corporation ("Audiovox", "We", "Our", "Us" or "Company") is a leading international distributor and value added service provider in the accessory, mobile and consumer electronics industries. We conduct our business through seventeen wholly-owned subsidiaries. Audiovox has a broad portfolio of brand names used to market our products as well as private labels through a large domestic and international distribution network. We also function as an OEM (“Original Equipment Manufacturer”) supplier to several customers.

Over the last several years, we have focused on our intention to acquire synergistic businesses with the addition of seven new subsidiaries. These subsidiaries helped us to expand our core business and broaden our presence in the accessory and OEM markets. Our recent acquisition of Invision has provided the opportunity to enter the manufacturing arena. Our intention is to continue to pursue business opportunities which will allow us to further expand our business model while leveraging overhead and exploring specialized niche markets in the electronics industry.

Although we believe our product groups have expanding market opportunities, there are certain levels of volatility related to domestic and international markets, new car sales, increased competition by manufacturers, private labels, technological advancements, discretionary consumer spending and general economic conditions. Also, all of our products are subject to price fluctuations which could affect the carrying value of inventories and gross margins in the future.

Acquisitions

We have acquired and integrated several acquisitions which are outlined in the *Acquisitions* section of Part I and presented in detail in Note 2.

Divestitures

On November 7, 2005, we completed the sale of our majority owned subsidiary, Audiovox Malaysia (“AVM”), to the then current minority interest shareholder due to increased competition from non-local OEM’s and deteriorating credit quality of local customers. We sold our remaining equity in AVM in exchange for a $550 promissory note and were released from all of our Malaysian liabilities, including bank obligations resulting in a loss on sale of $2,079. In Fiscal 2011, the Company settled the note for $100. The balance of $303 was written off to Other Income during Fiscal 2011.

Net Sales Growth

Net sales over a five-year period have increased 0.8% from $539,716 for the year ended November 30, 2005 to $561,672 for the year ended February 28, 2011. During this period, our sales were impacted by the following items:

- the introduction of new products and lines such as portable DVD players, satellite radio, digital antennas and mobile multi-media devices,
- acquisition of Invision's mobile entertainment business,
- acquisition of Schwaiger's accessory business,
- acquisition of Thomson's Americas consumer electronics accessory business,
- acquisition of Oehlbach's accessory business,
- acquisition of Incaar's OEM business,
- acquisition of Technuity's accessory business,
- acquisition of Thomson's audio/video business,
- acquisition of Terk Technologies,
- acquisition of Recoton and growth in Jensen sales.

Partially offset by:

- The discontinuance of various high volume/low margin product lines such as navigation, GMRS radios and flat-panel TV's,
- volatility in core mobile, consumer and accessories sales due to increased competition, lower selling prices and the decline in the national and global economy.

Critical Accounting Policies and Estimates

General

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make certain estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions can be subjective and complex and may affect the reported amounts of assets and liabilities, revenues and expenses reported in those financial statements. As a result, actual results could differ from such estimates and assumptions. The significant accounting policies and estimates which we believe are the most critical in fully understanding and evaluating the reported consolidated financial results include the following:

Revenue Recognition

We recognize revenue from product sales at the time of passage of title and risk of loss to the customer either at FOB Shipping Point or FOB Destination, based upon terms established with the customer. Any customer acceptance provisions, which are related to product testing, are satisfied prior to revenue recognition. We have no further obligations subsequent to revenue recognition except for returns of product from customers. We do accept returns of products, if properly requested, authorized and approved. We continuously monitor and track such product returns and record the provision for the estimated amount of such future returns at point of sale, based on historical experience and any notification we receive of pending returns.

Sales Incentives

We offer sales incentives to our customers in the form of (1) co-operative advertising allowances; (2) market development funds; (3) volume incentive rebates and (4) other trade allowances. We account for sales incentives in accordance with ASC 605-50 "Customer Payments and Incentives" ("ASC 605-50"). Except for other trade allowances, all sales incentives require the customer to purchase our products during a specified period of time. All sales incentives require customers to claim the sales incentive within a certain time period (referred to as the "claim period") and claims are settled either by the customer claiming a deduction against an outstanding account receivable or by the customer requesting a check. All costs associated with sales incentives are classified as a reduction of net sales, and the following is a summary of the various sales incentive programs:

Co-operative advertising allowances are offered to customers as a reimbursement towards their costs for print or media advertising in which our product is featured on its own or in conjunction with other companies' products. The amount offered is either a fixed amount or is based upon a fixed percentage of sales revenue or fixed amount per unit sold to the customer during a specified time period.

Market development funds are offered to customers in connection with new product launches or entrance into new markets. The amount offered for new product launches is based upon a fixed amount or fixed percentage of our sales revenue to the customer or a fixed amount per unit sold to the customer during a specified time period. We accrue the cost of co-operative advertising allowances and market development funds at the later of when the customer purchases our products or when the sales incentive

is offered to the customer.

Volume incentive rebates offered to customers require that minimum quantities of product be purchased during a specified period of time. The amount offered is either based upon a fixed percentage of our sales revenue to the customer or a fixed amount per unit sold to the customer. We make an estimate of the ultimate amount of the rebate customers will earn based upon past history with the customer and other facts and circumstances. We have the ability to estimate these volume incentive rebates, as there does not exist a relatively long period of time for a particular rebate to be claimed. Any changes in the estimated amount of volume incentive rebates are recognized immediately using a cumulative catch-up adjustment.

Other trade allowances are additional sales incentives that we provide to customers subsequent to the related revenue being recognized. In accordance with ASC 605-50, we record the provision for these additional sales incentives at the later of when the sales incentive is offered or when the related revenue is recognized. Such additional sales incentives are based upon a fixed percentage of the selling price to the customer, a fixed amount per unit, or a lump-sum amount.

The accrual balance for sales incentives at February 28, 2011 and 2010 was $11,981 and $10,606, respectively. Although we make our best estimate of sales incentive liabilities, many factors, including significant unanticipated changes in the purchasing volume and the lack of claims from customers could have a significant impact on the liability for sales incentives and reported operating results.

We reverse earned but unclaimed sales incentives based upon the expiration of the claim period of each program. Unclaimed sales incentives that have no specified claim period are reversed in the quarter following one year from the end of the program. We believe that the reversal of earned but unclaimed sales incentives upon the expiration of the claim period is a disciplined, rational, consistent and systematic method of reversing unclaimed sales incentives.

For the years ended February 28, 2011, 2010 and 2009, reversals of previously established sales incentive liabilities amounted to $1,725, $2,559 and $4,083, respectively. These reversals include unearned and unclaimed sales incentives. Unearned sales incentives are volume incentive rebates where the customer did not purchase the required minimum quantities of product during the specified time. Volume incentive rebates are reversed into income in the period when the customer did not reach the required minimum purchases of product during the specified time. Reversals of unearned sales incentives for the years ended February 28, 2011, 2010 and 2009 amounted to $977, $1,369 and $1,664, respectively. Unclaimed sales incentives are sales incentives earned by the customer but the customer has not claimed payment within the claim period (period after program has ended). Reversals of unclaimed sales incentives for the years ended February 28, 2011, 2010 and 2009 amounted to $748, $1,190 and $2,419 , respectively.

Accounts Receivable

We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and current credit worthiness, as determined by a review of current credit information. We continuously monitor collections from our customers and maintain a provision for estimated credit losses based upon historical experience and any specific customer collection issues that have been identified. We record charges for estimated credit losses against operating expenses and charges for price adjustments against net sales in the consolidated financial statements. The reserve for estimated credit losses at February 28, 2011 and 2010 were $6,179 and $5,742, respectively. While such credit losses have historically been within management's expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that have been experienced in the past. Since our accounts receivable are concentrated in a relatively few number of large customers, a significant change in the liquidity or financial position of any one of these customers could have a material adverse impact on the collectability of accounts receivable and our results of operations.

Inventories

We value our inventory at the lower of the actual cost to purchase (primarily on a weighted moving average basis, with a portion valued at standard cost) and/or the current estimated market value of the inventory less expected costs to sell the inventory. We regularly review inventory quantities on-hand and record a provision, in cost of sales, for excess and obsolete inventory based primarily from selling price reductions subsequent to the balance sheet date, indications from customers based upon current negotiations, and purchase orders. A significant sudden increase in the demand for our products could result in a short-term increase in the cost of inventory purchases while a significant decrease in demand could result in an increase in the amount of excess inventory quantities on-hand. In addition, our industry is characterized by rapid technological change and frequent new product introductions that could result in an increase in the amount of obsolete inventory quantities on-hand. During the years ended February 28, 2011, 2010 and 2009, we recorded inventory write-downs of $3,911, $2,972 and $13,818, respectively.

Estimates of excess and obsolete inventory may prove to be inaccurate, in which case we may have understated or overstated the provision required for excess and obsolete inventory. Although we make every effort to ensure the accuracy of our forecasts of future product demand, any significant unanticipated changes in demand or technological developments could have a significant impact on the carrying value of inventory and our results of operations.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets, which consists of the excess cost over fair value of assets acquired (goodwill) and other intangible assets (patents, contracts, trademarks and customer relationships) amounted to $106,562 at February 28, 2011 and $104,615 at February 28, 2010. Goodwill and other intangible assets are determined in accordance with ASC 805 "Business Combinations" ("ASC 805") and ASC 350 "Intangibles – Goodwill and Other" ("ASC 350"), see Goodwill and Other Intangible Assets (Note 1(k)).

Goodwill, is calculated as the excess of the cost of purchased businesses over the value of their underlying net assets. The Company has used the Discounted Future Cash Flow Method (DCF) as the principle method to determine the Fair Value ("FV") of acquired businesses. The discount rate used for our analysis was 15.8%. A five-year period was analyzed using a risk adjusted discount rate.

The value of potential intangible assets separate from goodwill are evaluated and assigned to the respective categories using certain methodologies (see Note 1(k)). Certain estimates and assumptions are used in applying these methodologies including projected sales, which include incremental revenue to be generated from the product markets that the Company has not been previously exposed to, disclosed future contracts and adjustments for declines in existing core sales; ongoing market demand for the relevant products; and required returns on tangible and intangible assets. In the event that actual results or market conditions deviate from these estimates and assumptions used, the future FV may be different than that determined by management and may result in an impairment loss.

The Company categorizes its intangible assets between goodwill and intangible assets. Goodwill and other intangible assets that have an indefinite useful life are not amortized. Intangible assets that have a definite useful life are amortized over their estimated useful life.

On an annual basis, or as needed for a triggering event, we test goodwill and other indefinite lived intangible assets for impairment (see Note 1(k)). To determine the fair value of these intangible assets, there are many assumptions and estimates used that directly impact the results of the testing. We have the ability to influence the outcome and ultimate results based on the assumptions and estimates we choose. To mitigate undue influence, we set criteria that are reviewed and approved by various levels of management. Additionally, we may evaluate our recorded intangible assets with the assistance of a third-party valuation firm, as necessary. All reports and conclusions are reviewed by management who have ultimate responsibility for their content. For Fiscal 2011 and Fiscal 2010, management determined that its intangible assets were not impaired. The goodwill balance is attributable to our purchase of Invision, whose purchase price was finalized in the fourth quarter of Fiscal 2011. Management reviewed the performance of Invision since our acquisition and determined that our goodwill is not impaired.

Determining whether impairment of indefinite lived intangibles has occurred requires an analysis of each identifiable asset. If estimates used in the valuation of each identifiable asset proved to be inaccurate based on future results, there could be additional impairment charges in subsequent periods.

Warranties

We offer warranties of various lengths depending upon the specific product. Our standard warranties require us to repair or replace defective product returned by both end users and customers during such warranty period at no cost. We record an estimate for warranty related costs, in cost of sales, based upon actual historical return rates and repair costs at the time of sale. The estimated liability for future warranty expense, which has been included in accrued expenses and other current liabilities, amounted to $5,956 and $7,853 at February 28, 2011 and 2010, respectively. While warranty costs have historically been within expectations and the provisions established, we cannot guarantee that we will continue to experience the same warranty return rates or repair costs that have been experienced in the past. A significant increase in product return rates, or a significant increase in the costs to repair products, could have a material adverse impact on our operating results.

Stock-Based Compensation

As discussed further in "Notes to Consolidated Financial Statements – Note 1(t) Accounting for Stock-Based Compensation," we adopted ASC 718, (formerly FAS No. 123(R)) on December 1, 2005 using the modified prospective method. Through November

30, 2005 we accounted for our stock option plans under the intrinsic value method and as a result no compensation costs had been recognized in our historical consolidated statements of operations.

We have used and expect to continue to use the Black-Scholes option pricing model to compute the estimated fair value of stock-based awards. The Black-Scholes option pricing model includes assumptions regarding dividend yields, expected volatility, expected option term and risk-free interest rates. The assumptions used in computing the fair value of stock-based awards reflect our best estimates, but involve uncertainties relating to market and other conditions, many of which are outside of our control. We estimate expected volatility by considering the historical volatility of our stock, the implied volatility of publicly traded stock options in our stock and our expectations of volatility for the expected term of stock-based compensation awards. As a result, if other assumptions or estimates had been used for options granted in the current and prior periods, the stock-based compensation expense of $1,284 that was recorded for the year ended February 28, 2011 could have been materially different. Furthermore, if different assumptions are used in future periods, stock-based compensation expense could be materially impacted in the future.

Income Taxes

We account for income taxes in accordance with the guidance issued under Statement ASC 740, "Income Taxes" with consideration for uncertain tax positions. We record a valuation allowance to reduce our deferred tax assets to the amount of future tax benefit that is more likely than not to be realized.

During Fiscal 2011, the Company recorded an income tax benefit of $16.3 million through a partial reduction of its valuation allowance as a significant portion of its deferred tax assets became realizable on a more-likely-than-not basis as a result of current operating results and forecasts of pre-tax earnings. The Company maintains a valuation allowance against deferred tax assets in certain foreign jurisdictions and with respect to its foreign tax credits and various investments which are more likely than not to generate capital losses in the future. Any further decline in the valuation allowance could have a favorable impact on our income tax provision and net income in the period in which such determination is made.

Since March 1, 2007, the Company accounted for uncertain tax positions in accordance with the authoritative guidance issued under ASC 740, which addresses the determination of whether tax benefits claimed or expected to be claimed on tax returns should be recorded in the financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company provides loss contingencies for federal, state and international tax matters relating to potential tax examination issues, planning initiatives and compliance responsibilities. The development of these reserves requires judgments about tax issues, potential outcomes and timing, which if different, may materially impact the Company's financial condition and results of operations. The Company classifies interest and penalties associated with income taxes as a component of income tax expense (benefit) on the consolidated statement of operations.

Results of Operations

Included in Item 8 of this annual report on Form 10-K are the consolidated balance sheets at February 28, 2011 and 2010 and the consolidated statements of operations, consolidated statements of stockholders' equity and consolidated statements of cash flows for the years ended February 28, 2011, 2010 and 2009. In order to provide the reader meaningful comparison, the following analysis provides comparison of the audited year ended February 28, 2011 with the audited years ended February 28, 2010, and 2009. We analyze and explain the differences between periods in the specific line items of the consolidated statements of operations.

Year Ended February 28, 2011 Compared to the Years Ended February 28, 2010 and February 28, 2009

Continuing Operations

The following table sets forth, for the periods indicated, certain Statement of Operations data for the years ended February 28, 2011 ("Fiscal 2011"), February 28, 2010 ("Fiscal 2010") and February 28, 2009 ("Fiscal 2009").

Net Sales

	Fiscal 2011	Fiscal 2010	Fiscal 2009
Electronics	$ 415,167	$ 375,021	$ 449,433
Accessories	146,505	175,674	153,666
Total net sales	$ 561,672	$ 550,695	$ 603,099

Fiscal 2011

Electronics sales, which include both mobile and consumer electronics increased $40,146 in Fiscal 2011. This is a result of the recent acquisition of Invision which accounted for approximately $47 million, and the favorable increase in our other OEM groups as a result of new product offerings and increased automotive sales. Revenue increased in our security groups due to new product introduction and strong remote start sales. Finally, video sales were also up as a result of increased sales in the automotive market. This was partially offset by a decline in Flo TV sales due to Qualcomm's withdrawal from the direct TV market; a decline in satellite radio sales as a result of streamlined SKU's; product shortfalls as a result of a transition to new products and vendors in the portable DVD market; slower sales in our audio line and consumer good products including camcorders, clock radios and voice recorders.

Accessories sales decreased $29,169. This group was impacted by slower retail sales for products utilizing our accessory products at the retail level such as digital cables and antennas. The group has added a more diverse group of customers, however, the general economy has had an impact on sales. These declines were partially offset by our recent acquisition of Schwaiger which was present for all of Fiscal 2011.

Fiscal 2010

Electronics sales, which include both mobile and consumer electronics declined $74,412 in Fiscal 2010. The Company had anticipated the decline based on economic conditions and adjusted its inventory positions accordingly. In Fiscal 2009, the Company announced its decision to exit various high volume/low profit product categories including flat-panel TV's, portable navigation, GMRS and certain digital picture frames. In Fiscal 2010, only residual inventories were sold. The Company chose not to participate in a number of seasonal promotions in both the digital and portable DVD categories due to insufficient margins. We partially offset these declines through increased satellite sales as a result of a new agreement with Sirius/XM and the introduction of our Flo-TV product line.

Accessories sales increased $22,008 due to the Schwaiger acquisition and the introduction of new products and new customers. These increases were partially offset by lower digital antennae sales caused by high load-ins in Fiscal 2009.

Sales incentive expenses were $26,279, $27,070 and $19,794 for Fiscal 2011, 2010 and 2009, respectively, which included reversals for unclaimed and unearned sales incentives of $1,725, $2,559 and $4,083, respectively. We believe the reversal of unearned and earned but unclaimed sales incentives upon the expiration of the claim period is a disciplined, rational, consistent and systematic method of reversing unearned and earned but unclaimed sales incentives. These sales incentive programs are expected to continue and will either increase or decrease based upon competition and customer demands.

Gross Profit

	Fiscal 2011	Fiscal 2010	Fiscal 2009
Gross profit	$ 123,937	$ 106,751	$ 100,268
Gross margin percentage	22.1%	19.4%	16.6%

Fiscal 2011

Gross margins for Fiscal 2011 increased 270 basis points as a result of improved margins throughout our product lines; a shift in product mix as products moved to OEM and security and less dependence on consumer electronics sales; lower freight and warehousing costs as a result of i) a logistics reconfiguration for product distribution, ii) the closing of a public warehouse, and iii) the renegotiation of an existing public warehouse contract; and the realization of a full year's sales from our Invision acquisition.

Fiscal 2010

Gross margins for Fiscal 2010 increased 280 basis points due to the introduction of new products, the Company's Schwaiger acquisition, improvement in inventory provisions related to obsolescence, and the absence of inventory write-downs associated with the exit of our portable navigation category, which negatively impacted our margins during Fiscal 2009. As a result of our cost-containment efforts, we have lowered our inventory handling costs.

Operating Expenses and Operating Income / (Loss)

	Fiscal 2011	Fiscal 2010	Fiscal 2009
Operating Expenses:			
Selling	$ 34,517	$ 30,147	$ 33,505
General and administrative	68,469	63,063	70,870
Goodwill and intangible asset impairment	—	—	38,814
Engineering and technical support	11,934	9,781	10,522
Total Operating Expenses	$ 114,920	$ 102,991	$ 153,711
Operating income (loss)	$ 9,017	$ 3,760	$ (53,443)

Fiscal 2011

Operating expenses increased $11,929 in Fiscal 2011 as compared to Fiscal 2010 primarily due to our Invision acquisition which added approximately $8,300 in overhead year over year; an increase in professional fees of approximately $3,000, as a result of i) approximately $990 in Klipsch acquisition fees, ii) increased legal fees as a result of defense of royalty rights and infringements, and iii) increased audit fees as a result of Company expansion; and the return of temporary salary reductions to all employees at the vice president level and above. The Company also experienced increases in advertising and trade show expenses in our International operations of approximately $900, and $830 in higher bad debt provisions primarily as a result of the finalization of a bankruptcy settlement and increased reserves for a certain customer.

Fiscal 2010

Operating expenses decreased $50,720 in Fiscal 2010 as compared to Fiscal 2009. The decrease in total operating expenses for the comparable periods was primarily due to the absence of the goodwill and intangible asset charge of $38,814 in Fiscal 2009. Further decreases were realized through the overhead reduction program and cost containment efforts the Company instituted in the second half of Fiscal 2009, which included a one time charge of approximately $1 million related to these efforts. These programs addressed cost containment in all areas of the Company. Overall employee headcount was reduced by approximately 18% prior to the Schwaiger and Invision acquisitions. Additional savings were realized in the majority of the Company's expense categories including advertising, occupancy, employee benefits, professional fees and travel and entertainment. Bad debt expense decreased for the comparable periods as a result of lower provisions recorded due to reversals associated with improved customer positions. Expenses for Fiscal 2010 were impacted by approximately $5,640 by the incremental costs associated with the issuance of stock options and warrants and the acquisition of the Schwaiger and Invision operations during the second half of the year. In the fourth quarter, the Company returned the 10% temporary salary reduction to all employees below the level of vice president. Executive management elected not to participate. The Company continues to review and analyze its overhead in relationship to its revenue. If necessary, further revisions to our overhead structure will be implemented.

Other Income/(Expense)

	Fiscal 2011	Fiscal 2010	Fiscal 2009
Interest and bank charges	$ (2,630)	$ (1,556)	$ (1,817)
Equity in income of equity investees	2,905	1,657	975
Gain on bargain purchase	—	5,418	—
Other, net	3,204	1,876	(1,669)
Total other income (expense)	$ 3,479	$ 7,395	$ (2,511)

Fiscal 2011

Other income decreased $3,916 primarily as a result of the $5,400 gain on bargain purchase from the Company's Schwaiger acquisition and a gain recorded on a foreign exchange contract both recorded in Fiscal 2010, and a loss of approximately $300 associated with the write-off of a portion of a notes receivable recorded in connection with the Company's divestiture of its Malaysian operation, partially offset by the net foreign exchange gain on U.S. dollar denominated assets and liabilities in Venezuela and an other-than-temporary impairment of $1.5 million on a investment of the Company.

Interest and bank charges increased due to interest recorded to accrete contingent consideration and future liabilities recorded in connection with our acquisitions.

Equity in income of equity investees increased due to increased equity income of Audiovox Specialized Applications, Inc. (ASA) as a result of improved sales and profitability due to improvements in the commercial and RV sector of its business.

Fiscal 2010

Other income increased $9,906 primarily as a result of a $5,400 gain on bargain purchase from the Company's Schwaiger acquisition, and the absence of charges associated with a vendor bankruptcy in the prior year, and a gain recorded on a foreign exchange contract, partially offset by an other-than-temporary impairment on an equity investment of the Company.

Interest and bank charges decreased due to the reduction of debt in our international subsidiaries.

Equity in income of equity investees increased due to increased equity income of Audiovox Specialized Applications, Inc. (ASA) as a result of cost containment efforts and improved sales.

Income Tax Provision

The effective tax rate in Fiscal 2011 was an income tax benefit of (84.3)% on pre-tax income from continuing operations of $12,496 as compared to a benefit of (101.5)% on a pre-tax income of $11,155 from continuing operations in the prior year.

The effective tax rate in Fiscal 2011 was lower than the statutory tax rate due the Company's ability to record an income tax benefit as a significant portion of the Company's deferred tax assets became realizable on a more-likely-than-not basis based on current operating results and forecasts of pre-tax earnings and U.S. taxable income.

The effective tax rate in Fiscal 2010 was lower than the statutory rate due the Company's ability to record an income tax benefit through a reduction in its valuation allowance of $10.1 million in connection with the carryback of certain net operating losses as a result of new legislation enacted in Fiscal 2010, and the recognition of $4.6 million of uncertain tax positions as the result of the expiration of various statute of limitations.

Net Income

The following table sets forth, for the periods indicated, selected statement of operations data beginning with operating income (loss) from continuing operations to reported net income (loss) and basic and diluted net income (loss) per common share:

	Fiscal 2011	Fiscal 2010	Fiscal 2009
Operating income (loss)	$ 9,017	$ 3,760	$ (53,443)
Other income (loss), net	3,479	7,395	(2,511)
Income (loss) from continuing operations before income taxes	12,496	11,155	(55,954)
Income tax benefit (expense)	10,535	11,328	(15,075)
Net income (loss)	$ 23,031	$ 22,483	$ (71,029)
Net income (loss) per common share:			
Basic	$ 1.00	$ 0.98	$ (3.11)
Diluted	$ 1.00	$ 0.98	$ (3.11)

In Fiscal 2011, net income was favorably impacted by the net tax benefits of approximately $10,500 as a result of a partial reduction of a valuation allowance on deferred taxes. During Fiscal 2010, the Company was impacted by several non-standard charges related to the economy, market conditions, customers and other events as outlined in the Annual Report for Fiscal 2010. Net income (loss) was also favorably impacted by sales incentive reversals of $1,725 ($0 after taxes), $2,559 ($0 after taxes) and $4,083 ($0 after taxes) in Fiscal 2011, 2010 and 2009, respectively.

Liquidity and Capital Resources

Cash Flows, Commitments and Obligations

As of February 28, 2011, we had working capital of $258,528 which includes cash and cash equivalents of $98,630 compared with working capital of $239,787 at February 28, 2010, which included cash and cash equivalents of $69,511. During the fiscal year, the Company sold its investment in auction rate securities, bought and sold an investment in mutual funds, collected on a put option associated with the bankruptcy of a customer, and had improved collections on accounts receivable. These increases were partially offset by a reduction in inventory movements and a decrease in accounts payable and accrued expenses. We plan to utilize our current cash position as well as collections from accounts receivable, the cash generated from our operations and the income on our investments to fund the current operations of the business. However, we may utilize all or a portion of current capital resources to pursue other business opportunities, including acquisitions or pay down our debt. The following table summarizes our cash flow activity for all periods presented:

	Year Ended February 28, 2011	Year Ended February 28, 2010	Year Ended February 28, 2009
Cash provided by (used in):			
Operating activities	$ 32,130	$ 28,222	$ 30,006
Investing activities	1,420	(25,009)	(3,991)
Financing activities	(4,382)	(1,222)	4,655
Effect of exchange rate changes on cash	(49)	(1,984)	(507)
Net increase in cash and cash equivalents	$ 29,119	$ 7	$ 30,163

Operating activities provided cash of $32,130 for Fiscal 2011 from: i) net income generated from operations of $23,031, and depreciation and amortization of $7,865, and ; ii) decreased accounts receivable due to improved collections; partially offset by increased inventory and decreased accounts payable and accrued expenses due to the timing and payment of invoices and expenses.

Investing activities provided cash of $1,420 during Fiscal 2011, primarily due to the sale of its auction rate securities, partially offset by capital expenditures.

Financing activities used cash of $4,382 during Fiscal 2011, primarily from the repayment of the Suntrust loan and bank obligations.

As of February 28, 2011, we had a domestic three-year credit facility to fund the temporary short-term working capital needs of the Company which allowed aggregate borrowings of up to $15,000 at an interest rate of LIBOR plus 3.5%. This facility was terminated and replaced as indicated below on March 1, 2011.

As of March 1, 2011, the Company has a revolving credit facility (the "Credit Facility") with an aggregated committed availability of up to $175 million (the "Maximum Credit"). This amount may be increased at the option of the Company up to a maximum of $200 million. The Credit Facility includes a $25 million sublimit for issuances of letters of credit and a $20 million sublimit for Swing Loans.

The Company may borrow under the Credit Facility as needed, provided the aggregate amounts outstanding will not exceed 85% of certain eligible accounts receivable, plus 65% of certain eligible inventory balances less the outstanding amounts for Letters of Credit Usage, if applicable. This amount may be further reduced by the aggregated amounts of reserves that may be required at the reasonable discretion of Wells Fargo in its role as the Administrative Agent.

Generally, the Company may designate specific borrowings under the Credit Facility as either Base Rate Loans or LIBOR Rate Loans, except that Swing Loans may only be designated as Base Rate Loans. Loans designated as LIBOR Rate Loans shall bear interest at a rate equal to the then applicable LIBOR rate plus a range of 2.25 - 2.75% based on excess availability in the borrowing base. Loans designated as Base Rate loans shall bear interest at a rate equal to the base rate plus an applicable margin ranging from 1.25 - 1.75% based on excess availability in the borrowing base.

All amounts outstanding under the Credit Facility will mature and become due on March 1, 2016. The Company may prepay any amounts outstanding at any time, subject to payment of certain breakage and redeployment costs relating to LIBOR Rate Loans. The commitments under the Credit Facility may be irrevocably reduced at any time without premium or penalty.

The Credit Agreement contains covenants that limit the ability of certain entities of the Company to, among other things: (i) incur additional indebtedness; (ii) incur liens; (iii) merge, consolidate or exit a substantial portion of their business; (iv) transfer or dispose of assets; (v) change their names, organizational identification number, state or province of organization or organizational identity; (vi) make any material change in their nature of business; (vii) prepay or otherwise acquire indebtedness; (viii) cause any Change of Control; (ix) make any Restricted Junior Payment; (x) change their fiscal year or method of accounting; (xi) make advances, loans or investments; (xii) enter into or permit any transactions with an Affiliate of certain entities of the Company; (xiii) use proceeds for certain items; (xiv) issue or sell any of their stock; and/pr (xv) consign or sell any of their inventory on certain terms.

In addition, at any time that Excess Availability falls below 12.5% of the Maximum Credit, the Company must maintain a minimum Fixed Charge Coverage Ratio for certain entities, of not less than 1.0:1.0 until such time as Excess Availability has equaled or exceeded 12.5% of the Maximum Availability at all times for a period of thirty (30) consecutive days.

The Credit Agreement contains customary events of default, including, without limitation: failure to pay when due principal amounts in respect of the Credit Facility; failure to pay any interest or other amounts under the Credit Facility for a period of three (3) business days after becoming due; failure to comply with certain agreements or covenants in the Credit Agreement; failure to satisfy certain judgments against a Loan Party or any of its Subsidiaries; certain insolvency and bankruptcy events; and failure to pay when due certain indebtedness in principal amount in excess of $5 million.

The Obligations under the Credit Facility are secured by a general lien on and security interest in substantially all of the assets of certain entities of the Company, including accounts receivable, equipment, real estate, general intangibles and inventory. The Company has guaranteed the obligations of all entities under the Credit Agreement.

On March 1, 2011, the Company borrowed approximately $89 million under this credit facility as a result of its stock purchase agreement related to Klipsch Group, Inc (see Subsequent Event footnote, note 15, in this Form 10K).

In addition, Audiovox Germany has accounts receivable factoring arrangements totaling 16,000 Euro, a 4,000 Euro Asset-Based Lending ("ABL") credit facility and a 2,000 credit line.

Certain contractual cash obligations and other commercial commitments will impact our short and long-term liquidity. At February 28, 2011, such obligations and commitments are as follows:

	Payments Due by Period (8)				
Contractual Cash Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Capital lease obligation (1)	$ 9,885	$ 534	$ 1,148	$ 1,148	$ 7,055
Operating leases (2)	21,201	4,825	6,033	4,237	6,106
Total contractual cash obligations	$ 31,086	$ 5,359	$ 7,181	$ 5,385	$ 13,161

	Amount of Commitment Expiration per period				
Other Commercial Commitments	**Total Amounts Committed**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 years**
Bank obligations (3)	$ 1,902	$ 1,902	$ —	$ —	$ —
Stand-by letters of credit (4)	2,817	2,817	—	—	—
Commercial letters of credit (4)	1	1	—	—	—
Debt (5)	8,464	2,569	5,895	—	—
Contingent earn-out payments and other (6)	6,977	2,308	3,896	773	—
Unconditional purchase obligations (7)	59,885	59,885	—	—	—
Total commercial commitments	$ 111,132	$ 74,841	$ 16,972	$ 6,158	$ 13,161

(1) Represents total payments (interest and principal) due under a capital lease obligation which has a current (included in other current liabilities) and long term principal balance of $102 and $5,348, respectively at February 28, 2011.

(2) We enter into operating leases in the normal course of business.

(3) Represents amounts outstanding under the Audiovox Germany factoring agreement at February 28, 2011.

(4) Commercial letters of credit are issued during the ordinary course of business through major domestic banks as requested by certain suppliers. We also issue standby letters of credit to secure certain bank obligations and insurance requirements.

(5) Represents amounts outstanding under term loan agreements in connection with the Oehlbach and Invision acquisitions. This amount also includes amounts due under a call-put option with certain employees of Audiovox Germany.

(6) Represents contingent payments and other liabilities in connection with the Thomson Accessory, Oehlbach and Invision acquisitions (see Note 2 of the Consolidated Financial Statements).

(7) Open purchase obligations represent inventory commitments. These obligations are not recorded in the consolidated financial statements until commitments are fulfilled and such obligations are subject to change based on negotiations with manufacturers.

(8) At February 28, 2011, the Company had unrecognized tax benefits of $3,335, including $1,738 of excess tax benefits for stock-compensation deductions which have not yet reduced the Company's current taxes payable as prescribed by ASC 718. A reasonable estimate of the timing related to the $1,597 of liabilities is not possible.

We regularly review our cash funding requirements and attempt to meet those requirements through a combination of cash on hand, cash provided by operations, available borrowings under bank lines of credit and possible future public or private debt and/or equity offerings. At times, we evaluate possible acquisitions of, or investments in, businesses that are complementary to ours, which transactions may require the use of cash. We believe that our cash, other liquid assets, operating cash flows, credit arrangements, access to equity capital markets, taken together, provides adequate resources to fund ongoing operating expenditures. In the event that they do not, we may require additional funds in the future to support our working capital requirements or for other purposes and may seek to raise such additional funds through the sale of public or private equity and/or debt financings as well as from other sources. No assurance can be given that additional financing will be available in the future or that if available, such financing will be obtainable on terms favorable when required.

Off-Balance Sheet Arrangements

We do not maintain any off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities that would be expected to have a material current or future effect upon our financial condition or results of operations.

Impact of Inflation and Currency Fluctuation

To the extent that we expand our operations into Europe, Canada, Latin America and the Pacific Rim, the effects of inflation and currency fluctuations could impact our financial condition and results of operations. While the prices we pay for products purchased from our suppliers are principally denominated in United States dollars, price negotiations depend in part on the foreign currency of foreign manufacturers, as well as market, trade and political factors. The Company also has exposure related to transactions in which the currency collected from customers is different from the currency utilized to purchase the product sold in its foreign operations. In Fiscal 2010 and Fiscal 2011, our German subsidiary entered into certain forward contracts to hedge the currency exposure for its U.S. dollar denominated assets, liabilities and future commitments. The Company minimized the risk of nonperformance on the forward contracts by transacting with a major financial institution in the European market. The contracts opened in Fiscal 2010 were not specifically connected to any assets, liabilities or future commitments, and as such the gains or losses associated with these foreign exchange contracts were evaluated and recorded, as applicable, on the measurement date. As of February 28, 2011, all of these foreign exchange contracts opened in Fiscal 2010 were closed. One contract with a fair value of $85 remains to be settled. During Fiscal 2011, we recorded a gain of $828 associated with the Fiscal 2010 contracts. In Fiscal 2011, the Company opened forward exchange contracts with a notional value of approximately $25 million which were specifically designated for hedging. As of February 28, 2011, unrealized gains of $238 were recorded in other comprehensive income associated with these contracts (see Note 1(e)).

On January 8, 2010, the Venezuelan government announced its intention to devalue its currency (Bolivar fuerte) and move to a two tier exchange structure, 2.60 for essential goods and 4.30 for non-essential goods and services. Products sold by our Venezuelan operation are classified as non-essential, however, the Company has certain US dollar denominated assets and liabilities for which the 2.60 rate was applied. During the nine months ended November 30, 2010, a foreign exchange loss of approximately $1.5 million had been recorded in the Company's financial statements associated with its U.S. dollar denominated investment. This loss had been offset by the foreign exchange gain recorded on its U.S. dollar denominated intercompany debt. Losses of $336 associated with the above investment, recorded prior to the transition to hyperinflationary accounting on March 1, 2010, were reclassified from Other comprehensive income/(loss) to investments during the three months ended February 28, 2011. In January, 2011, the Venezuelan government eliminated the two-tier exchange rate. As such, the US dollar denominated assets and liabilities which were previously recorded at 2.60 were revalued at 4.30. During the three months ended February 28, 2011, a translation gain of approximately $2,900 was recorded through the financial statements associated with its TICC bond (See Note 1(f)). This gain was offset by approximately a $1,500 loss on U.S. dollar denominated intercompany debt.

Effective January 1, 2010, according to the guidelines in ASC 830, Venezuela had been designated as a hyper-inflationary economy. A hyper-inflationary economy designation occurs when a country has experienced cumulative inflation of approximately 100 percent or more over a 3 year period. The hyper-inflationary designation requires the local subsidiary in Venezuela to record all transactions as if they were denominated in U.S. dollars. The Company transitioned to hyper-inflationary accounting on March 1, 2010 and will continue to account for Venezuela under this method.

Seasonality

We typically experience seasonality in our operations. We generally sell a substantial amount of our products during September, October and November due to increased promotional and advertising activities during the holiday season. Our business is also significantly impacted by the holiday season and electronic trade shows in December and January.

Related Party Transactions

During 1998, we entered into a 30-year capital lease for a building with our principal stockholder and chairman, which was the headquarters of the discontinued Cellular operation sold in 2004. Payments on the capital lease were based upon the construction costs of the building and the then-current interest rates. This capital lease was refinanced in December 2006 and the lease expires on November 30, 2026. The effective interest rate on the capital lease obligation is 8%. On November 1, 2004, we entered into an agreement to sublease the building to UTStarcom for monthly payments of $46 until November 1, 2009. The sublease lease agreement has been renewed and requires, for a term of three years, monthly payments of $50 until November 1, 2012. We also lease another facility from our principal stockholder which expires on November 30, 2016. Total lease payments required under all related party leases for the five-year period ending February 28, 2015 are $6,735.

Recent Accounting Pronouncements

We are required to adopt certain new accounting pronouncements. See Note 1(v) to our consolidated financial statements of this Annual Report on Form 10-K.

Item 7A-Quantitative and Qualitative Disclosures About Market Risk

The market risk inherent in our market instruments and positions is the potential loss arising from adverse changes in marketable equity security prices, interest rates and foreign currency exchange rates.

Marketable Securities

Marketable securities at February 28, 2011, which are recorded at fair value of $3,872, include an unrealized loss of $1,157 and have exposure to price fluctuations. This risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in prices quoted by stock exchanges and amounts to $387 as of February 28, 2011. Actual results may differ.

Interest Rate Risk

Our earnings and cash flows are subject to fluctuations due to changes in interest rates on investment of available cash balances in money market funds and investment grade corporate and U.S. government securities. Currently, we do not use interest rate derivative instruments to manage exposure to interest rate changes. In addition, our bank loans expose us to changes in short-term interest rates since interest rates on the underlying obligations are either variable or fixed.

Foreign Exchange Risk

We are subject to risk from changes in foreign exchange rates for our subsidiaries and marketable securities that use a foreign currency as their functional currency and are translated into U.S. dollars. These changes result in cumulative translation adjustments, which are included in accumulated other comprehensive income (loss). At February 28, 2011, we had translation exposure to various foreign currencies with the most significant being the Euro, Thailand Baht, Malaysian Ringgit, Hong Kong Dollar, Mexican Peso, Venezuelan Bolivar and Canadian Dollar. The potential loss resulting from a hypothetical 10% adverse change in quoted foreign currency exchange rates, as of February 28, 2011 amounts to $2,920. Actual results may differ.

Item 8-Consolidated Financial Statements and Supplementary Data

The information required by this item begins on page 33 of this Annual Report on Form 10-K and is incorporated herein by reference.

Item 9-Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable

Item 9A-Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Audiovox Corporation and subsidiaries (the "Company") maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities and Exchange Act is recorded, processed, summarized, and reported within the time periods specified in accordance with the SEC's rules and regulations, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosures.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to the Securities and Exchange Act Rule 13a-15. Based upon this evaluation as of February 28, 2011, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective and adequately designed.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting; as such term is defined in the Securities and Exchange Act Rules 13a-15(f) and 15d-15(f). The Company's internal control over

financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated the effectiveness of the Company's internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting as of February 28, 2011. Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as of February 28, 2011 based on the COSO criteria.

The certifications of the Company's Chief Executive Officer and Chief Financial Officer included in Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K includes, in paragraph 4 of such certifications, information concerning the Company's disclosure controls and procedures and internal control over financial reporting. Such certifications should be read in conjunction with the information contained in this Item 9A. Controls and Procedures, for a more complete understanding of the matters covered by such certifications.

The effectiveness of the Company's internal control over financial reporting as of February 28, 2011, has been audited by Grant Thornton LLP, an independent registered public accounting firm who also audited the Company's consolidated financial statements. Grant Thornton LLP's attestation report on the effectiveness of the Company's internal control over financial reporting is included below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Audiovox Corporation

We have audited Audiovox Corporation (a Delaware corporation) and subsidiaries' (the "Company") internal control over financial reporting as of February 28, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Audiovox Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of February 28, 2011, based on criteria established in Internal Control – Integrated Framework issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Audiovox Corporation and subsidiaries as of February 28, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the three years in the period ended February 28, 2011, and our report dated May 16, 2011 expressed an unqualified opinion thereon.

/s/ GRANT THORNTON LLP

Melville, New York
May 16, 2011

Changes in Internal Controls Over Financial Reporting

There were no material changes in our internal control over financial reporting (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the most recently completed fiscal fourth quarter ended February 28, 2011 covered by this report, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B - Other Information

Not Applicable

PART III

Item 10 - Directors, Executive Officers and Corporate Governance

Executive Officers of the Registrant

The following is a list of our executive officers as of February 28, 2011:

Name	Age	Date First Elected Officer	Present Title
Patrick M. Lavelle	59	1980	President and Chief Executive Officer
Charles M. Stoehr	64	1978	Senior Vice President and Chief Financial Officer
Thomas Malone	56	1986	Senior Vice President of Sales
C. David Geise	60	2007	Senior Vice President of Sales
Loriann Shelton	54	1994	Senior Vice President of Accounting and Credit
Chris Lis Johnson	59	1986	Vice President of Employee Programs and Corporate Secretary

Mr. Patrick M. Lavelle was elected President and Chief Executive Officer of Audiovox Corporation in May 2005. From 1991 to 2005, Mr. Lavelle was Senior Vice President of Audiovox Corporation. From 1980 to 1991, Mr. Lavelle held the position of Vice President of Audiovox Corporation. In 1993, Mr. Lavelle was elected to the Board of Directors and serves as a Director of most of Audiovox's operating subsidiaries.

Mr. Charles M. Stoehr has been the Chief Financial Officer of Audiovox Corporation since 1978. In 1990, he was elected Senior Vice President of Audiovox Corporation. Mr. Stoehr was elected to the Board of Directors in 1987 and serves as a Director of most of Audiovox Corporation's operating subsidiaries.

Mr. Thomas Malone has held the position of Senior Vice President of Sales of Audiovox Corporation from 2006 - present. In 2007, Mr. Malone was appointed President of Audiovox Electronics Corporation (a subsidiary of Audiovox Corporation). From 1986 to 2006, Mr. Malone was Vice President of Sales for Audiovox Electronics Corporation.

Mr. David Geise has been President of Audiovox Accessories, Corp. (a subsidiary of Audiovox Corporation) and a Senior Vice President of Audiovox Corporation since 2007. From 1998 - 2006, Mr. Geise held numerous executive positions with Thomson Consumer Electronics. From 2001 - 2006, Mr. Geise was Vice President and General Manager Thomson Accessories World-Wide. In 2006, Mr. Geise also held the position of Vice President of International Business Americas.

Ms. Loriann Shelton has held the position of Senior Vice President of Accounting and Credit of Audiovox Corporation from 2006 - present. During this period, she has been Chief Financial Officer of Audiovox Electronics Corporation (a subsidiary of Audiovox Corporation). From 1994 - 2006, Ms. Shelton was Vice President of Finance and Controller for Audiovox Electronics Corporation.

Ms. Chris Lis Johnson has held the position of Corporate Secretary of Audiovox Corporation since 1980. She has been Vice President of Audiovox Corporation since 1986. From 2006 to present, she has been Vice President of Employee Programs. From 1994 to 2006, she was Vice President of Systems Management.

Under the Company's By-Laws, the officers of the corporation hold office until their respective successors are chosen and qualified or until they have resigned, retired or been removed by the affirmative vote of a majority of the Board of Directors. There are no family relationships between any of the executive officers, and there is no arrangement or understanding between any executive officer and any other person pursuant to which the executive officer was elected.

Items 11 - 14

The information required by Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters), Item 13 (Certain Relationships and Related Transactions, and Director Independence) and Item 14 (Principal Accounting Fees and Services) of Form 10-K, will be included in our Proxy Statement for the Annual meeting of Stockholders, which will be filed on or before June 28, 2011, and such information is incorporated herein by reference.

PART IV

Item 15-Exhibits, Financial Statement Schedules

(1 and 2) Financial Statements and Financial Statement Schedules. See Index to Consolidated Financial Statements attached hereto.

(3) Exhibits. A list of exhibits is included subsequent to Schedule II on page S-1.

AUDIOVOX CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Audiovox Corporation

We have audited the accompanying consolidated balance sheets of Audiovox Corporation (a Delaware corporation) and subsidiaries (the "Company") as of February 28, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the three years in the period ended February 28, 2011. Our audits of the basic financial statements included the financial statement schedule listed in the index appearing under Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Audiovox Corporation and subsidiaries as of February 28, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended February 28, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Audiovox Corporation and subsidiaries' internal control over financial reporting as of February 28, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated May 16, 2011 expressed an unqualified opinion thereon.

/s/ GRANT THORNTON LLP

Melville, New York
May 16, 2011

Audiovox Corporation and Subsidiaries
Consolidated Balance Sheets
February 28, 2011 and 2010
(In thousands, except share data)

	February 28, 2011	February 28, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 98,630	$ 69,511
Accounts receivable, net	108,048	131,266
Inventory	113,620	102,717
Receivables from vendors	8,382	11,170
Prepaid expenses and other current assets	9,382	16,311
Income tax receivable	—	1,304
Deferred income taxes	2,768	47
Total current assets	340,830	332,326
Investment securities	13,500	15,892
Equity investments	12,764	11,272
Property, plant and equipment, net	19,563	22,145
Goodwill	7,373	7,389
Intangible assets	99,189	97,226
Deferred income taxes	6,244	515
Other assets	1,634	2,213
Total assets	$ 501,097	$ 488,978
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 27,341	$ 36,126
Accrued expenses and other current liabilities	36,500	35,790
Income taxes payable	1,610	—
Accrued sales incentives	11,981	10,606
Deferred income taxes	399	1,931
Current portion of long-term debt	4,471	8,086
Total current liabilities	82,302	92,539
Long-term debt	5,895	6,613
Capital lease obligation	5,348	5,490
Deferred compensation	3,554	3,158
Other tax liabilities	1,788	1,219
Deferred tax liabilities	4,919	8,502
Other long term liabilities (see Note 2)	4,345	7,194
Total liabilities	108,151	124,715
Commitments and contingencies		
Stockholders' equity:		
Preferred stock:		
No shares issued or outstanding (see Note 7)	—	—
Common stock:		
Class A, $.01 par value; 60,000,000 shares authorized, 22,630,837 and 22,441,712 shares issued, 20,813,005 and 20,622,905 shares outstanding at February 28, 2011 and February 28 2010, respectively	226	225
Class B convertible, $.01 par value; 10,000,000 shares authorized, 2,260,954 shares issued and outstanding	22	22
Paid-in capital	277,896	275,684
Retained earnings	137,027	113,996
Accumulated other comprehensive loss	(3,849)	(7,278)
Treasury stock, at cost, 1,817,832 and 1,818,807 shares of Class A common stock at February 28, 2011 and February 28, 2010, respectively	(18,376)	(18,386)
Total stockholders' equity	392,946	364,263
Total liabilities and stockholders' equity	$ 501,097	$ 488,978

See accompanying notes to consolidated financial statements.

Audiovox Corporation and Subsidiaries
Consolidated Statements of Operations
Years Ended February 28, 2011, 2010 and 2009
(In thousands, except share and per share data)

	Year Ended February 28, 2011	Year Ended February 28, 2010	Year Ended February 28, 2009
Net sales	$ 561,672	$ 550,695	$ 603,099
Cost of sales	437,735	443,944	502,831
Gross profit	123,937	106,751	100,268
Operating expenses:			
Selling	34,517	30,147	33,505
General and administrative	68,469	63,063	70,870
Goodwill and intangible asset impairment	—	—	38,814
Engineering and technical support	11,934	9,781	10,522
Total operating expenses	114,920	102,991	153,711
Operating income (loss)	9,017	3,760	(53,443)
Other income (expense):			
Interest and bank charges	(2,630)	(1,556)	(1,817)
Equity in income of equity investee	2,905	1,657	975
Gain on bargain purchase	—	5,418	—
Other, net	3,204	1,876	(1,669)
Total other income (expenses), net	3,479	7,395	(2,511)
Income (loss) from operations before income taxes	12,496	11,155	(55,954)
Income tax benefit (expense)	10,535	11,328	(15,075)
Net income (loss)	$ 23,031	$ 22,483	$ (71,029)
Net income (loss) per common share (basic)	$ 1.00	$ 0.98	$ (3.11)
Net income (loss) per common share (diluted)	$ 1.00	$ 0.98	$ (3.11)
Weighted-average common shares outstanding (basic)	22,938,754	22,875,651	22,860,402
Weighted-average common shares outstanding (diluted)	23,112,518	22,919,665	22,860,402

See accompanying notes to consolidated financial statements.

Audiovox Corporation and Subsidiaries
Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss)
Years Ended February 28, 2011, 2010 and 2009
(In thousands, except share data)

	Class A and Class B Common Stock	Paid-in Capital	Retained Earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Stock-holders' equity
Balances at February 29, 2008	$ 246	$ 274,282	$ 162,542	$ 4,847	$ (18,404)	$ 423,513
Comprehensive income:						
Net loss	—	—	(71,029)	—	—	(71,029)
Foreign currency translation adjustment	—	—	—	(7,486)	—	(7,486)
Unrealized loss on marketable securities, net of tax effect	—	—		(4,686)	—	(4,686)
Other comprehensive loss	—	—	—	—	—	(12,172)
Comprehensive loss	—	—	—		—	(83,201)
Exercise of stock options into 10,000 shares of common stock	—	47	—	—	—	47
Tax benefit of stock options exercised	—	20	—	—		20
Reversal of tax benefit from stock options expired	—	(190)	—	—	—	(190)
Stock-based compensation expense	—	309	—	—	—	309
Issuance of 800 shares of treasury stock	—	(4)	—	—	8	4
Balances at February 28, 2009	$ 246	$ 274,464	$ 91,513	$ (7,325)	$ (18,396)	$ 340,502
Comprehensive income:						
Net income	—	—	22,483	—	—	22,483
Foreign currency translation adjustment	—	—	—	(685)		(685)
Reclassification adjustment for other-than-temporary impairment loss on available-for-sale security included in net income	—	—		1,000	—	1,000
Unrealized (loss) on marketable securities, net of tax effect	—	—	—	(268)	—	(268)
Other comprehensive income	—	—	—	—	—	47
Comprehensive income	—	—	—		—	22,530
Exercise of stock options into 17,500 shares of common stock	1	84	—	—	—	85
Stock-based compensation expense	—	1,138	—	—		1,138
Issuance of 945 shares of treasury stock		(2)		—	10	8
Balances at February 28, 2010	$ 247	$ 275,684	$ 113,996	$ (7,278)	$ (18,386)	$ 364,263

Audiovox Corporation and Subsidiaries
Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss), continued
Years Ended February 28, 2011, February 28, 2010 and February 28, 2009
(In thousands, except share data)

	Class A and Class B Common Stock	Paid-in Capital	Retained Earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Stock-holders' equity
Balances at February 28, 2010	$ 247	$ 275,684	$ 113,996	$ (7,278)	$ (18,386)	$ 364,263
Comprehensive income:						
Net income	—	—	23,031	—	—	23,031
Foreign currency translation adjustment	—	—	—	795	—	795
Reclassification adjustment for other-than-temporary impairment loss on available-for-sale security included in net income	—	—	—	1,600	—	1,600
Reclassification of unrealized losses on marketable securities, net of tax effect	—	—	—	796	—	796
Gain on derivatives designated for hedging	—	—	—	238	—	238
Other comprehensive income	—	—	—	—	—	3,429
Comprehensive income	—	—	—	—	—	26,460
Exercise of stock options into 189,125 shares of common stock	1	931	—	—	—	932
Stock-based compensation expense	—	1,284	—	—	—	1,284
Issuance of 975 shares of treasury stock	—	(3)	—	—	10	7
Balances at February 28, 2011	$ 248	$ 277,896	$ 137,027	$ (3,849)	$ (18,376)	$ 392,946

See accompanying notes to consolidated financial statements.

Audiovox Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended February 28, 2011, 2010 and 2009
(Dollars in thousands)

	Year Ended February 28, 2011	Year Ended February 28, 2010	Year Ended February 28, 2009
Cash flows from operating activities:			
Net income (loss)	$ 23,031	$ 22,483	$ (71,029)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	7,865	7,694	7,294
Bad debt expense	1,022	221	1,937
Goodwill and intangible asset impairment	—	—	38,709
Equity in income of equity investee	(2,905)	(1,657)	(975)
Distribution of income from equity investees	1,413	2,199	—
Deferred income tax (benefit) expense, net	(13,566)	1,594	13,646
Loss on disposal of property, plant and equipment	64	32	4
Tax expense on stock options exercised	—	—	(20)
Non-cash compensation adjustment	717	1,696	651
Non-cash stock based compensation expense	1,284	1,138	309
Realized loss on sale of investment	182	—	—
Gain on bargain purchase	—	(5,447)	—
Impairment loss on marketable securities	1,600	1,000	—
Changes in operating assets and liabilities (net of assets and liabilities acquired):			
Accounts receivable	22,462	(22,451)	768
Inventory	(12,007)	32,849	21,951
Receivables from vendors	2,802	1,176	16,838
Prepaid expenses and other	4,657	(1,890)	(9,214)
Investment securities-trading	(646)	(615)	1,863
Accounts payable, accrued expenses, accrued sales incentives and other current liabilities	(9,273)	(6,251)	11,748
Income taxes payable	3,428	(5,549)	(4,474)
Net cash provided by operating activities	32,130	28,222	30,006
Cash flows from investing activities:			
Purchases of property, plant and equipment	(3,055)	(5,017)	(4,606)
Proceeds from sale of property, plant and equipment	—	—	112
Proceeds from distribution from an equity investee	—	1,304	1,080
Purchase of notes payable	—	511	—
Purchase of short-term investments	(23,981)	—	—
Sale of short-term investments	24,210	—	—
Sale of long-term investment	4,368	—	—
Purchase of long-term investment	(245)	(7,498)	(548)
Purchase of patents	—	348	(650)
Borrowing on short-term note	180	—	—
Purchase of acquired businesses, less cash acquired	(57)	(14,657)	621
Net cash provided by (used in) investing activities	1,420	(25,009)	(3,991)
Cash flows from financing activities:			
Repayment of short-term debt	(3,950)	—	—
Borrowings from bank obligations	285	114	4,654
Repayments on bank obligations	(1,479)	(1,452)	—
Principal payments on capital lease obligation	(180)	22	(73)
Proceeds from exercise of stock options and warrants	932	84	46
Reissue of treasury stock	10	10	8
Tax expense on stock options exercised	—	—	20
Net cash (used in) provided by financing activities	(4,382)	(1,222)	4,655
Effect of exchange rate changes on cash	(49)	(1,984)	(507)
Net increase in cash and cash equivalents	29,119	7	30,163
Cash and cash equivalents at beginning of year	69,511	69,504	39,341

Cash and cash equivalents at end of year	$ 98,630	$ 69,511	$ 69,504
Supplemental Cash Flow Information:			
Cash paid during the period for:			
Interest, excluding bank charges	$ 2,138	$ 1,310	$ 1,224
Income taxes (net of refunds)	$ 1,257	$ (7,838)	$ 3,816

See accompanying notes to consolidated financial statements.

Audiovox Corporation and Subsidiaries
Notes to Consolidated Financial Statements
February 28, 2011
(Dollars in thousands, except share and per share data)

1) Description of Business and Summary of Significant Accounting Policies

a) *Description of Business and Accounting Principles*

Audiovox Corporation (“Audiovox", “We", "Our", "Us" or “Company") is a leading international distributor in the accessory, mobile and consumer electronics industries. With our most recent acquisition of Invision Automotive Systems, Inc. we have added manufacturing capabilities to our business model. We conduct our business through seventeen wholly-owned subsidiaries: American Radio Corp., Audiovox Electronics Corporation (“AEC”), Audiovox Accessories Corp. (“AAC”), Audiovox Consumer Electronics, Inc. (“ACE”), Audiovox German Holdings GmbH (“Audiovox Germany”), Audiovox Venezuela, C.A., Audiovox Canada Limited, Audiovox Hong Kong Ltd., Audiovox International Corp., Audiovox Mexico, S. de R.L. de C.V. (“Audiovox Mexico”), Technuity, Inc., Code Systems, Inc, Oehlbach Kabel GmbH ("Oehlbach"), Schwaiger GmbH (“Schwaiger”), Invision Automotive Systems, Inc. (“Invision”) and Omega Research and Development, LLC ("Omega") and Audiovox Websales LLC. We market our products under the Audiovox® brand name, other brand names and licensed brands, such as Acoustic Research®, Advent®, Ambico®, Car Link®, Chapman®, Code-Alarm®, Discwasher®, Energizer®, Heco®, Incaar™, Invision®, Jensen®, Mac Audio™, Magnat®, Movies2Go®, Oehlbach®, Omega®, Phase Linear®, Prestige®, Pursuit®, RCA®, RCA Accessories®, Recoton®, Road Gear®, Schwaiger®, Spikemaster® and Terk®, as well as private labels through a large domestic and international distribution network. We also function as an OEM ("Original Equipment Manufacturer") supplier to several customers and presently have one reportable segment (the "Electronics Group"), which is organized by product category.

On March 1, 2011, the Company acquired Klipsch Group, Inc. through a stock purchase as outlined in the Subsequent Events footnote (Note 15).

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America.

b) *Principles of Consolidation*

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

Equity investments in which the Company exercises significant influence but does not control and is not the primary beneficiary are accounted for using the equity method. The Company's share of its equity method investees' earnings or losses are included in other income in the accompanying Consolidated Statements of Operations. The Company eliminates its pro rata share of gross profit on sales to its equity method investees for inventory on hand at the investee at the end of the year. Investments in which the Company is not able to exercise significant influence over the investee are accounted for under the cost method.

c) *Use of Estimates*

The preparation of these financial statements require the Company to make estimates and assumptions that affect reported amounts of assets, liabilities, revenue and expenses. Such estimates include the allowance for doubtful accounts, inventory valuation, recoverability of deferred tax assets, reserve for uncertain tax positions, valuation of long-lived assets, accrued sales incentives, warranty reserves, stock-based compensation, impairment assessment of investment securities, goodwill and trademarks, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates.

d) *Cash and Cash Equivalents*

Cash and cash equivalents consist of demand deposits with banks and highly liquid money market funds with original maturities of three months or less when purchased. Cash and cash equivalents amounted to $98,630

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

and $69,511 at February 28, 2011 and 2010, respectively. Cash amounts held in foreign bank accounts amounted to $6,330 and $7,089 at February 28, 2011 and 2010, respectively. The majority of these amounts are in excess of government insurance. The Company places its cash and cash equivalents in institutions and funds of high credit quality. We perform periodic evaluations of these institutions and funds.

e) *Fair Value Measurements and Derivatives*

The Company adopted authoritative guidance on "Fair Value Measurements", which among other things, requires enhanced disclosures about investments that are measured and reported at fair value. This guidance establishes a hierarchal disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.
Level 2 - Inputs other than Level 1 inputs that are either directly or indirectly observable.
Level 3 - Unobservable inputs developed using the Company's estimates and assumptions, which reflect those that market participants would use.

The following table presents assets measured at fair value on a recurring basis at February 28, 2011:

		Fair Value Measurements at Reporting Date Using		
		Level 1	**Level 2**	**Level 3**
Cash and cash equivalents:				
Cash and money market funds	$ 98,630	$ 98,630	$ —	$ —
Derivatives				
Designated for hedging	$ 238	$ 238	$ —	$ —
Not designated	85	85	—	—
Total derivatives	$ 323	$ 323	$ —	$ —
Long-term investment securities:				
Marketable securities				
Trading securities	$ 3,804	$ 3,804	$ —	$ —
Available-for-sale securities	68	68	—	—
Held-to-maturity (b)	7,502	—	7,502	—
Total marketable securities	11,374	3,872	7,502	—
Other investment at cost (a)	2,126	—	—	—
Total long-term investment securities	$ 13,500	$ 3,872	$ 7,502	$ —

The following table presents assets measured at fair value on a recurring basis at February 28, 2010:

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

		Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
Cash and cash equivalents:				
Cash and money market funds	$ 69,511	$ 69,511	$ —	$ —
Derivatives				
Not designated	$ 752	$ 752	$ —	$ —
Long-term investment securities:				
Marketable securities				
Trading securities	$ 3,158	$ 3,158	$ —	$ —
Available-for-sale securities	3,821	94	—	3,727
Held-to-maturity	7,110	7,110	—	—
Total marketable securities	14,089	10,362	—	3,727
Other investment at cost (a)	1,803	—	—	—
Total long-term investment securities	$ 15,892	$ 10,362	$ —	$ 3,727

(a) There were no events or changes in circumstances that occurred to indicate a significant adverse effect on the cost of this investment.

(b) During Fiscal 2011, the Venezuelan government temporarily restricted the local brokerage houses inhibiting the Company's ability to obtain a fair value in the open market on this investment. As such, we have transferred our held-to-maturity investment in Venezuelan government bonds from Level 1 to Level 2.

The carrying amount of the Company's accounts receivable, short-term debt, accounts payable, accrued expenses, bank obligations and long-term debt approximates fair value because of (i) the short-term nature of the financial instrument; (ii) the interest rate on the financial instrument being reset every quarter to reflect current market rates; (iii) the stated or implicit interest rate approximates the current market rates or are not materially different than market rates and (iv) are based on quoted prices in active markets.

Derivative Instruments

The Company's derivative instruments include forward foreign currency contracts utilized to hedge a portion of its foreign currency inventory purchases as well as its general economic exposure to foreign currency fluctuations created in the normal course of business. The derivatives qualifying for hedge accounting are designated as cash flow hedges and valued using observable forward rates (Level 1). Forward foreign currency contracts not designated under hedged transactions are valued at spot rates (Level 1). The duration of open forward foreign currency contracts range from 1 - 12 months and are classified in the balance sheet according to their terms.

It is the Company's policy to enter into derivative instrument contracts with terms that coincide with the underlying exposure being hedged. As such, the Company's derivative instruments are expected to be highly effective. Hedge ineffectiveness, if any, is expensed as incurred through other income in the Company's Consolidated Statement of Operations.

Financial Statement Classification

The Company holds derivative instruments that are designated as hedging instruments as well as certain instruments not so designated. The following table discloses the fair value as of February 28, 2011 for both types of derivative instruments:

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

	Asset Derivatives	
	Account	**Fair Value**
Designated derivative instruments		
Foreign currency contracts	Prepaid expenses and other current assets	$ 238
Derivatives not designated		
Foreign currency contracts	Prepaid expenses and other current assets	85
Total derivatives		$ 323

As of February 28, 2011, the Company held foreign currency contracts with a notional value of $500, which were derivatives not designated in hedged transactions. These contracts were closed during our second fiscal quarter with final settlement of the remaining contract to be completed by March 2011. During the twelve months ended February 28, 2011, the Company recorded gains on the change in fair value of these derivatives of $828 recorded in other income and expense on the Company's Consolidated Statement of Operations.

Cash flow hedges

In November 2010 and January 2011, the Company entered into forward foreign currency contracts, with a notional value of $21,000 and $4,200, respectively, which were designated as cash flow hedges. For cash flow hedges, the effective portion of the gain or loss is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

Activity related to cash flow hedges recorded during the twelve months ended February 28, 2011 was as follows:

	February 28, 2011		
	Gain (Loss) Recognized in Other Comprehensive Income	**Gain (Loss) Reclassified into Cost of Sales**	**Gain (Loss) for Ineffectiveness in Other Income**
Cash flow hedges			
Foreign currency contracts	$ 238	$ —	$ —

The net gain recognized in other comprehensive income for foreign currency contracts is expected to be recognized in cost of sales within the next fifteen months. No amounts were excluded from the assessment of hedge effectiveness during the respective periods. As of February 28, 2011, no contracts originally designated for hedged accounting were de-designated or terminated. The Company did not hold derivatives designated for hedge accounting during Fiscal 2010.

f) *Investment Securities*

In accordance with the Company's investment policy, all long and short-term investment securities are invested in "investment grade" rated securities. As of February 28, 2011 and 2010, the Company had the following investments:

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

	February 28, 2011			February 28, 2010		
	Cost Basis	Unrealized holding gain/(loss)	Fair Value	Cost Basis	Unrealized holding gain/(loss)	Fair Value
Long-Term Investments						
Marketable Securities						
Trading						
Deferred Compensation	$ 3,804	$ —	$ 3,804	$ 3,157	$ —	$ 3,157
Available-for-sale						
Cellstar	—	6	6	—	15	15
Bliss-tel	1,225	(1,163)	62	2,825	(2,745)	80
Auction Rate	—	—	—	4,550	(823)	3,727
Held-to-maturity Investment	7,502	—	7,502	7,445	(335)	7,110
Total Marketable Securities	12,531	(1,157)	11,374	17,977	(3,888)	14,089
Other Long-Term Investment	2,126	—	2,126	1,803	—	1,803
Total Long-Term Investments	$ 14,657	$ (1,157)	$ 13,500	$ 19,780	$ (3,888)	$ 15,892

Short-Term Investments

Trading Securities

In July, the Company invested a portion of its cash position with a major financial institution with the intention of improving returns while maintaining a conservative portfolio and providing high liquidity. The maturity dates ranged from less than one year to long-term, however, the long-term securities could be actively traded in broker/dealer markets. The investment had been classified withing trading securities with all gains and losses, in addition to interest earned, recorded through the income statement in other income. During the fourth quarter of Fiscal 2011, the Company sold this short-term investment.

Long-Term Investments

Trading Securities

The Company's trading securities consist of mutual funds, which are held in connection with the Company's deferred compensation plan (see Note 9). Unrealized holding gains and losses on trading securities offset those associated with the corresponding deferred compensation liability.

Available-For-Sale Securities

The Company's available-for-sale marketable securities include a less than 20% equity ownership in CLST Holdings, Inc. ("Cellstar") and Bliss-tel Public Company Limited ("Bliss-tel"), and taxable auction rate notes which have long-term maturity dates (October 2038) which were sold during Fiscal 2011.

Unrealized holding gains and losses, net of the related tax effect (if applicable), on available-for-sale securities are reported as a component of accumulated other comprehensive income (loss) until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis.

During its fiscal third quarter, the Company sold its investment in an auction rate security with a par value of $4,550 through participation in a tender offer. The Company received discounted proceeds of $4,368 resulting in a realized loss of $182 recorded in other income and expense. The accumulated unrealized loss of $447 was reversed out of other comprehensive income during the quarter.

The fair value of the Cellstar and Bliss-tel investments are determined by quoted prices in active markets as they are publicly traded. On December 13, 2004, one of the Company's former equity investments, Bliss-tel,

issued 575,000,000 shares on the SET (Security Exchange of Thailand) for an offering price of 2.48 baht per share. Prior to the issuance of these shares, the Company was a 20% shareholder in Bliss-tel and, subsequent to the offering, the Company owned 75,000,000 shares (or approximately 13%) of Bliss-tel's outstanding stock. In addition, on July 21, 2005, the Company received 22,500,000 warrants ("the warrants") which may be exercised beginning on September 29, 2006, and expire on July 17, 2012. Each warrant is exercisable into one share of Bliss-tel common stock at an exercise price of 8 baht per share.

During the year ended February 29, 2008, the Company sold 32,898,500 shares of Bliss-tel stock resulting in a gain of $1,533. During Fiscal 2010, Bliss-tel concluded a 4:1 reverse stock split. Accordingly, all share data has been retroactively restated. As of February 28, 2011 and 2010, the Company owns 36,250,000 shares and 22,500,000 warrants in Bliss-tel with an aggregate fair value of $62 and $80, respectively.

A decline in the market value of any available-for-sale security below cost that is deemed other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. The Company considers numerous factors, on a case-by-case basis, in evaluating whether the decline in market value of an available-for-sale security below cost is other-than-temporary. Such factors include, but are not limited to, (i) the length of time and the extent to which the market value has been less than cost; (ii) the financial condition and the near-term prospects of the issuer of the investment; and (iii) whether the Company's intent to retain the investment for the period of time is sufficient to allow for any anticipated recovery in market value. In Fiscal 2010, the Company determined that its investment in Bliss-tel was other than temporarily impaired based on its market price (which has been below our cost in excess of twelve months), Bliss-tel's recent losses, its deteriorating financial position, and conditions in the local and global economy, as well as the political environment in Thailand. This impairment of $1,000 related to the approximate value of the warrants which the Company determined it would not exercise. During Fiscal 2011, the Company continued to monitor the business plans and performance of Bliss-tel. Management noted that, during the year, Bliss-tel successfully restructured its debt position on favorable terms to the company; they further reduced overhead and discontinued non-profitable locations; they weathered the political unrest in the local metropolitan environments; they raised additional capital; and finally, they retained the services of a financial consultant to develop a new business strategy. Notwithstanding these positive factors, there are certain negative factors, exclusive of those associated with macroeconomics, which impacted management's consideration of the value of this investment. Specifically, the company continued to incur significant losses from operations, which raised substantial doubt about the company's ability to continue for a period of time in which management could anticipate a full recovery. Therefore, management determined that an additional portion of its investment was other-than-temporarily impaired. A loss of $1,600 was recorded on the income statement through other income and expense. As of February 28, 2011, the Company maintains approximately $1.2 million in unrealized losses on this investment in accumulated other comprehensive income. The Company will continue to evaluate this investment throughout Fiscal 2012, to determine the success of Bliss-tel's business plan, and the impact of the retention of the financial consultant on the company's performance and the associated market value. It is possible that the company's efforts may not be successful. In the event they are not successful, management will need to determine if further other-than-temporary impairments exist.

Held-to-Maturity Investment

Long-term investments include an investment in U.S. dollar-denominated bonds issued by the Venezuelan government, which had been classified as held-to-maturity when purchased. During the second fiscal quarter of 2011, the Company was advised that the exchange rate on these bonds would no longer float with current exchange rates, and was set at 2.6, the lower of the two-tier exchange rate. Management had reclassified the investment to available for sale as a result of the adoption of its strategy for this investment to liquidate the bonds as soon as market conditions warrant and satisfy its U.S. dollar obligations with the funds. In January, 2011, the Venezuelan government eliminated the two-tier exchange rate. As the Company is not dependent on the cash flow associated with the TICC's, management determined that the significant change in circumstances associated with the TICC's would allow it to resume its original strategy to hold its investment until 2015 and realize the full maturity value. During the fourth quarter of Fiscal 2011, the Company reclassified the Venezuelan TICC's as held-to-maturity and will continue to account for the investment under the cost method.

Other Long-Term Investments

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

Other long-term investments include an investment in a non-controlled corporation of $2,126 accounted for by the cost method. During Fiscal 2011, the Company invested an additional $257 in this investment as part of a capital infusion by four select investors. As a result, as of February 28, 2011, the Company held approximately 14% of the outstanding shares of this company.

g) *Revenue Recognition*

The Company recognizes revenue from product sales at the time of passage of title and risk of loss to the customer either at FOB shipping point or FOB destination, based upon terms established with the customer. The Company's selling price to its customers is a fixed amount that is not subject to refund or adjustment or contingent upon additional rebates. Any customer acceptance provisions, which are related to product testing, are satisfied prior to revenue recognition. There are no further obligations on the part of the Company subsequent to revenue recognition except for product returns from the Company's customers. The Company does accept product returns, if properly requested, authorized, and approved by the Company. The Company records an estimate of product returns by its customers and records the provision for the estimated amount of such future returns at point of sale, based on historical experience and any notification the Company receives of pending returns.

The Company includes all costs incurred for shipping and handling as cost of sales and all amounts billed to customers as revenue. During February 28, 2011 , 2010 , and 2009 , freight costs expensed through cost of sales amounted to $13,399, $12,657 and $17,062, respectively and freight billed to customers amounted to $1,161, $985 and $546, respectively.

h) *Accounts Receivable*

The majority of the Company's accounts receivable are due from companies in the retail, mass merchant and OEM industries. Credit is extended based on an evaluation of a customer's financial condition. Accounts receivable are generally due within 30-60 days and are stated at amounts due from customers, net of an allowance for doubtful accounts. Accounts outstanding longer than the contracted payment terms are considered past due.

Accounts receivable is comprised of the following:

	February 28, 2011	February 28, 2010
Trade accounts receivable and other	$ 115,112	$ 137,793
Less:		
Allowance for doubtful accounts	6,179	5,742
Allowance for cash discounts	885	785
	$ 108,048	$ 131,266

The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current credit worthiness, as determined by a review of their current credit information. The Company continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon historical experience and any specific customer collection issues that have been identified. While such credit losses have historically been within management's expectations and the provisions established, the Company cannot guarantee it will continue to experience the same credit loss rates that have been experienced in the past. Since the Company's accounts receivable are concentrated in a relatively few number of customers, a significant change in the liquidity or financial position of any one of these customers could have a material adverse impact on the collectability of the Company's accounts receivable and future operating results.

i) *Inventory*

The Company values its inventory at the lower of the actual cost to purchase (primarily on a weighted moving-average basis with a portion valued at standard cost) and/or the current estimated market value of the inventory

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

less expected costs to sell the inventory. The Company regularly reviews inventory quantities on-hand and records a provision for excess and obsolete inventory based primarily from selling prices, indications from customers based upon current price negotiations and purchase orders. The Company's industry is characterized by rapid technological change and frequent new product introductions that could result in an increase in the amount of obsolete inventory quantities on-hand. The Company recorded inventory write-downs of $3,911, $2,972 and $13,818 for the years ended February 28, 2011, 2010 and 2009, respectively.

Inventories by major category are as follows:

	February 28, 2011	February 28, 2010
Raw materials	$ 10,562	$ 4,428
Work in process	1,653	300
Finished goods	101,405	97,989
Inventory, net	$ 113,620	$ 102,717

The Company's estimates of excess and obsolete inventory may prove to be inaccurate, in which case the Company may have understated or overstated the provision required for excess and obsolete inventory. Although the Company makes every effort to ensure the accuracy of its forecasts of future product demand, any significant unanticipated changes in demand, price or technological developments could have a significant impact on the value of the Company's inventory and reported operating results.

j) *Property, Plant and Equipment*

Property, plant and equipment are stated at cost less accumulated depreciation. Property under a capital lease is stated at the present value of minimum lease payments. Major improvements are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. Upon retirement or disposal of assets, the cost and related accumulated depreciation are removed from the consolidated balance sheets.

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

	February 28, 2011	February 28, 2010
Land	$ 338	$ 338
Buildings	6,749	6,749
Property under capital lease	6,981	6,981
Furniture, fixtures and displays	3,782	3,741
Machinery and equipment	9,074	8,637
Construction-in-progress	20	—
Computer hardware and software	28,914	26,884
Automobiles	827	752
Leasehold improvements	6,487	6,299
	63,172	60,381
Less accumulated depreciation and amortization	43,609	38,236
	$ 19,563	$ 22,145

Depreciation is calculated on the straight-line method over the estimated useful lives of the assets as follows:

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

Buildings	20-30 years
Furniture, fixtures and displays	5-10 years
Machinery and equipment	5-10 years
Computer hardware and software	3-5 years
Automobiles	3 years

Leasehold improvements are amortized over the shorter of the lease term or estimated useful life of the asset. Assets acquired under capital leases are amortized over the term of the respective lease. Capitalized computer software costs obtained for internal use are amortized on a straight-line basis.

Depreciation and amortization of property, plant and equipment amounted to $5,576, $5,713 and $5,653 for the years ended February 28, 2011, 2010 and 2009, respectively. Included in depreciation and amortization expense is amortization of computer software costs of $562, $1,015 and $1,127 for the years ended February 28, 2011, 2010 and 2009, respectively. Also included in depreciation expense is $251 of depreciation related to property under a capital lease for the years ended February 28, 2011, 2010 and 2009.

k) *Goodwill and Other Intangible Assets*

Goodwill and other intangible assets consist of the excess over the fair value of assets acquired (goodwill) and other intangible assets (patents, contracts, trademarks/tradenames and customer relationships). Values assigned to the respective assets are determined in accordance with ASC 805 "Business Combinations" ("ASC 805") and Statement of ASC 350 "Intangibles – Goodwill and Other" ("ASC 350").

Goodwill is calculated as the excess of the cost of purchased businesses over the value of their underlying net assets. Generally, the primary valuation method used to determine the Fair Value ("FV") of acquired businesses is the Discounted Future Cash Flow Method ("DCF"). A five-year period is analyzed using a risk adjusted discount rate.

The value of potential intangible assets separate from goodwill are evaluated and assigned to the respective categories. The largest categories from recent acquired businesses are Trademarks and Customer Relationships. The FV's of trademarks acquired are determined using the Relief from Royalty Method based on projected sales of the trademarked products. The FV's of customer relationships are determined using the Multi-Period Excess Earnings Method which includes a DCF analysis, adjusted for a required return on tangible and intangible assets. The guidance in ASC 350, including management's business intent for its use; ongoing market demand for products relevant to the category and their ability to generate future cash flows; legal, regulatory or contractual provisions on its use or subsequent renewal, as applicable; and the cost to maintain or renew the rights to the assets; are considered in determining the useful life of all intangible assets. If the Company determines that there are no legal, regulatory, contractual, competitive, economic or other factors which limit the useful life of the asset, an indefinite life will be assigned and evaluated for impairment as indicated below. Goodwill and other intangible assets that have an indefinite useful life are not amortized. Intangible assets that have a definite useful life are amortized over their estimated useful life.

Goodwill and intangible assets with indefinite useful lives are required to be tested for impairment at least annually or more frequently if an event occurs or circumstances change that could more likely than not reduce the fair value of a reporting unit below its carrying amount. Intangible assets with estimable useful lives are required to be amortized over their respective estimated useful lives and reviewed for impairment. Our impairment reviews require the use of certain estimates. If a significant change in these estimates occurs, the Company could experience an impairment charge associated with these assets in future periods.

The Company's goodwill balance at February 28, 2011 and 2010 consisted solely of goodwill associated with its acquisition of Invision, whose purchase price was finalized in the fourth quarter of Fiscal 2011. Management reviewed the performance of Invision since our acquisition and determined that our goodwill is not impaired. For intangible assets with an indefinite life, primarily trademarks, the Company compared the fair value of the intangible asset with its carrying amount and determined that there was no impairment at February 28, 2011 and 2010. To compute the fair value, various considerations were evaluated including current sales associated with

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

these brands, management's expectations for future sales, performance of the business group and proximity to acquisition date fair values. At the present time, management intends to continue the development, marketing and selling of products associated with its intangible assets and there are no known restrictions on the continuation of their use. We utilized a relief-from-royalty method considering current sales associated with these brands, management's expectations for future sales, performance of the business group and proximity to acquisition date fair values. Royalty rates of 1.0% to 8.5% were used for the relative trademarks and domain names after reviewing comparable market rates, the profitability of the product associated with relative intangible asset, and other qualitative factors. We determined that a discount rate of 16% was appropriate as a result of a weighted average cost of capital analysis.

The cost of other intangible assets with definite lives are amortized on a straight-line basis over their respective lives. Management has determined that the current lives of these assets are appropriate.The expected future cash flows related to intangible assets with definite lives exceeded their carrying values and as such, were not impaired at February 28, 2011 and 2010. The Company recorded an impairment charge of $38.8 million in the fourth quarter of Fiscal 2009, $28.8 million of which related to goodwill and resulted in the entire balance being written off. The remaining impairment of $9,976 in 2009 related to intangible assets with indefinite lives which were also deemed to be impaired. All impairment charges were reflected in pre-tax operating income on the Company's financial statements.

Goodwill

The change in the carrying amount of goodwill is as follows:

	February 28, 2011	February 28, 2010
Net beginning balance	$ 7,389	$ —
Invision purchase price allocation	(16)	7,389
Net ending balance	$ 7,373	$ 7,389

Other Intangible Assets

	February 28, 2011		
	Gross Carrying Value	Accumulated Amortization	Total Net Book Value
Trademarks/Tradenames/Licenses not subject to amortization	$ 82,569	$ —	$ 82,569
Customer relationships subject to amortization (5-20 years)	18,439	4,142	14,297
Trademarks/Tradenames subject to amortization (3-12 years)	1,237	634	603
Patents subject to amortization (5-10 years)	1,696	797	899
License subject to amortization (5 years)	1,400	933	467
Contract subject to amortization (5 years)	1,556	1,202	354
Total	$ 106,897	$ 7,708	$ 99,189

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

	February 28, 2010		
	Gross Carrying Value	Accumulated Amortization	Total Net Book Value
Trademarks/Tradenames/Licenses not subject to amortization	$ 80,471	$ —	$ 80,471
Customer relationships subject to amortization (5-20 years)	16,850	2,554	14,296
Trademarks/Tradenames subject to amortization (3-12 years)	1,180	470	710
Patents subject to amortization (5-10 years)	1,684	682	1,002
License subject to amortization (5 years)	1,400	653	747
Contract subject to amortization (5 years)	1,104	1,104	—
Total	$ 102,689	$ 5,463	$ 97,226

During the year ended February 28, 2011, the Company recorded $12 of patents subject to amortization and $2,109 of amortizing intangibles, partially offset by a reduction of $606 indefinite life intangibles in connection with the final purchase price allocation for its Invision and Omega acquisitions. The weighted-average remaining amortization period for amortizing intangibles as of February 28, 2011 is approximately 10 years. The Company expenses the renewal costs of patents as incurred. The weighted-average period before the next renewal is approximately 9 years.

Amortization expense for intangible assets amounted to $2,255, $1,946 and $1,626 for the years ended February 28, 2011, 2010 and 2009, respectively. The estimated aggregate amortization expense for all amortizable intangibles for each of the succeeding years ending February 28, 2016 is as follows:

Fiscal Year	Amount
2012	$ 1,834
2013	1,740
2014	1,554
2015	1,545
2016	1,439
	$ 8,112

l) *Sales Incentives*

The Company offers sales incentives to its customers in the form of (1) co-operative advertising allowances; (2) market development funds; (3) volume incentive rebates and (4) other trade allowances. The Company accounts for sales incentives in accordance with ASC 605-50 “Customer Payments and Incentives” (“ASC 605-50”). Except for other trade allowances, all sales incentives require the customer to purchase the Company's products during a specified period of time. All sales incentives require customers to claim the sales incentive within a certain time period (referred to as the "claim period") and claims are settled either by the customer claiming a deduction against an outstanding account receivable or by the customer requesting a cash payout. All costs associated with sales incentives are classified as a reduction of net sales. The following is a summary of the various sales incentive programs:

Co-operative advertising allowances are offered to customers as reimbursement towards their costs for print or media advertising in which the Company’s product is featured on its own or in conjunction with other companies' products. The amount offered is either a fixed amount or is based upon a fixed percentage of sales revenue or a fixed amount per unit sold to the customer during a specified time period.

Market development funds are offered to customers in connection with new product launches or entrance into new markets. The amount offered for new product launches is based upon a fixed amount, or percentage of sales revenue to the customer or a fixed amount per unit sold to the customer during a specified time period.

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

Volume incentive rebates offered to customers require that minimum quantities of product be purchased during a specified period of time. The amount offered is either based upon a fixed percentage of sales revenue to the customer or a fixed amount per unit sold to the customer. The Company makes an estimate of the ultimate amount of the rebate their customers will earn based upon past history with the customer and other facts and circumstances. The Company has the ability to estimate these volume incentive rebates, as there does not exist a relatively long period of time for a particular rebate to be claimed. Any changes in the estimated amount of volume incentive rebates are recognized immediately using a cumulative catch-up adjustment. The Company accrues the cost of co-operative advertising allowances, volume incentive rebates and market development funds at the later of when the customer purchases our products or when the sales incentive is offered to the customer.

Other trade allowances are additional sales incentives that the Company provides to customers subsequent to the related revenue being recognized. The Company records the provision for these additional sales incentives at the later of when the sales incentive is offered or when the related revenue is recognized. Such additional sales incentives are based upon a fixed percentage of the selling price to the customer, a fixed amount per unit, or a lump-sum amount.

The accrual balance for sales incentives at February 28, 2011 and 2010 was $11,981 and $10,606, respectively. Although the Company makes its best estimate of its sales incentive liability, many factors, including significant unanticipated changes in the purchasing volume of its customers and the lack of claims made by customers could have a significant impact on the sales incentives liability and reported operating results.

For the years ended February 28, 2011, 2010 and 2009, reversals of previously established sales incentive liabilities amounted to $1,725, $2,559 and $4,083, respectively. These reversals include unearned and unclaimed sales incentives. Reversals of unearned sales incentives are volume incentive rebates where the customer did not purchase the required minimum quantities of product during the specified time. Volume incentive rebates are reversed into income in the period when the customer did not reach the required minimum purchases of product during the specified time. Unearned sales incentives for the years ended February 28, 2011, 2010 and 2009 amounted to $977, $1,369 and $1,664, respectively. Unclaimed sales incentives are sales incentives earned by the customer but the customer has not claimed payment from the Company within the claim period (period after program has ended). Unclaimed sales incentives for the years ended February 28, 2011, 2010 and 2009 amounted to $748, $1,190 and $2,419, respectively.

The Company reverses earned but unclaimed sales incentives based upon the expiration of the claim period of each program. Unclaimed sales incentives that have no specified claim period are reversed in the quarter following one year from the end of the program. The Company believes the reversal of earned but unclaimed sales incentives upon the expiration of the claim period is a disciplined, rational, consistent and systematic method of reversing unclaimed sales incentives.

A summary of the activity with respect to accrued sales incentives is provided below:

	Year Ended February 28, 2011	Year Ended February 28, 2010	Year Ended February 28, 2009
Opening balance	$ 10,606	$ 7,917	$ 10,768
Accruals	28,004	29,629	23,877
Payments	(24,904)	(24,381)	(22,645)
Reversals for unearned incentives	(977)	(1,369)	(1,664)
Reversals for unclaimed incentives	(748)	(1,190)	(2,419)
Ending balance	$ 11,981	$ 10,606	$ 7,917

The majority of the reversals of previously established sales incentive liabilities pertain to sales recorded in prior periods.

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

m) *Advertising*

Excluding co-operative advertising, the Company expensed the cost of advertising, as incurred, of $6,076, $5,420 and $6,523 for the years ended February 28, 2011, 2010 and 2009, respectively.

n) *Product Warranties and Product Repair Costs*

The Company generally warranties its products against certain manufacturing and other defects. The Company provides warranties for all of its products ranging from 90 days to the lifetime of the product. Warranty expenses are accrued at the time of sale based on the Company's estimated cost to repair expected product returns for warranty matters. This liability is based primarily on historical experiences of actual warranty claims as well as current information on repair costs. The warranty liability of $5,956 and $7,853 is recorded in accrued expenses in the accompanying consolidated balance sheets as of February 28, 2011 and 2010, respectively. In addition, the Company records a reserve for product repair costs which is based upon the quantities of defective inventory on hand and an estimate of the cost to repair such defective inventory. The reserve for product repair costs of $3,095 and $5,205 is recorded as a reduction to inventory in the accompanying consolidated balance sheets as of February 28, 2011 and 2010, respectively. Warranty claims and product repair costs expense for the years ended February 28, 2011, 2010 and 2009 were $11,560, $12,052 and $12,187, respectively.

Changes in the Company's accrued product warranties and product repair costs are as follows:

	Year Ended February 28, 2011	Year Ended February 28, 2010	Year Ended February 28, 2009
Beginning balance	$ 13,058	$ 14,410	$ 17,319
Liabilities acquired during acquisitions (see Note 2)	115	879	—
Liabilities accrued for warranties issued	11,560	12,052	12,187
Warranty claims paid	(15,568)	(14,283)	(15,096)
Ending balance	$ 9,165	$ 13,058	$ 14,410

o) *Foreign Currency*

Assets and liabilities of those subsidiaries and former equity investees located outside the United States whose cash flows are primarily in local currencies have been translated at rates of exchange at the end of the period or historical exchange rates, as appropriate in accordance with ASC 830, "Foreign Currency Matters" ("ASC 830"). Revenues and expenses have been translated at the weighted-average rates of exchange in effect during the period. Gains and losses resulting from translation are recorded in the cumulative foreign currency translation account in accumulated other comprehensive income (loss). For the years ended February 28, 2011, 2010 and 2009, the Company recorded foreign currency transaction gains in the amount of $2,241, $1,362 and $60, respectively.

The Company has certain operations in Venezuela. Venezuela has recently been operating in a difficult economic environment, which has been troubled with local political issues and various foreign currency and price controls. The country has experienced high rates of inflation over the last several years. The President of Venezuela has the authority to legislate certain areas by decree, which allows the government to nationalize certain industries or expropriate certain companies and property. These factors may have a negative impact on our business and our financial condition. In 2003, Venezuela created the Commission of Administration of Foreign Currency ("CADIVI") which establishes and administers currency controls and their associated rules and regulations. These controls include creating a fixed exchange rate between the Bolivar and the U.S. Dollar, and the ability to restrict the exchange of Bolivar Fuertes for U.S. Dollars and vice versa.

Effective January 1, 2010, according to the guidelines in ASC 830, Venezuela had been designated as a hyper-inflationary economy. A hyper-inflationary economy designation occurs when a country has experienced

cumulative inflation of approximately 100 percent or more over a 3 year period. The hyper-inflationary designation requires the local subsidiary in Venezuela to record all transactions as if they were denominated in U.S. dollars. The Company transitioned to hyper-inflationary accounting on March 1, 2010 and continues to account for Venezuela under this method.

On January 8, 2010, the Venezuelan government announced its intention to devalue its currency (Bolivar fuerte) and move to a two tier exchange structure, 2.60 for essential goods and 4.30 for non-essential goods and services. Products sold by our Venezuelan operation are classified as non-essential, however, the Company has certain US dollar denominated assets and liabilities for which the 2.60 rate was applied. During the nine months ended November 30, 2010, a foreign exchange loss of approximately $1.5 million had been recorded in the Company's financial statements associated with its U.S. dollar denominated investment. This loss had been offset by the foreign exchange gain recorded on its U.S. dollar denominated intercompany debt. Losses of $336 associated with the above investment, recorded prior to the transition to hyperinflationary accounting on March 1, 2010, were reclassified from Other comprehensive income/(loss) to investments during the three months ended February 28, 2011. In January, 2011, the Venezuelan government eliminated the two-tier exchange rate. As such, the U.S. dollar denominated assets and liabilities which were previously recorded at 2.60 were revalued at 4.30. During the three months ended February 28, 2011, a translation gain of approximately $2,900 was recorded through the financial statements associated with its TICC bond (See Note 1(f)). This gain was offset by approximately a $1,500 loss on U.S. dollar denominated intercompany debt.

On June 9, 2010, the Venezuelan government introduced a newly regulated foreign currency exchange system, Sistema de Transacciones con Titulos en Moneda Extranjera ("SITME"), which is controlled by the Central Bank of Venezuela ("BCV"). The SITME imposes volume restrictions on the conversion of Venezuelan Bolivar Fuertes to U.S. Dollars, currently limiting such activity to a maximum equivalent of $350,000 per month. As a result of this restriction, we have limited new U.S. dollar purchases to remain within the guidelines imposed by SITME.

p) *Income Taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled (see Note 7). The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Uncertain Tax Positions

The Company adopted guidance included in ASC 740 "Income Taxes" ("ASC 740") as it relates to uncertain tax positions. The guidance addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure requirements.

Tax interest and penalties

The Company classifies interest and penalties associated with income taxes as a component of income tax expense (benefit) on the consolidated statement of operations.

q) *Income (Loss) Per Common Share*

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

Basic income (loss) per common share is based upon the weighted-average number of common shares outstanding during the period. Diluted income (loss) per common share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock.

A reconciliation between the denominators of the basic and diluted income (loss) per common share are as follows:

	Year Ended February 28, 2011	Year Ended February 28, 2010	Year Ended February 28, 2009
Weighted-average number of common shares outstanding (basic)	22,938,754	22,875,651	22,860,402
Effect of dilutive securities:			
Stock options and stock warrants	173,764	44,014	—
Weighted-average number of common and potential common shares outstanding (diluted)	23,112,518	22,919,665	22,860,402

Stock options and stock warrants totaling 165,802, 1,221,200 and 1,544,225 for the years ended February 28, 2011, 2010 and 2009, respectively, were not included in the net income (loss) per common share calculation because the exercise price of these options and warrants were greater than the average market price of common stock during the period or these options and warrants were anti-dilutive due to losses during the respective periods.

r) *Other Income (Loss)*

Other income (loss) is comprised of the following:

	Year Ended February 28, 2011	Year Ended February 28, 2010	Year Ended February 28, 2009
Other-than-temporary impairment of investment in Bliss-tel marketable securities	$ (1,600)	$ (1,000)	$ —
Interest Income	1,453	990	1,260
Rental income	530	537	538
Other	2,821	1,349	(3,467)
Total other, net	$ 3,204	$ 1,876	$ (1,669)

Other income (loss) includes a translation gain of approximately $1,400 for the year ended February 28, 2011 related to the elimination of the 2.6 exchange rate in Venezuela.

s) *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of*

Long-lived assets and certain identifiable intangibles are reviewed for impairment in accordance with ASC 360 whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. Recoverability of assets held for sale is measured by comparing the carrying amount of the assets to their estimated fair market value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets.

t) *Accounting for Stock-Based Compensation*

The Company has stock option plans under which employees and non-employee directors may be granted incentive stock options ("ISO's") and non-qualified stock options ("NQSO's") to purchase shares of Class A common stock. Under the stock option plans, the exercise price of the ISO's will not be less than the market value of the Company's Class A common stock or greater than 110% of the market value of the Company's Class A common stock on the date of grant. The exercise price of the NQSO's may not be less than 50% of the market value of the Company's Class A common stock on the date of grant. The plan permits for options to be exercised at various intervals as determined by the Board of Directors. However, the maximum expiration period is ten years from date of grant. The vesting requirements are determined by the Board of Directors at the time of grant. Exercised options are issued from authorized Class A Common Stock. As of February 28, 2011, 1,773,637 shares were available for future grants under the terms of these plans.

Options are measured at the fair value of the award at the date of grant and are recognized as an expense over the requisite service period. Compensation expense related to stock-based awards with vesting terms are amortized using the straight-line attribution method.

The Company granted 861,250 options in September of 2009, one-half vested on November 30, 2009 and one-half vested on November 30, 2010, expire three years from date of vesting (November 30, 2012 and November 30, 2013, respectively), have an exercise price equal to $6.37 (the sales price of the Company's stock on the day prior to the date of grant) have a contractual term between 3.2 and 4.2 years and a grant date fair value of $2.69 per share determined based upon a Black-Sholes valuation model (refer to the table below for assumptions used to determine fair value).

In addition, the Company issued 17,500 warrants in September of 2009 to purchase the Company's common stock with the same terms as those above as consideration for future legal services. Accordingly, the Company recorded additional legal expense in the amount of approximately $25 and $22 for the years ended February 28, 2011 and 2010, representing the fair value of the warrants issued. These warrants are included in the outstanding options and warrant table below and considered exercisable at February 28, 2009.

The Company granted 20,000 options during July 2009, which vested one-half on August 31, 2009 and one half on November 30, 2009, expire two years from date of vesting (August 31, 2011 and November 30, 2011, respectively), have an exercise price of $7.48 equal to the sales price of the Company's stock on the day prior to the date of the grant, have a contractual life of 2.2 years and a grant date fair value of $2.94 per share.

The Company granted 197,250 options during October of 2008, which vested one-half on November 30, 2008 and one-half on February 28, 2009, expired two years from date of vesting (November 30, 2010 and February 28, 2011, respectively), had an exercise price equal to $4.83, the sales price of the Company's stock on the day prior to the date of grant, had a contractual term between 2.1 and 2.4 years and a grant date fair value of $1.44 per share determined based upon a Black-Sholes valuation model (refer to the table below for assumptions used to determine fair value).

In addition, the Company issued 17,500 warrants during October of 2008 to purchase the Company's common stock with the same terms as those above as consideration for future legal services. Accordingly, the Company recorded additional legal expense in the amount of approximately $26 for the year ended February 28, 2009, representing the fair value of the warrants issued. These warrants are included in the outstanding options and warrant table below and were considered exercisable at February 28, 2009.

The per share weighted-average fair value of stock options granted during the year ended February 28, 2010 and 2009 was $2.70 and $1.44, respectively on the date of grant.

The fair value of stock options and warrants on the date of grant, and the assumptions used to estimate the fair value of the stock options and warrants using the Black-Sholes option valuation model granted during the year was as follows:

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

	Year Ended February 28, 2010	Year Ended February 28, 2009
Dividend yield	0%	0%
Volatility	55.9% - 69.0%	47.0%
Risk-free interest rate	1.46% - 0.97%	5.0%
Expected life (years)	3.7 and 2.2	2.0

The expected dividend yield is based on historical and projected dividend yields. The Company estimates expected volatility based primarily on historical price changes of the Company's stock equal to the expected life of the option. During Fiscal 2011, the Company changed from daily stock prices to monthly stock prices as the Company's stock experiences low-volume trading. We believe that daily fluctuations are distortive to the volatility and as such will continue to use monthly inputs in the future. The risk free interest rate is based on the U.S. Treasury yield in effect at the time of the grant. The expected option term is the number of years the Company estimates the options will be outstanding prior to exercise based on employment termination behavior.

The Company recognized stock-based compensation expense (before deferred income tax benefits) for awards granted under the Company's stock option plans in the following line items in the consolidated statement of operations:

	Year Ended February 28, 2011	Year Ended February 28, 2010	Year Ended February 28, 2009
Cost of sales	$ 18	$ 17	$ 7
Selling expense	89	165	63
General and administrative expenses	1,172	951	234
Engineering and technical support	5	5	5
Stock-based compensation expense before income tax benefits	$ 1,284	$ 1,138	$ 309

Net income was impacted by $1,284 (after tax), $1,138 (after tax) and $309 (after tax) in stock based compensation expense or $0.06, $0.05 and $0.01 per diluted share for the years ended February 28, 2011, 2010 and 2009, respectively. No tax benefit was recorded in Fiscal 2011 due to the Company's loss position.

Information regarding the Company's stock options and warrants are summarized below:

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

	Number of Shares	Weighted-Average Exercise Price
Outstanding and exercisable at February 29, 2008	1,567,036	$ 13.96
Granted	214,750	4.83
Exercised	(10,000)	4.63
Forfeited/expired	(314,952)	13.29
Outstanding and exercisable at February 28, 2009	1,456,834	12.82
Granted	898,750	6.40
Exercised	(17,500)	7.38
Forfeited/expired	(1,022,500)	14.91
Outstanding and exercisable at February 28, 2010	1,315,584	6.91
Granted	—	—
Exercised	(189,125)	4.93
Forfeited/expired	(240,209)	10.38
Outstanding and exercisable at February 28, 2011	886,250	$ 6.40

At February 28, 2011, the Company had no unrecognized compensation costs as all options were fully vested.

Summarized information about stock options outstanding as of February 28, 2011 is as follows:

	Outstanding and Exercisable		
Exercise Price Range	Number of Shares	Weighted-Average Exercise Price of Shares	Weighted-Average Life Remaining in Years
$ 6.37 – 7.48	886,250	$ 6.40	2.21

The aggregate pre-tax intrinsic value (the difference between the Company's average closing stock price for the last quarter of Fiscal 2011 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on February 28, 2011 was $1,499. This amount changes based on the fair market value of the Company's stock. The total intrinsic values of options exercised for the years ended February 28, 2011, 2010 and 2009 were $444, $45 and $52, respectively

u) *Accumulated Other Comprehensive Income (Loss)*

	February 28, 2011	February 28, 2010
Accumulated other comprehensive losses:		
Foreign exchange losses	$ (2,906)	$ (3,701)
Unrealized losses on investments, net of tax	(1,181)	(3,577)
Derivatives designated in hedging relationship	238	—
Total accumulated other comprehensive losses	$ (3,849)	$ (7,278)

During the year ended February 28, 2010 $(1,000) of unrealized losses on available-for-sale investment securities were transferred into earnings. The Fiscal 2010 charge was as a result of declines deemed other-than-temporary.

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

The currency translation adjustments are not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries and equity investments.

v) *New Accounting Pronouncements*

In June 2009, the FASB issued authoritative guidance included in ASC 860 "Transfers and Servicing" which changes the analysis required to determine controlling interest in variable interest entities and requires additional disclosures regarding a company's involvement with such entities. The standard, which was effective for the Company beginning March 1, 2010, did not have a material impact on the Company's consolidated financial statements.

In June 2009, the FASB issued authoritative guidance under ASC 810 which eliminates the concept of qualifying special purpose entities, limits the number of financial assets and liabilities that qualify for derecognition, and requires additional disclosures. The guidance, which was effective for the Company on March 1, 2010, did not have a material impact on the Company's consolidated financial statements.

In January 2010, the FASB issued authoritative guidance under ASC 820 that improves disclosures around fair value measurements. This pronouncement requires additional disclosures regarding transfers between Levels 1, 2 and 3 of the fair value hierarchy of this pronouncement as well as a more detailed reconciliation of recurring Level 3 measurements. Certain disclosure requirements of this pronouncement were effective and adopted by the Company on March 1, 2010, and did not have a material impact on the Company's financial statements. The remaining disclosure requirements of this pronouncement will be effective for the Company's first quarter in Fiscal 2012. The adoption of the remaining disclosure requirements will not have a material impact on the Company's financial statements.

In May 2010, the FASB issued authoritative guidance included in ASC 830 "Foreign Currency" which requires certain disclosures when a company uses alternative exchange rates for re-measurement of U.S. dollar-denominated balances which are subsequently translated at official exchange rates for financial reporting purposes. The guidance, which was effective in March 2010, did not have a material impact on the Company.

In January 2011, the FASB issued authoritative guidance included in ASC 805 "Business Combinations" which modifies certain pro-forma disclosures related to business combinations. The adoption of the disclosure requirement did not have a material impact on the Company's financial statements.

2) Business Acquisitions

Invision

On February 1, 2010, the Company's newly formed subsidiary, Invision Automotive Systems, Inc., purchased the assets of Invision Industries, Inc., a manufacturer of rear seat entertainment systems for OEM's, ports and car dealers. As consideration for Invision, the Company agreed to pay the following:

Purchase price (including cash payments at closing to principal and certain vendors)	$	15,307
Estimated future consideration	$	1,458
	$	16,765

In conjunction with the acquisition, the Company refinanced and executed a new loan with Suntrust Bank to pay down the former obligation of Invision Industries, Inc. and assumed certain debt. The total debt at closing was $5,000, which is included in the purchase price. The Company recorded estimated liabilities for future consideration in connection with a non-compete agreement with, and contingent consideration due at the option of the former principal.

The results of operations of this acquisition have been included in the consolidated financial statements from the date of acquisition. The purpose of this acquisition was to further strengthen our OEM presence and add manufacturing capabilities to our business model.

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

The following summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition:

	February 1, 2010 (as initially reported)	Measurement Period Adjustments	February 1, 2010 (as adjusted)
Assets acquired:			
Accounts receivable, net	$ 3,261	$ (831)	$ 2,430
Inventory	5,078	(2,033)	3,045
Property, plant and equipment, net	2,973	(1)	2,972
Other assets	53	146	199
Trademarks and other intangible assets	4,802	4,162	8,964
Goodwill	7,389	(16)	7,373
Total assets acquired	$ 23,556	$ 1,427	$ 24,983
Liabilities assumed:			
Accounts payable, accrued expenses and other liabilities	$ 7,357	$ (133)	$ 7,224
Future warranty	879	115	994
Total liabilities assumed	8,236	(18)	8,218
Net assets acquired	$ 15,320	$ 1,445	$ 16,765

The Company expensed acquisition costs of $219 in accordance with ASC 805 during the year ended February 28, 2010. The allocation of the purchase price to the assets and liabilities assumed was based on a valuation study performed by management and is final.

Schwaiger

On October 1, 2009, Audiovox German Holdings GmbH completed the acquisition of certain assets of Schwaiger, a German market leader in consumer electronics as well as SAT and receiver technologies. As consideration, the Company made a cash payment of $4,348, with all acquisition costs of $209 expensed as incurred in accordance with ASC 805 during the year ended February 28, 2010.

The results of operations of this acquisition have been included in the consolidated financial statements from the date of acquisition. The purpose of this acquisition was to expand our European operations and increase our presence in the European accessory market.

The following summarizes the allocation of the final purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition:

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

Assets acquired:	
Inventory	$ 5,596
Prepaid assets	86
Property, plant and equipment, net	351
Trademarks and other intangible assets	6,213
Total assets acquired	$ 12,246
Liabilities assumed:	
Accrued expenses and other liabilities	102
Net assets acquired	12,144
Less: purchase price	4,348
Gain on bargain purchase	$ 7,796

Pro-forma Financial Information

The following unaudited pro-forma financial information for the years ended February 28, 2011, 2010 and 2009 represents the combined results of the Company's operations as if the Schwaiger and Invision acquisitions had occurred at March 1, 2008. The unaudited pro-forma financial information does not necessarily reflect the results of operations that would have occurred had the Company constituted a single entity during such periods.

	Year Ended February 28, 2011	Year Ended February 28, 2010	Year Ended February 28, 2009
Net Sales	$ 561,672	$ 617,340	$ 657,647
Net income (loss)	23,031	27,966	(77,336)
Net income (loss) per share-diluted	$ 1.00	$ 1.22	$ (3.38)

3) Receivables from Vendors

The Company has recorded receivables from vendors in the amount of $8,382 and $11,170 as of February 28, 2011 and 2010, respectively. Receivables from vendors represent prepayments on product shipments and product reimbursements.

4) Equity Investment

The Company has a 50% non-controlling ownership interest in Audiovox Specialized Applications, Inc. ("ASA") which acts as a distributor to markets for specialized vehicles, such as RV's, van conversions and marine vehicles, of televisions and other automotive sound, security and accessory products. ASC 810 requires the Company to evaluate non-consolidated entities periodically and as circumstances change to determine if an implied controlling interest exists. During Fiscal 2011, the Company evaluated this equity investment and concluded that this is still a variable interest entity and the Company is not the primary beneficiary. ASA's fiscal year end is November 30, 2010, however, the proportionate results of ASA as of and until February 28, 2011 have been recorded in the consolidated financial statements.

The following presents unaudited summary financial information for ASA. Such summary financial information has been provided herein based upon the individual significance of this unconsolidated equity investment to the consolidated financial information of the Company.

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

	February 28, 2011	February 28, 2010
	(unaudited)	
Current assets	$ 24,521	$ 21,793
Non-current assets	5,240	5,316
Current liabilities	4,233	4,565
Members' equity	25,528	22,544

The equity balance carried on the Company's balance sheet amounts to $12,764 and $11,272 for the years ended February 28, 2011 and 2010, respectively.

	Year Ended February 28, 2011	Year Ended February 28, 2010	Year Ended February 28, 2009
		(unaudited)	
Net sales	$ 68,796	$ 51,341	$ 51,169
Gross profit	18,478	12,705	12,691
Operating income	5,756	3,032	1,338
Net income	5,810	3,314	1,951

The Company's share of income from ASA for the years ended February 28, 2011, February 28, 2010 and February 28, 2009 was $2,905, $1,657 and $975, respectively. In addition, the Company received cash distributions from ASA totaling $1,413, $3,504 and $1,080 during the years ended February 28, 2011, 2010 and 2009, respectively.

The following represents summary information of transactions between the Company and ASA:

	Year Ended February 28, 2011	Year Ended February 28, 2010	Year Ended February 28, 2009
		(unaudited)	
Net Sales	$ 477	$ 804	$ 1,026
Purchases	—	—	76
Royalty expense	—	278	500

	February 28, 2011	February 28, 2010
Accounts receivable	$ 27	$ 181
Royalty payable	—	131

5) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

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

	February 28, 2011	February 28, 2010
Commissions	$ 619	$ 615
Employee compensation	9,948	8,652
Professional fees and accrued settlements	2,438	2,719
Future warranty	5,956	7,853
Freight and duty	2,007	2,213
Royalties, advertising and other	15,532	13,738
Total accrued expenses and other current liabilities	$ 36,500	$ 35,790

6) Debt

The Company has the following financing arrangements:

	February 28, 2011	February 28, 2010
Domestic bank obligations (a)	$ —	$ —
Foreign bank obligation (b)	1,902	1,703
Euro term loan agreement (c)	3,488	4,823
Suntrust loan (d)	—	5,022
Oehlbach (e)	86	120
Other (f)	4,890	3,031
Total debt	10,366	14,699
Less: current portion of long-term debt	4,471	8,086
Total long-term debt	$ 5,895	$ 6,613

a) *Domestic Bank Obligations*

As of February 28, 2011, we had a domestic three-year credit facility to fund the temporary short-term working capital needs of the Company, which allowed aggregate borrowings of up to $15,000 at an interest rate of LIBOR plus 3.5%. This facility was terminated and replaced as indicated below on March 1, 2011.

As of March 1, 2011, the Company has a revolving credit facility (the “Credit Facility”) with an aggregated committed availability of up to $175 million (the “Maximum Credit”). This amount may be increased at the option of the Company up to a maximum of $200 million. The Credit Facility includes a $25 million sublimit for issuances of letters of credit and a $20 million sublimit for Swing Loans.

The Company may borrow under the Credit Facility as needed, provided the aggregate amounts outstanding will not exceed 85% of certain eligible accounts receivable, plus 65% of certain eligible inventory balances less the outstanding amounts for Letters of Credit Usage, if applicable. This amount may be further reduced by the aggregated amounts of reserves that may be required at the reasonable discretion of Wells Fargo in its role as the Administrative Agent.

Generally, the Company may designate specific borrowings under the Credit Facility as either Base Rate Loans or LIBOR Rate Loans, except that Swing Loans may only be designated as Base Rate Loans. Loans designated as LIBOR Rate Loans shall bear interest at a rate equal to the then applicable LIBOR rate plus a range of 2.25 - 2.75% based on excess availability in the borrowing base. Loans designated as Base Rate loans shall bear interest at a rate equal to the base rate plus an applicable margin ranging from 1.25 - 1.75% based on excess availability in the borrowing base.

All amounts outstanding under the Credit Facility will mature and become due on March 1, 2016. The Company may prepay any amounts outstanding at any time, subject to payment of certain breakage and redeployment

costs relating to LIBOR Rate Loans. The commitments under the Credit Facility may be irrevocably reduced at any time without premium or penalty.

The Credit Agreement contains covenants that limit the ability of certain entities of the Company to, among other things: (i) incur additional indebtedness: (ii) incur liens; (iii) merge, consolidate or exit a substantial portion of their business; (iv) transfer or dispose of assets; (v) change their names, organizational identification number, state or province of organization or organizational identity; (vi) make any material change in their nature of business; (vii) prepay or otherwise acquire indebtedness; (viii) cause any Change of Control; (ix) make any Restricted Junior Payment; (x) change their fiscal year or method of accounting; (xi) make advances, loans or investments; (xii) enter into or permit any transactions with an Affiliate of certain entities of the Company; (xiii) use proceeds for certain items; (xiv) issue or sell any of their stock; and/or (xv) consign or sell any of their inventory on certain terms.

In addition, at any time that Excess Availability falls below 12.5% of the Maximum Credit, the Company must maintain a minimum Fixed Charge Coverage Ratio for certain entities, of not less than 1.0:1.0 until such time as Excess Availability has equaled or exceeded 12.5% of the Maximum Availability at all times for a period of thirty (30) consecutive days.

The Credit Agreement contains customary events of default, including, without limitation: failure to pay when due principal amounts in respect of the Credit Facility; failure to pay any interest or other amounts under the Credit Facility for a period of three (3) business days after becoming due; failure to comply with certain agreements or covenants in the Credit Agreement; failure to satisfy certain judgments against a Loan Party or any of its Subsidiaries; certain insolvency and bankruptcy events; and failure to pay when due certain indebtedness in principal amount in excess of $5 million.

The Obligations under the Credit Facility are secured by a general lien on and security interest in substantially all of the assets of certain entities of the Company, including accounts receivable, equipment, real estate, general intangibles and inventory. The Company has guaranteed the obligations of all entities under the Credit Agreement.

On March 1, 2011, the Company borrowed approximately $89 million under this credit facility as a result of its stock purchase agreement related to Klipsch Group, Inc (see Subsequent Event in this Form 10K).

b) *Foreign Bank Obligations*

Foreign bank obligations include a financing arrangement totaling 16,000 Euros consisting of a Euro accounts receivable factoring arrangement and a Euro Asset-Based Lending ("ABL") (up to 60% of eligible non-factored accounts receivable) credit facility for the Company's subsidiary, Audiovox Germany, which expires on November 1, 2012. Selected accounts receivable are purchased from the Company on a non-recourse basis at 85% of face value and payment of the remaining 15% upon receipt from the customer of the balance of the receivable purchased. The activity under the factoring agreement is accounted for as a sale of accounts receivable. The rate of interest is the three month Euribor plus 1.9%, and the Company pays 0.22% of its gross sales as a fee for the accounts receivable factoring arrangement. As of February 28, 2011, the amount of accounts receivable available for factoring exceeded the amounts outstanding under this obligation.

The Company has a $2,000 credit line in Venezuela to fund the short-term working capital needs of the local operation. This line is secured by a standby letter of credit in the U.S., expires on June 30, 2011 and carries an interest rate of 20%, which is fixed for 90 days. There were no amounts outstanding as of February 28, 2011.

c) *Euro Term Loan Agreement*

On March 30, 2008, Audiovox Germany entered into a new 5 million Euro term loan agreement. This agreement is for a five-year term with a financial institution and was used to repay the Audiovox Germany intercompany debt to Audiovox Corporation. Payments under the term loan are to be made in two semi-annual installments of 500 Euros beginning on September 30, 2008 and ending on March 30, 2013. Interest accrues at a fixed rate of 4.82%. Any amount repaid can not be reborrowed. The term loan is secured by a pledge of the stock of

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

Audiovox Germany and the Magnat brand name, prohibits the distribution of dividends, and takes precedence to all other intercompany loans with Audiovox Corporation.

d) *Suntrust*

On February 1, 2010, the Company entered into a two-year monthly installment loan in the amount of $5,000 at an interest rate of LIBOR + 4%. This loan was used to pay down liabilities assumed in the asset purchase of Invision Systems, Inc. In April 2010, this loan was prepaid in full without penalty.

e) *Oehlbach*

In connection with the Oehlbach acquisition, the Company acquired short and long term debt payable to various third parties, which was repaid in March 2011.

f) *Other Debt*

On August 29, 2003, the Company entered into a call/put option agreement with certain employees of Audiovox Germany, whereby these employees can acquire up to a maximum of 20% of the Company's stated share capital in Audiovox Germany at a call price equal to the same proportion of the actual price paid by the Company for Audiovox Germany. The put options cannot be exercised until the later of (i) November 30, 2008 or (ii) the full repayment (including interest) of an inter-company loan granted to Audiovox Germany in the amount of 5.3 million Euros. Notwithstanding the lapse of these time periods, the put options become immediately exercisable upon (i) the sale of Audiovox Germany or (ii) the termination of employment or death of the employee. The put price to be paid to the employee upon exercise will be the then net asset value per share of Audiovox Germany. Accordingly, the Company recognizes compensation expense based on 20% of the increase in Audiovox Germany's net assets, subject to certain adjustments as defined in the agreement, representing the incremental change of the put price over the call option price. Compensation (benefit) expense for these options amounted to $727, $1,679 and $642 for the years ended February 28, 2011, 2010 and 2009, respectively.

In connection with its Invision acquisition, the Company settled an assumed liability with a payment upon closing and an interest free notes payable to the vendor. The balance at February 28, 2011 is approximately $1,100 and will be fully paid by the end of Fiscal 2012.

The following is a maturity table for debt and bank obligations outstanding at February 28, 2011:

	Total Amounts Committed	2012	2013	2014	2015	2016
Total	$ 10,366	$ 4,471	$ 5,203	$ 692	$ —	$ —

The weighted-average interest rate on short-term debt was 3.81% and 4.47% for Fiscal 2011 and 2010 , respectively.

7) Income Taxes

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

	Year Ended February 28, 2011	Year Ended February 28, 2010	Year Ended February 28, 2009
Domestic Operations	$ 6,276	$ 4,569	$ (56,786)
Foreign Operations	6,220	6,586	832
	$ 12,496	$ 11,155	$ (55,954)

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

The (benefit) provision for income taxes is comprised of the following:

	Year Ended February 28, 2011	Year Ended February 28, 2010	Year Ended February 28, 2009
Current provision (benefit)			
Federal	$ 278	$ (11,326)	$ 522
State	(35)	(1,349)	443
Foreign	3,120	(605)	328
Total current provision (benefit)	$ 3,363	$ (13,280)	$ 1,293
Deferred (benefit) provision			
Federal	$ (12,103)	$ 1,374	$ 12,446
State	(1,355)	157	1,617
Foreign	(440)	421	(281)
Total deferred (benefit) provision	$ (13,898)	$ 1,952	$ 13,782
Total provision (benefit)			
Federal	$ (11,825)	$ (9,952)	$ 12,968
State	(1,390)	(1,192)	2,060
Foreign	2,680	(184)	47
Total provision (benefit)	$ (10,535)	$ (11,328)	$ 15,075

The effective tax rate before income taxes varies from the current statutory U.S. federal income tax rate as follows:

	Year Ended February 28, 2011		Year Ended February 28, 2010		Year Ended February 28, 2009	
Tax provision at Federal statutory rates	$ 4,373	35.0 %	$ 3,904	35.0 %	$ (19,584)	35.0 %
State income taxes, net of Federal benefit	167	1.3	208	1.9	(1,268)	2.3
Impairment of non-deductible goodwill	—	—	—	—	4,682	(8.4)
Change in valuation allowance	(16,254)	(130.1)	(9,902)	(88.8)	29,808	(53.3)
Change in tax reserves	159	1.3	(4,623)	(41.4)	780	(1.4)
US effects of foreign operations	92	0.8	668	6.0	541	(1.0)
Gain on bargain purchase	—	—	(1,896)	(17.0)%	—	—
Permanent differences and other	928	7.4	313	2.8	116	(0.2)
Effective tax rate	$ (10,535)	(84.3)%	$ (11,328)	(101.5)%	$ 15,075	(27.0)%

The U.S. effects of foreign operations include differences in the statutory tax rate of the foreign countries as compared to the statutory tax rate in the U.S., foreign operating losses for which no tax benefit has been provided and the effects of the settlement of the German tax audit during Fiscal 2009.

Other is a combination of various factors, including changes in the taxable income or loss between various tax entities with differing effective tax rates, changes in the allocation and apportionment factors between taxable jurisdictions with differing tax rates of each tax entity, changes in tax rates and other legislation in the various jurisdictions and other items.

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

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	February 28, 2011	February 28, 2010
Deferred tax assets:		
Accounts receivable	$ 905	$ 1,059
Inventory	2,373	1,149
Property, plant and equipment	1,133	959
Intangible assets	3,734	4,651
Accruals and reserves	5,258	5,217
Unrealized gains and losses	2,860	4,014
Net operating losses	3,392	4,856
Tax credits	3,376	3,313
Deferred tax assets before valuation allowance	23,031	25,218
Less: valuation allowance	(7,044)	(24,349)
Total deferred tax assets	15,987	869
Deferred tax liabilities:		
Intangible assets	(10,732)	(9,479)
Prepaid expenses	(1,213)	(1,261)
Unremitted foreign earnings	(348)	—
Total deferred tax liabilities	(12,293)	(10,740)
Net deferred tax asset (liability)	$ 3,694	$ (9,871)

In assessing the realizability of deferred tax assets, Management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in those periods in which temporary differences become deductible and /or net operating loss carryforwards can be utilized. We consider the level of historical taxable income, scheduled reversal of temporary differences, tax planning strategies and projected future taxable income in determining whether a valuation allowance is warranted. Based on these considerations, the Company believes that as of February 28, 2011 it will realize its deferred tax assets of $3,694, which is net of a valuation allowance of $7,044.

During Fiscal 2011, the Company recorded an income tax benefit of $16.3 million through a partial reduction of its valuation allowance as a significant portion of its deferred tax assets became realizable on a more-likely-than-not basis as a result of current operating results and forecasts of pre-tax earnings. The Company maintains a valuation allowance against deferred tax assets in certain foreign jurisdictions and with respect to its foreign tax credits and various investments which are more likely than not to generate capital losses in the future. Any further decline in the valuation allowance could have a favorable impact on our income tax provision and net income in the period in which such determination is made.

In accordance with ASC 350, the Company does not amortize indefinite-lived intangibles for book purposes but does amortize intangibles with tax basis for tax purposes. The net deferred tax liability at February 28, 2010 relates to the tax effect of differences between the book and tax bases of intangible assets not expected to reverse during the Company's net operating loss carry forward period.

As of February 28, 2011, the Company had approximately $5.9 million of U.S. federal net operating loss carryforwards, which are available to offset future taxable income. These carryforwards expire in the tax years between 2027 and 2030, if not utilized. In addition, the Company has approximately $3.3 of foreign tax credits that expire in 2012 through 2016 if not utilized. In addition, the Company has various state net operating loss carryforwards that expire in varying amounts through fiscal year 2030.

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

The Company has not provided for U.S. federal and foreign withholding taxes on its foreign subsidiaries undistributed earnings in Germany and Venezuela as of February 28, 2011, because such earnings are intended to be indefinitely reinvested overseas. The amount of unrecognized deferred tax liabilities for temporary differences related to investments in undistributed earnings is not practicable to determine at this time.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, is as follows:

Balance at February 28, 2009	$	5,754
Additions based on tax positions taken in the current and prior years		334
Change in tax law		(1,166)
Settlements		—
Lapse in statute of limitations		(2,297)
Balance at February 28, 2010	$	2,625
Additions based on tax positions taken in the current and prior years		773
Change in tax law		—
Settlements		—
Lapse in statute of limitations		(63)
Balance at February 28, 2011	$	3,335

At February 28, 2011, the Company had unrecognized tax benefits of $3,335, which includes $1,738 of excess tax benefits related to stock-based compensation as prescribed by ASC718. A reasonable estimate of timing of these liabilities is not possible. As of February 28, 2011, Company had approximately $430 of accrued interest and penalties. The Company records both accrued interest and penalties related to income tax matters in the provision for income taxes in the accompanying consolidated statement of operations. Included in the reconciliation of unrecognized tax benefits additions based on tax positions taken in prior years for Fiscal 2010 and Fiscal 2011 are excess tax benefits for stock based compensation deductions which have not yet reduced the Company's current taxes payable as prescribed by ASC 718. In addition, the Company believes that the uncertain tax positions will not materially change within the next twelve months.

The Company files its tax returns in the U.S. and certain state and foreign income tax jurisdictions with varying statutes of limitations. The earliest years' tax returns filed by the Company that are still subject to examination by the tax authorities in the major jurisdictions are as follows:

Jurisdiction	Tax Year
U.S.	2007
Germany	2007
Canada	2007

U.S. net operating loss carryforwards utilized in open tax years are subject to adjustment by the tax authorities.

8) Capital Structure

The Company's capital structure is as follows:

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

Security	Par Value	Shares Authorized February 28, 2011	Shares Authorized February 28, 2010	Shares Outstanding February 28, 2011	Shares Outstanding February 28, 2010	Voting Rights per Share	Liquidation Rights
Preferred Stock	$ 50.00	50,000	50,000	—	—	—	$50 per share
Series Preferred Stock	$ 0.01	1,500,000	1,500,000	—	—	—	
Class A Common Stock	$ 0.01	60,000,000	60,000,000	20,813,005	20,622,905	One	Ratably with Class B
Class B Common Stock	$ 0.01	10,000,000	10,000,000	2,260,954	2,260,954	Ten	Ratably with Class A

The holders of Class A and Class B common stock are entitled to receive cash or property dividends declared by the Board of Directors. The Board of Directors can declare cash dividends for Class A common stock in amounts equal to or greater than the cash dividends for Class B common stock. Dividends other than cash must be declared equally for both classes. Each share of Class B common stock may, at any time, be converted into one share of Class A common stock.

Stock held in treasury by the Company is accounted for using the cost method which treats stock held in treasury as a reduction to total stockholders' equity. The cost basis for subsequent sales of treasury shares is determined using an average cost method. As of February 28, 2011, 1,738,263 shares of the Company's Class A common stock are authorized to be repurchased in the open market. During the years ended February 28, 2011, 2010 and 2009, the Company did not purchase any shares.

Undistributed earnings from equity investments included in retained earnings amounted to $7,438 and $5,946 at February 28, 2011 and 2010, respectively.

9) Other Stock and Retirement Plans

a) *Restricted Stock Plan*

The Company has restricted stock plans under which key employees and directors may be awarded restricted stock. Awards under the restricted stock plan may be performance-accelerated shares or performance-restricted shares. No performance accelerated shares or performance-restricted shares were granted or outstanding during the years ended February 28, 2011, 2010 and 2009.

As of February 28, 2011, 1,773,637 shares of the Company's Class A common stock are reserved for issuance under the Company's Restricted and Stock Option Plan.

b) *Profit Sharing Plans/ 401(k) Plan*

The Company has established two non-contributory employee profit sharing plans for the benefit of its eligible employees in the United States and Canada. The plans are administered by trustees appointed by the Company. No contributions were made during the years ended February 28, 2011, 2010 and 2009. Contributions required by law to be made for eligible employees in Canada were not material for all periods presented.

The Company also has a 401(k) plan for eligible employees. The Company matches a portion of the participant's contributions after three months of service under a predetermined formula based on the participant's contribution level. As of February 1, 2008, the Company has temporarily suspended all matching contributions to contain operating expenses until economic conditions improve. Shares of the Company's Common Stock are not an investment option in the Savings Plan and the Company does not use such shares to match participants' contributions.

c) *Cash Bonus Profit Sharing Plan*

During Fiscal 2009, the Board of Directors authorized a Cash Bonus Profit Sharing Plan that allows the Company to make profit sharing contributions for the benefit of eligible employees, for any fiscal year based on a pre-determined formula on the Company's pre-tax profits. The size of the contribution is dependent upon the performance of the Company. A participant's share of the contribution is determined pursuant to the participant's eligible wages for the fiscal year as a percentage of total eligible wages for all participants. The Company did not make a cash bonus profit sharing contribution for the year ended February 28, 2009 due to the Company's pre-tax loss for the year. The Company elected to pay back previous temporary salary reductions to all employees below the level of vice president for Fiscal 2010, and all employees for Fiscal 2011, in lieu of contributions to the Profit Sharing Plan for those years.

d) *Deferred Compensation Plan*

Effective December 1, 1999, the Company adopted a Deferred Compensation Plan (the Plan) for a select group of management. The Plan is intended to provide certain executives with supplemental retirement benefits as well as to permit the deferral of more of their compensation than they are permitted to defer under the Profit Sharing and 401(k) Plan. The Plan provides for a matching contribution equal to 25% of the employee deferrals up to $20. As of February 1, 2008, the Company has temporarily suspended all matching contributions to contain operating expenses until economic conditions improve. The Plan is not intended to be a qualified plan under the provisions of the Internal Revenue Code. All compensation deferred under the Plan is held by the Company in an investment trust which is considered an asset of the Company. The Company has the option of amending or terminating the Plan at any time.

The investments, which amounted to $3,804 and $3,158 at February 28, 2011 and 2010, respectively, have been classified as long-term marketable securities and are included in investment securities on the accompanying consolidated balance sheets and a corresponding liability is recorded with $250 recorded in accrued expenses and the balance in deferred compensation which is classified as a long-term liability. Unrealized gains and losses on the marketable securities and corresponding deferred compensation liability net to zero in the accompanying consolidated statements of operations.

10) Lease Obligations

During 1998, the Company entered into a 30-year capital lease for a building with its principal stockholder and current chairman, which was the headquarters of the discontinued Cellular operation. Payments on the capital lease were based upon the construction costs of the building and the then-current interest rates. The effective interest rate on the capital lease obligation is 8%. This lease was refinanced in December 2006, which resulted in a $161 reduction to the capital lease obligation and corresponding asset, and expires on November 30, 2026. On November 1, 2004, we entered into an agreement to sublease the building to Personal Communication Devices, LLC (Formerly UTStarcom) for monthly payments of $46 until November 1, 2009. The sublease lease agreement has been renewed and requires, for a term of three years, monthly payments of $50 until November 1, 2012. We also lease another facility from our principal stockholder which expires on November 30, 2016. Total lease payments required under all related party leases for the five-year period ending February 29, 2016 are $6,735.

At February 28, 2011, the Company was obligated under non-cancellable capital and operating leases for equipment and warehouse facilities for minimum annual rental payments as follows:

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

	Capital Lease	Operating Leases
2012	$ 534	$ 4,825
2013	574	3,446
2014	574	2,587
2015	574	2,141
2016	574	2,096
Thereafter	7,055	6,106
Total minimum lease payments	9,885	$ 21,201
Less: minimum sublease income	1,000	
Net	8,885	
Less: amount representing interest	3,436	
Present value of net minimum lease payments	5,449	
Less: current installments included in accrued expenses and other current liabilities	101	
Long-term capital obligation	$ 5,348	

Rental expense for the above-mentioned operating lease agreements and other leases on a month-to-month basis approximated $2,741, $2,044 and $2,412 for the years ended February 28, 2011, 2010 and 2009, respectively.

The Company leases certain facilities from its principal stockholder. At February 28, 2011, minimum annual rental payments on these related party leases, in addition to the capital lease payments, which are included in the above table, are as follows:

2012	$ 735
2013	758
2014	781
2015	804
2016	828
Thereafter	4,233
Total	$ 8,139

11) Financial Instruments

a) *Off-Balance Sheet Risk*

Commercial letters of credit are issued by the Company during the ordinary course of business through major domestic banks as requested by certain suppliers. The Company also issues standby letters of credit principally to secure certain bank obligations and insurance policies. The Company had $1 and $319 open commercial letters of credit at February 28, 2011 and 2010, respectively. Standby letters of credit amounted to $2,817 and $1,294 at February 28, 2011 and 2010, respectively. The terms of these letters of credit are all less than one year. No material loss is anticipated due to nonperformance by the counter parties to these agreements. The fair value of the standby letters of credit is estimated to be the same as the contract values based on the short-term nature of the fee arrangements with the issuing banks.

At February 28, 2011, the Company had unconditional purchase obligations for inventory commitments of $59,885. These obligations are not recorded in the consolidated financial statements until commitments are fulfilled and such obligations are subject to change based on negotiations with manufacturers.

b) *Concentrations of Credit Risk*

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of trade receivables. The Company's customers are located principally in the United States, Canada and Germany

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

and consist of, among others, distributors, mass merchandisers, warehouse clubs and independent retailers. The Company generally grants credit based upon analyses of customers' financial condition and previously established buying and payment patterns. For certain customers, the Company establishes collateral rights in accounts receivable and inventory and obtains personal guarantees from certain customers based upon management's credit evaluation.

At February 28, 2011, two customers accounted for approximately 36% of accounts receivable, while at February 28, 2010, these two customers accounted for 43% of accounts receivable. During the years ended February 28, 2011 and 2010 , two customers accounted for 22% and 28% of sales, respectively. During the year ended February 28, 2009, one customer accounted for 22% of net sales.

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

12) Financial and Product Information About Foreign and Domestic Operations

Segment

We have determined that we operate in one reportable segment, the Electronics Group, based on review of ASC 280 “Segment Reporting” (“ASC 280”). The characteristics of our operations that are relied on in making and reviewing business decisions include the similarities in our products, the commonality of our customers, suppliers and product developers across multiple brands, our unified marketing and distribution strategy, our centralized inventory management and logistics, and the nature of the financial information used by our Executive Officers. Management reviews the financial results of the Company based on the performance of the Electronics Group.

Locations

Net sales by location were as follows:

	Net Sales		
	Year Ended February 28, 2011	Year Ended February 28, 2010	Year Ended February 28, 2009
North America	$ 457,349	$ 460,582	$ 507,798
Latin America	20,258	23,232	30,165
Germany	76,845	59,261	52,252
Other foreign countries	7,220	7,620	12,884
Total net sales	$ 561,672	$ 550,695	$ 603,099

The basis of attributing net sales from external customers to individual countries is based on where the sale originates from.

Long-lived assets by location were as follows:

	Long-Lived Assets	
	As of February 28, 2011	As of February 28, 2010
North America	$ 107,657	$ 107,524
Latin America	423	427
Asia	240	239
Germany	17,805	18,570
Total long-lived assets	$ 126,125	$ 126,760

Net sales by product categories for the years ended February 28, 2011, 2010 and 2009 were as follows:

	Year Ended February 28, 2011	Year Ended February 28, 2010	Year Ended February 28, 2009
Electronics	$ 415,167	$ 375,021	$ 449,433
Accessories	146,505	175,674	153,666
Total net sales	$ 561,672	$ 550,695	$ 603,099

Audiovox Corporation and Subsidiaries
Notes to Consolidated Financial Statements, continued
February 28, 2011
(Dollars in thousands, except share and per share data)

13) Contingencies

The Company is currently, and has in the past been, a party to various routine legal proceedings incident to the ordinary course of business. If management determines, based on the underlying facts and circumstances, that it is probable a loss will result from a litigation contingency and the amount of the loss can be reasonably estimated, the estimated loss is accrued for. The Company believes its outstanding litigation matters disclosed below will not have a material adverse effect on the Company's financial statements, individually or in the aggregate; however, due to the uncertain outcome of these matters, the Company disclosed these specific matters below:

Certain consolidated class actions transferred to a Multi-District Litigation Panel of the United States District Court of the District of Maryland against the Company and other suppliers, manufacturers and distributors of hand-held wireless telephones alleging damages relating to exposure to radio frequency radiation from hand-held wireless telephones are still pending. No assurances regarding the outcome of this matter can be given, as the Company is unable to assess the degree of probability of an unfavorable outcome or estimated loss or liability, if any. Accordingly, no estimated loss has been recorded for the aforementioned case.

During the fourth quarter of Fiscal 2009, the Company became aware that certain personal consumer credit card information had been accessed by an intrusion by an unauthorized source. The Company has notified the various state and federal authorities in which the consumers reside and is offering a plan of credit monitoring and protection for the affected individuals. The Company is partially covered by insurance but anticipates amounts will be necessary to cover the cost of this issue. The Company has recorded certain costs associated with this issue as of February 28, 2009, based on information available at the time. During the years ended February 28, 2010 and 2011, no additional costs were recorded.

In October 2010, we were notified that Qualcomm has decided to suspend its direct to consumer sales of new FLO TV devices. This decision will not have a material impact on the Company. We are working with FLO TV and Qualcomm to transition out of the business, and are currently compiling the information necessary to settle the matter.

The products the Company sells are continually changing as a result of improved technology. As a result, although the Company and its suppliers attempt to avoid infringing known proprietary rights, the Company may be subject to legal proceedings and claims for alleged infringement by its suppliers or distributors, of third party patents, trade secrets, trademarks or copyrights. Any claims relating to the infringement of third-party proprietary rights, even if not meritorious, could result in costly litigation, divert management’s attention and resources, or require the Company to either enter into

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

royalty or license agreements which are not advantageous to the Company or pay material amounts of damages.

14) Unaudited Quarterly Financial Data

Selected unaudited, quarterly financial data of the Company for the years ended February 28, 2011 and 2010 appear below:

	Quarters Ended			
2011	**Feb. 28, 2011**	**Nov. 30, 2010**	**Aug. 31, 2010**	**May 31, 2010**
Net sales	$ 138,895	$ 163,167	$ 129,297	$ 130,313
Gross profit	34,809	34,597	27,470	27,061
Net income	17,408	3,859	645	1,119
Net income per common share (basic)	$ 0.75	$ 0.17	$ 0.03	$ 0.05
Net income per common share (diluted)	$ 0.75	$ 0.17	$ 0.03	$ 0.05

	Quarters Ended			
2010	**Feb. 28, 2010**	**Nov. 30, 2009**	**Aug. 31, 2009**	**May 31, 2009**
Net sales	$ 150,342	$ 155,657	$ 124,890	$ 119,806
Gross profit	30,003	30,226	23,598	22,924
Net income	6,587	12,645	2,775	476
Net income per common share (basic)	$ 0.29	$ 0.55	$ 0.12	$ 0.02
Net income per common share (diluted)	$ 0.29	$ 0.55	$ 0.12	$ 0.02

Earnings per share are computed separately for each quarter. Therefore, the sum of such quarterly per share amounts may differ from the total for the years.

15) Subsequent Events (unaudited)

Klipsch

On March 1, 2011, Soundtech LLC, a Delaware limited liability company and wholly-owned subsidiary of Audiovox, acquired all of the issued and outstanding shares of Klipsch Group, Inc. and its worldwide subsidiaries ("Klipsch") for a total purchase price of $167.6 million including a working capital adjustment which is subject to change, plus related transaction fees and expenses. Klipsch is a global provider of high-end speakers for audio, multi-media and home theater applications. The acquisition of Klipsch adds world-class brand names to Audiovox's offerings, increases its distribution network, both domestically and abroad, and provides the Company with entry into the high-end installation market at both the residential and commercial level. In addition to the Klipsch® brand, the Klipsch portfolio includes Jamo®, Mirage®, and Energy®.

In connection with the acquisition, the Company entered into a $175 million credit agreement with Wells Fargo Capital Finance, LLC to fund a portion of the acquisition and future working capital needs, as applicable. A portion of the acquisition and all related transaction costs were funded with approximately $78.5 million in cash on hand. At closing, approximately $89 million was borrowed under the Credit Agreement to fund the balance of the purchase price.

As the Klipsch acquisition occurred on March 1, 2011, the consolidated balance sheet, consolidated statement of

operations, and consolidated statement of cash flows presented within this annual report do not include the operations of Klipsch, or the fair market value of assets and liabilities acquired, except as outlined in this footnote below. The opening balances and financial results of Klipsch will be consolidated with Audiovox beginning with the Company's first quarter of Fiscal 2012.

The stock purchase agreement provides for a term in which to finalize the working capital adjustment which has not yet expired. The Company is currently performing a formal valuation of the acquisition including an analysis of purchase price adjustments, if any, and a review of the assets and liabilities acquired to determine appropriate fair values. Management has estimated the fair value of tangible assets acquired and liabilities assumed based on preliminary estimates and assumptions. These preliminary estimates and assumptions could change during the purchase price measurement period as the Company finalizes the valuations of the net tangible and intangible assets.

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed as of the date of the acquisition and the estimated amounts assigned to goodwill and intangible asset classifications:

	As of March 1, 2011
Current assets	$ 63,174
Property, plant and equipment, net	5,900
Goodwill	61,403
Intangible assets	81,063
Other assets	3,032
Total assets acquired	214,572
Total liabilities assumed	33,382
Deferred tax liabilities	$ 13,551
Net assets acquired	$ 167,639

The preliminary amounts assigned to goodwill and intangible assets for the acquisition are as follows:

	March 1, 2011	Amortization Period (Years)
Goodwill (non-deductible)	$ 61,403	N/A
Tradenames (non-deductible)	46,816	Indefinite
Customer relationships	33,000	15
Patents	1,247	13
	$ 142,466	

Acquisition related costs of $989 were expensed as incurred in the year ended February 28, 2011 and are included in general and administrative expenses in the accompanying consolidated statement of income. Approximately $1,250 of costs were contingent upon the completion of the acquisition and were expensed on March 1, 2011.

Pro Forma Information

The following unaudited pro forma information illustrates the effect on Audiovox's net sales and net income for the twelve-months ended February 28, 2011 and February 28, 2010, assuming that the acquisition had taken place on March 1, 2009.

	Year Ended February 28, 2011	Year Ended February 28, 2010
Net sales:		
As reported	$ 561,672	$ 550,695
Pro forma	728,266	706,715
Net income:		
As reported	$ 23,031	$ 22,483
Pro forma	31,402	38,945
Basic earnings per share:		
As reported	$ 1.00	$ 0.98
Pro forma	1.37	1.70
Diluted earnings per share:		
As reported	$ 1.00	$ 0.98
Pro forma	1.36	1.70
Average shares - basic	22,938,754	22,875,651
Average shares - diluted	23,112,518	22,919,665

The above pro-forma results include certain adjustments for the periods presented to adjust the financial results and give consideration to the assumption that the acquisition occurred on the first day of Fiscal 2010. These adjustments include costs such as an estimate for amortization and depreciation associated with intangible and fixed assets acquired, additional financing costs as a result of the acquisition, and the elimination of expenses specific to the acquisition. These pro-forma results of operations have been estimated for comparative purposes only and may not reflect the actual results of operations that would have been achieved had the transaction occurred on the date presented or be indicative of results to be achieved in the future.

SCHEDULE II

AUDIOVOX CORPORATION AND SUBSIDIARIES
Valuation and Qualifying Accounts
Years ended February 28, 2011, 2010 and 2009
(In thousands)

Column A	Column B	Column C	Column D		Column E
Description	**Balance at Beginning of Year**	**Gross Amount Charged to Costs and Expenses**	**Reversals of Previously Established Accruals**	**Deductions (a)**	**Balance at End of Year**
Year ended February 28, 2009					
Allowance for doubtful accounts	$ 6,386	$ (1,905)	$ —	$ (2,880)	$ 7,361
Cash discount allowances	275	3,649	—	3,725	199
Accrued sales incentives	10,768	23,877	(4,083)	22,645	7,917
Reserve for warranties and product repair costs	17,319	12,187	—	15,096	14,410
	$ 34,748	$ 37,808	$ (4,083)	$ 38,586	$ 29,887
Year ended February 28, 2010					
Allowance for doubtful accounts	$ 7,361	$ (192)	$ —	$ 1,427	$ 5,742
Cash discount allowances	199	4,680	—	4,094	785
Accrued sales incentives	7,917	29,629	(2,559)	24,381	10,606
Reserve for warranties and product repair costs (b)	14,410	12,052	—	13,404	13,058
	$ 29,887	$ 46,169	$ (2,559)	$ 43,306	$ 30,191
Year ended February 28, 2011					
Allowance for doubtful accounts	$ 5,742	$ (1,021)	$ —	$ (1,458)	$ 6,179
Cash discount allowances	785	6,210	—	6,110	885
Accrued sales incentives	10,606	28,004	(1,725)	24,904	11,981
Reserve for warranties and product repair costs (b)	13,058	11,561	—	15,568	9,051
	$ 30,191	$ 44,754	$ (1,725)	$ 45,124	$ 28,096

(a) For the allowance for doubtful accounts, cash discount allowances, and accrued sales incentives deductions represent currency effects, chargebacks and payments made or credits issued to customers. For the reserve for warranties and product repair costs, deductions represent currency effects and payments for labor and parts made to service centers and vendors for the repair of units returned under warranty.

(b) Column C includes $879 and $115 of liabilities acquired during our Invision acquisitions for Fiscal 2010 and Fiscal 2011, respectively.

Exhibit Number	Description
2.1	Stock Purchase Agreement, dated February 3, 2011, by and among Soundtech LLC, a Delaware limited liability company ("Buyer"), Audiovox Corporation, a Delaware corporation ("Parent"), Klipsch Group, Inc., an Indiana corporation (the "Company"), and each shareholder (each a "Seller" and collectively "Sellers") of the Company. This Agreement is joined in by Fred S. Klipsch in his capacity as Sellers' Representative. (2)
2.2	Amendment to Stock Purchase Agreement, dated February 28, 2011, by and among Soundtech LLC, a Delaware limited liability company ("Buyer"), Audiovox Corporation, a Delaware corporation ("Parent"), Klipsch Group, Inc., an Indiana corporation (the "Company"), and each shareholder (each a "Seller" and collectively "Sellers") of the Company. This Agreement is joined in by Fred S. Klipsch in his capacity as Sellers' Representative. (2)
2.3	Escrow Agreement made as of February 28, 2011 by and among Soundtech LLC, a Delaware limited liability company, Audiovox Corporation, a Delaware corporation, Fed S. Klipsch, as Sellers' Representative, and JPMorgan Chase, N.A., a national banking association, as Escrow Agent.
3.1	Amended and Restated Certificate of Incorporation of the Company as filed with the Delaware Secretary of State on April 17, 2000 (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended November 30, 2000).
3.2	By-laws of the Company (incorporated by reference to the Company's Registration Statement on Form S-1; No. 33-10726, filed May 4, 1987).
3.2a	Amendment to the Bylaws of the Company (incorporated by reference to the Company's Form 8-K filed via EDGAR on July 3, 2007).
10.1	Employment Agreement made effective as of the 1st day of March, 2007 by and between the Company and Patrick M. Lavelle (incorporated by reference to the Company's Form 8-K filed via EDGAR on June 15, 2007).
10.2	Distribution Agreement between Audiovox Electronics Corporation and Sirius XM Radio Inc. dated as of January 8, 2009 (incorporated by reference to the Company's Form 8-K filed via EDGAR on January 15, 2009).
10.3	Credit Agreement, dated March 1, 2011, Audiovox Corporation, as Parent and certain of its directly and indirectly wholly-owned subsidiaries with, Wells Fargo Capital Finance, LLC as Administrative Agent and Sole Lead Arranger and Sole Bookrunner. (2)
10.4	Security Agreement, dated as of March 1, 2011, by and among Audiovox Corporation and certain of its wholly owned subsidiaries as Grantors and Wells Fargo Capital Finance, LLC as Administrative Agent. (2)
10.5	Form of Employment Agreement, dated February 3, 2011, by and among Klipsch Group, Inc. and T. Paul Jacobs. (2)
10.6	Form of Employment Agreement, dated February 3, 2011, by and among Klipsch Group, Inc. and Michael Klipsch. (2)
10.7	Form of Employment Agreement, dated February 3, 2011, by and among Klipsch Group, Inc. and Fred S. Klipsch. (2)
10.8	Form of Employment Agreement, dated February 3, 2011, by and among Klipsch Group, Inc. and Fred Farrar. (2)

10.9	Form of Employment Agreement, dated February 3, 2011, by and among Klipsch Group, Inc. and David P. Kelley. (2)
21	Subsidiaries of the Registrant (filed herewith).
23	Consent of Grant Thornton LLP (filed herewith).
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act of 1934 (filed herewith).
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act of 1934 (filed herewith).
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
99.1	Consolidated Financial Report of Audiovox Specialized Applications LLC (ASA) as of November 30, 2010 and 2009 and for the Years Ended November 30, 2010, 2009 and 2008 (filed herewith).
99.2	Consent of McGladrey & Pullen, LLP (filed herewith).

(d) All other schedules are omitted because the required information is shown in the financial statements or notes thereto or because they are not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AUDIOVOX CORPORATION

May 16, 2011

By: /s/ Patrick M. Lavelle
Patrick M. Lavelle,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Patrick M. Lavelle Patrick M. Lavelle	President; Chief Executive Officer (Principal Executive Officer) and Director	May 16, 2011
/s/ Charles M. Stoehr Charles M. Stoehr	Senior Vice President, Chief Financial Officer (Principal Financial and Accounting Officer) and Director	May 16, 2011
/s/ John J. Shalam John J. Shalam	Chairman of the Board of Directors	May 16, 2011
/s/ Philip Christopher Philip Christopher	Director	May 16, 2011
/s/ Paul C. Kreuch, Jr. Paul C. Kreuch, Jr.	Director	May 16, 2011
/s/ Dennis McManus Dennis McManus	Director	May 16, 2011
/s/ Peter A. Lesser Peter A. Lesser	Director	May 16, 2011

EXECUTION COPY

STOCK PURCHASE AGREEMENT

by and among

SOUNDTECH LLC

(“Buyer”),

AUDIOVOX CORPORATION

(“Parent”),

Klipsch Group, Inc.,

and

THE SHAREHOLDERS OF

KLIPSCH GROUP, INC.

(“Sellers”)

and is joined in by

FRED S. KLIPSCH

in his capacity as Sellers' Representative

February 3, 2011

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Exhibit 8.1	Sample Calculation of Income Tax Liabilities
Exhibit 8.2	Market Jurisdiction
Exhibit 8.3	Net Working Capital

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made as of February 3, 2011, by and among Soundtech LLC, a Delaware limited liability company ("Buyer"), Audiovox Corporation, a Delaware corporation ("Parent"), Klipsch Group, Inc., an Indiana corporation (the "Company"), and each shareholder (each a "Seller" and collectively "Sellers") of the Company. This Agreement is joined in by Fred S. Klipsch in his capacity as Sellers' Representative. Buyer, Parent and each Seller are sometimes individually referred to in this Agreement as a "Party" and collectively as the "Parties." Other capitalized terms used in this Agreement and not otherwise defined are defined in Article 8.

The Company and the Subsidiaries are primarily engaged in the business of manufacturing, distributing and selling personal, home, professional and commercial stand-alone loud speakers and personal headphones (such business, along with (i) the speaker and sound business, and (ii) any other consumer electronics business, (A) as engaged in from time to time by the Company or any Subsidiary or, (B) for purposes of Section 4.4, engaged in from time to time prior to, at or subsequent to the Closing Date by the Company, any of the Subsidiaries, or any of the direct or indirect subsidiaries of either the Company or any of the Subsidiaries, the "Business"). Buyer desires to purchase from Sellers, and Sellers desire to sell to Buyer, all of the outstanding capital stock of the Company on the terms and subject to the conditions in this Agreement.

ACCORDINGLY, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, the Parties agree as follows:

ARTICLE 1

Principal Transaction

Section 1.1 Sale and Purchase of Stock. On the terms and subject to the conditions of this Agreement, each Seller agrees to sell and transfer to Buyer, and Buyer agrees to purchase from each Seller, all of the outstanding shares of capital stock of the Company owned by such Seller, which in the aggregate constitute all of the outstanding shares of capital stock of the Company, and which, on the Closing Date, will consist of 187,315.3 shares of Voting Common Stock, no par value, 1,719,834.7 shares of Non-Voting Common Stock, no par value, and 1,450,557 shares of Series A Preferred Stock, no par value (collectively, the "Shares").

Section 1.2 Purchase Price; Payment.

(a) Subject to adjustment under Section 1.3, in consideration of the transfer of the Shares to Buyer and the other undertakings set forth in this Agreement, at Closing, Buyer will pay to Sellers, and Parent will cause Buyer to pay to Sellers, by wire transfer to an account designated by Sellers' Representative an amount (the "Cash Payment Amount") equal to the total of (i) $166,000,000, (ii) plus or minus (as applicable) the Estimated Closing Date Net Working Capital Adjustment, minus (iii) the aggregate Closing Date Debt, minus (iv) if negative, the absolute value of the Estimated Cash/Tax Differential, minus (v) $13,000,000 (the "Escrow Amount") and $2,500,000 (the "NWC Holdback"), which Buyer will pay into escrow at Closing to be held and disbursed pursuant to the terms and conditions of the Escrow Agreement attached as Exhibit 1.2(a) (the "Escrow Agreement").

(b) The Purchase Price will be allocated among and paid to Sellers as set forth on Exhibit 1.2(b).

Section 1.3 Adjustments to Purchase Price

(a) The Cash Payment Amount will be increased or decreased on a dollar-for-dollar basis to the extent that Final Closing Date Net Working Capital is greater than or less than (respectively) Estimated Closing Date Net Working Capital and to the extent the Final Cash/Tax Differential is greater than or less than (respectively) the Estimated Cash/Tax Differential. If the Cash Payment Amount is increased by the adjustment provided for in this Section 1.3(a), Buyer will pay such adjusted amount, and Parent will cause Buyer to pay such adjusted amount, to Sellers within three Business Days following the determination of the Final Closing Date Net Working Capital and Final Cash/Tax Differential by wire transfer to an account designated by Sellers' Representative. If the Cash Payment Amount is decreased by the adjustment provided for in this Section 1.3(a), the amount of such adjustment will be paid by Sellers to Buyer from the NWC Holdback, and Sellers, severally on a pro rata basis, will be obligated to pay to Buyer such amount to the extent that the required payment exceeds the NWC Holdback, within (whether from the NWC Holdback or from Sellers directly) three Business Days following the determination of the Final Closing Date Net Working Capital and Final Cash/Tax Differential by wire transfer to an account designated by Buyer. In the event that the determination of Final Closing Date Net Working Capital or Final Cash/Tax Differential is submitted to the Accounting Firm under Section 1.3(c), the adjustment to the Cash Payment Amount ultimately payable will bear interest at 6% per annum from the date of submission to the Accounting Firm until actually paid.

(b) Within 60 days after the Closing Date, Sellers' Representative will cause to be prepared and delivered to Sellers' good faith written calculation of Net Working Capital as of the Closing Date ("Closing Date Net Working Capital"). Closing Date Net Working Capital will be calculated using the Calculation Principles; provided, however, that notwithstanding the foregoing or anything contained herein to the contrary, at Buyer's election at any time on or prior to the Closing Date, the accounts receivable due to the Company or any Subsidiary from Ultimate or its Affiliates as of the Closing Date will be fully reserved in the calculation of Estimated Closing Date Net Working Capital and will, post-Closing, be fully reserved in the calculation of Closing Date Net Working Capital and Final Closing Date Net Working Capital (which election and treatment will not be subject to dispute pursuant to any of the provisions of Section 1.3). Buyer will have the opportunity to review Sellers' calculation of Closing Date Net Working Capital until the 90 th day following the Closing Date (the "Review Period"). Sellers' Representatives will provide Buyer and its Representatives with reasonable access to information in his possession or control to enable Buyer to conduct such review. Sellers' calculation of Closing Date Net Working Capital will become final, conclusive and binding on Parent and Buyer unless, prior to the end of the Review Period, Buyer notifies Sellers' Representative in writing of its objections to such calculation, identifying the disputed items, the estimated amounts of the disputed items, if then reasonably determinable, and the basic facts underlying Buyer's objections. If Buyer delivers an objection notice, Buyer and Sellers' Representative will try in good faith to resolve any objections within 30 days following delivery of the objection notice. If Buyer and Sellers' Representative resolve some or all of the objections within that time period, they will document their resolution in a writing signed by each of them, and such resolution will be final, conclusive and binding on all Parties. If Buyer and Sellers' Representatives are unable to resolve all of the objections within the 30-day time period, the Parties will promptly refer any matters still in dispute for resolution as provided in Section 1.3(c). As provided in the definition of Final Cash/Tax Differential, the same timeline and the objection and dispute resolution procedures set forth in Sections 1.3(b) and 1.3(c) with respect to determining Final Closing Date Net Working Capital will apply to the determination of the Final Cash/Tax Differential.

(c) Any unresolved dispute concerning Closing Date Net Working Capital under Section 1.3(b)

will be referred for resolution to the Indianapolis, Indiana office of BDK, LLP, who will be jointly retained by Buyer and Sellers' Representative. If the Parties are unable to engage BDK, LLP for any reason, or if BDK, LLP is no longer independent at the time a dispute is submitted to it, then Buyer and Sellers' Representative will retain the Indianapolis, Indiana office of Crowe Horwath, LLP (the accounting firm so retained is referred to in this Agreement as the "Accounting Firm"). Buyer will pay one-half and Sellers' Representative will pay one-half of the fees and expenses of the Accounting Firm. The Accounting Firm will act as a neutral arbitrator and will exercise its discretion independently to resolve only the disputed items using the accounting principles used to determine the Target Amount (the "Calculation Principles"), which Calculation Principles are described on Exhibit 1.3(c), but within the range of the differences between Buyer and Sellers' Representative. The Parties will provide the Accounting Firm with all Books and Records in their possession relevant to the determinations to be made by it. None of the Parties or any of their respective Affiliates or Representatives will meet or discuss any substantive matters with the Accounting Firm without Buyer and Sellers' Representative and their respective Representatives present or having the opportunity following at least three business days notice to be present, either in person or by telephone. The Accounting Firm will have the power to require any Party to provide to it such Books and Records and other information it deems relevant to the resolution of the dispute, and to require any Party to answer questions that it deems relevant to the resolution of the dispute. All Books and Records and other information (including answers to questions from the Accounting Firm) submitted to the Accounting Firm must be concurrently delivered to all Parties. All disputes with respect to the application of accounting principles or to the mathematical calculation of Closing Date Net Working Capital will be resolved exclusively by the Accounting Firm. The determination of the Accounting Firm with respect to disputes to be resolved by it under this Section 1.3(c), absent manifest error and subject to the rights of the Parties under Article 7, will be final and binding upon the Parties. Closing Date Net Working Capital, as finally determined in accordance with this Section 1.3, is referred to as the "Final Closing Date Net Working Capital."

Section 1.4 Closing. The consummation of the transactions contemplated by this Agreement ("Closing") will take place at the offices of Barnes & Thornburg LLP, 11 South Meridian Street, Indianapolis, Indiana 46204, at 10:00 a.m. local time on March 1, 2011 or, if longer, the second Business Day following the satisfaction or waiver of all of the conditions to the Closing set forth in Article 5 (other than conditions that can be satisfied only at Closing, which must be satisfied on the Closing Date, unless waived), or at any other place, time or date as may be mutually agreed by Buyer and Sellers' Representative (the "Closing Date"). The Closing Date will be deemed effective as of the start of the day on the Closing Date, unless otherwise agreed by Buyer and Sellers' Representative.

Section 1.5 Actions at Closing.

(a) At Closing, Buyer will deliver: (i) the Cash Payment Amount; (ii) the Escrow Amount; (iii) the NWC Holdback and (iv) any and all other agreements, certificates, instruments, consents, approvals and documents as may be reasonably required of Parent or Buyer under this Agreement from time to time.

(b) At Closing, Sellers will deliver to Buyer: (i) stock certificates representing the Shares duly endorsed in blank or accompanied by irrevocable stock powers duly endorsed in blank, in either case sufficient to transfer the Shares to Buyer; (ii) a certified copy signed by Sellers' Representative of Sellers' good faith estimate of Closing Date Net Working Capital, and (iii) any and all other agreements, certificates, instruments, consents, approvals and documents as may be reasonably required of Sellers, or any of them, under this Agreement from time to time, which in the case of VantagePoint Venture Partners and its Affiliates is limited to the delivery of stock certificates duly endorsed for transfer or irrevocable stock powers and the certificate referenced in Section 5.1(c).

(c) At Closing, Parent or Buyer will discharge or cause to be discharged the Closing Date Debt pursuant to pay-off letters and payment instructions in form and substance reasonably satisfactory to Buyer and delivered by Sellers' Representative at least two Business Days prior to Closing.

ARTICLE 2

Representations And Warranties Of Sellers

Sellers, jointly and severally, represent and warrant to Buyer (except that the representations and warranties set forth in Sections 2.1(c) and 2.11(a) that relate to a Seller are made on a several basis solely by such Seller with respect to itself) that, except with respect to any representation or warranty set forth below as set forth in the numbered schedule in the Disclosure Schedule which expressly correlates to such representation or warranty (e.g., Schedule 2.4 is the only schedule which would expressly correlate to Section 2.4), the below representations and warranties are true and correct in all respects. With respect to the following representations and warranties, if a subject matter is addressed in more than one representation and warranty in Article 2, Buyer will only be entitled to rely upon the most specific representation and warranty addressing that matter; provided, however, that notwithstanding the foregoing to the contrary, the only schedule that may state any exception or information with respect to a particular representation or warranty is the schedule which expressly correlates to such representation or warranty (e.g., Schedule 2.4 is the only schedule which would expressly correlate to Section 2.4, but would include any cross references expressly set forth therein).

Section 2.1 Organization; Capitalization; Ownership.

(a) The Company and each Subsidiary is a corporation duly incorporated, validly existing and in good standing under the Legal Requirements of the state of its incorporation. Copies of all Organizational Documents for the Company and each Subsidiary have been provided to Parent or Buyer, and such Organizational Documents include/reflect all amendments made thereto on or prior to the date of this Agreement and are correct and complete. The Company and each Subsidiary has the requisite corporate power and authority to conduct the Business as it is now being conducted, to own, lease and use the properties and assets that it purports to own, lease and use and to perform its obligations under all Applicable Contracts. The Company and each Subsidiary is duly qualified to do business as a foreign corporation and is in good standing in each state or other jurisdiction in which either the ownership or use of the properties owned or used by it or the nature of the activities conducted by it requires such qualification, except where the failure to be so qualified would not reasonably be expected to have a Company Material Adverse Effect. The states or other jurisdictions that the Company or a Subsidiary is currently qualified to do business as a foreign corporation are set forth in Schedule 2.1(a).

(b) As of the date of this Agreement, the authorized capital stock of the Company consists solely of 4,249,100 shares of Voting Common Stock, no par value, of which 173,046 are issued and outstanding, 3,824,190 shares of Non-Voting Common Stock, no par value, of which 1,557,411 are issued and outstanding and 1,611,730 shares of Series A Preferred Stock, no par value, of which 1,593,250 are issued and outstanding. As of the Closing Date, the issued and outstanding capital stock of the Company will be as set forth in Section 1.1. The Shares were (or, as applicable, will be) validly issued, are fully paid and non-assessable and were not issued in violation of any preemptive or similar rights of any Person. Except for rights and obligations under the Shareholder Agreements (all of which rights and obligations will be terminated simultaneously with the Closing), there is no Contract that requires the Company to sell, issue or purchase any capital stock of the Company, including any securities convertible into or exchangeable for any capital stock of the Company, and neither the Company nor any Subsidiary has outstanding any stock or securities convertible or exchangeable for any shares of its capital stock or containing any profit

participation features, nor any rights or options to subscribe for or to purchase its capital stock or any stock or securities convertible into or exchangeable for its capital stock or any stock appreciation rights or phantom stock plan.

(c) Each Seller owns, beneficially and of record, his or its Shares free and clear of all Encumbrances (other than (i) any Encumbrances arising under the Shareholder Agreements and (ii) transfer restrictions arising under applicable securities laws, rules and regulations). Each Seller owns the number of Shares set forth next to his or its name on Exhibit 1.2(b). No Seller owns his or its Shares jointly with any other Person, and no other Person has any right to consent to or vote upon the transactions contemplated by this Agreement or any other Transaction Document or on any other matter (i.e., no third Person has been delegated or maintains voting rights with respect to such Shares). Except for rights and obligations under the Shareholder Agreements (all of which rights and obligations will be terminated simultaneously with the Closing), there is no Contract that requires any Seller to sell, issue or purchase any capital stock of the Company, including any securities convertible into or exchangeable for any capital stock of the Company. At Closing, each Seller will transfer to Buyer valid title to all of his or its Shares free and clear of all Encumbrances.

(d) Schedule 2.1(d) sets forth the authorized, issued and outstanding capital stock of each Subsidiary. The Company or a Subsidiary (as applicable) owns, beneficially and of record, all of the issued and outstanding capital stock of each Subsidiary free and clear of all Encumbrances (other than transfer restrictions arising under applicable securities laws, rules and regulations). All of the Former Subsidiaries within the past five years of the Company or a Subsidiary are identified on Schedule 2.1(d). The capital stock of each Subsidiary was validly issued, is fully paid and non-assessable and was not issued in violation of any preemptive or similar rights of any Person. There is no Contract that requires the Company or any Subsidiary to sell, issue or purchase any capital stock of any Subsidiary, including any securities convertible into or exchangeable for any capital stock of a Subsidiary, and neither the Company nor any Subsidiary has outstanding any stock or securities convertible or exchangeable for any shares of its capital stock or containing any profit participation features, nor any rights or options to subscribe for or to purchase its capital stock or any stock or securities convertible into or exchangeable for its capital stock or any stock appreciation rights or phantom stock plan. Except for the Subsidiaries, neither the Company nor any Subsidiary owns or has any right to acquire any capital stock or other equity interest in any other Person. The Company or a Subsidiary owns, beneficially and of record, all of the outstanding capital stock of each Subsidiary free and clear of all Encumbrances. No third Person has been delegated or maintains voting rights with respect to, or ownership interest in, any of the capital stock of any Subsidiary.

Section 2.2 Financial Statements and Financial Matters.

(a) Copies of the audited consolidated financial statements of the Company and the Subsidiaries (including all footnotes thereto) at and for the fiscal years ended June 30, 2010 and June 30, 2009 have been provided to Parent or Buyer (the "Financial Statements"). The Financial Statements include the audited consolidated balance sheet of the Company and the Subsidiaries at June 30, 2010 (the "Balance Sheet"). Parent or Buyer has also been provided copies of the unaudited consolidated interim balance sheets and interim statements of income of the Company and the Subsidiaries at and for the six-month period ended December 31, 2010 (the "Interim Financial Statements"). The Financial Statements and Interim Financial Statements are accurate and complete in all material respects and present fairly in all material respects the consolidated financial condition of the Company and the Subsidiaries at the dates indicated and their consolidated results of operations for the periods then ended. The Financial Statements and Interim Financial Statements were prepared in accordance with GAAP (subject, in the case of the Interim Financial Statements, to year-end adjustments and any other adjustments described therein, the effect of which would not,

individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, and to the absence of footnotes which, if presented, would not differ materially from those included in the Financial Statements).

(b) The Company and the Subsidiaries have no liabilities required under GAAP to be reflected on a balance sheet of the Company and/or any of its Subsidiaries or that would be required under GAAP to be reflected on a balance sheet of the Company and/or any of its Subsidiaries as at the date hereof, except for liabilities (i) reflected or reserved for in the balance sheet (or disclosed in any notes thereto) included in the Interim Financial Statements; or (ii) incurred in the Ordinary Course of Business since the date of such balance sheet which would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(c) As of the Closing, except as set forth in Schedule 2.2, there will be no indebtedness or liabilities owing from any Seller to the Company or any Subsidiary or owing from the Company or any Subsidiary to any Seller.

Section 2.3 Compliance with Legal Requirements.

All material Governmental Authorizations necessary for the Company and the Subsidiaries to carry on the Business as now conducted are set forth in Schedule 2.3 and are in full force and effect. The Company and the Subsidiaries have filed all material reports required to be filed with any Governmental Body pursuant to those Governmental Authorizations or otherwise, and all such reports were, when filed, and are, as of the date hereof, complete and correct in all material respects. During all applicable statute of limitation periods (through and including the date hereof) relating to any Legal Requirements which are applicable to the Company or any of the Subsidiaries, the Company and the Subsidiaries have complied in all material respects with all such Legal Requirements (including, without limitation, with respect to the maintenance of all material Governmental Authorizations necessary for the Company and the Subsidiaries to carry on the Business as conducted during such period), and no event has occurred, and no condition or circumstance exists, that would reasonably be expected to, with or without notice or lapse of time, constitute or result, directly or indirectly, in a default under, a breach or violation of, or a failure to comply with any such applicable Legal Requirements in any material respect.

Section 2.4 Taxes.

(a) The Company and each Subsidiary or Former Subsidiary have filed on a timely basis (giving effect to extensions of time, if applicable) all Tax Returns that any of such Persons were required to file. Such Tax Returns disclose all Taxes required to be paid by the Company or any Subsidiary or Former Subsidiary for the periods covered thereby and all Taxes shown as due and owing by the Company or any Subsidiary on such Tax Returns have been paid. Except with respect to the taxable year ended June 30, 2010, neither the Company nor any Subsidiary or Former Subsidiary currently is the beneficiary of any extension of time within which to file any Tax Return. There are no Encumbrances for Taxes other than Permitted Encumbrances upon any of the properties or assets of the Company or any Subsidiary (including, without limitation, properties or assets leased by the Company or any Subsidiary). The Company and each Subsidiary and Former Subsidiary has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder or other third party, and all Forms W-2 and 1099 (and any similar or other forms relating to any jurisdictions outside of the United States) required with respect thereto have been properly completed and filed. Copies of all Tax Returns filed since June 30, 2007 have been made available to Parent or Buyer.

(b) There is no material dispute or claim concerning any Tax liability of the Company or any Subsidiary or Former Subsidiary either (i) claimed or raised by any Governmental Body in writing; or (ii) as to of which Sellers are aware based upon personal contact with any agent of such Governmental Body.

(c) No Tax Returns of the Company, a Subsidiary or a Former Subsidiary are the subject of audit. Neither the Company, any Subsidiary nor any Former Subsidiary has waived any statute of limitations with respect to Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(d) Neither the Company, any Subsidiary nor any Former Subsidiary is or has been a party to any Contract or Employee Benefit Plan that has resulted or will result, separately or in the aggregate, in the payment of any "excess parachute payment" within the meaning of Code §280G (or any corresponding provision of other applicable Legal Requirements with respect to Tax). Neither the Company nor any Subsidiary has been a United States real property holding corporation within the meaning of Code §897(c)(2) during the applicable period specified in Code §897(c)(1)(A)(ii). Neither the Company nor any Subsidiary is a party to or bound by any Tax allocation or sharing Contract. Neither the Company nor any Subsidiary (i) has been a member of an affiliated group (within the meaning of Code §1504(a)) filing a consolidated federal income Tax Return, other than a group the common parent of which was the Company, or (ii) has any liability for the Taxes of any Person (other than the Company or any Subsidiary) under Code Reg. §1.1502-6 (or any similar Legal Requirement), as a transferee or successor.

(e) Neither the Company nor any Subsidiary will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any:

i. change in method of accounting for a taxable period ending on or prior to the Closing Date;

ii. "closing agreement" as described in Code §7121 (or any corresponding or similar provision of income Tax Legal Requirements) executed on or prior to the Closing Date;

iii. intercompany transactions or any excess loss account described in Treasury Regulations under Code §1502 (or any corresponding or similar provision of income Tax Legal Requirements);

iv. installment sale or open transaction disposition made on or prior to the Closing Date; or

v. prepaid amount received on or prior to the Closing Date.

(f) Neither the Company nor any Subsidiary has, in the last six years, distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Code §355 or Code §361.

(g) Neither the Company nor any Subsidiary is party to any Tax allocation, Tax sharing or similar agreement or arrangement on or prior to the Closing Date.

(h) The estimated unpaid Taxes of the Company and/or any of its Subsidiaries as of the date of the balance sheet included in the Interim Financial Statements are accrued or recorded on such balance sheet, the estimated unpaid Taxes of the Company and/or any of its Subsidiaries subsequent to such date

are accrued or recorded in the Books and Records, and all unpaid Taxes of the Company and/or any of its Subsidiaries which are required to be or to have been accrued or recorded as aforesaid have been accrued and recorded in accordance with GAAP.

(i) Neither the Company nor any Subsidiary is or has been a party to any "reportable transaction" as defined in Code Section 6707A and Treasury Regulation Section 1.6011-4(b).

(j) This Section 2.4, together with Section 2.7 solely with respect to Tax matters concerning Employee Benefit Plans, contains the sole representations and warranties of Sellers with respect to Tax matters.

Section 2.5 Business Operations.

(a) Since the date of the Balance Sheet: (i) the operations and affairs of the Company and the Subsidiaries have been conducted in the Ordinary Course of Business; (ii) no Restricted Event has occurred; and (iii) no event or circumstance has occurred, and no action has been taken or has failed to have been taken, which would reasonably be expected to have a Company Material Adverse Effect.

(b) Neither any Seller nor any of their respective Affiliates is engaged, or is an owner, shareholder, creditor or agent of, or consultant or lender to, any Person engaged, in a business that acts as a supplier or purchaser of any goods or services to or from the Company or a Subsidiary or any part of which is in actual or potential competition with any business of the Company or a Subsidiary.

(c) Schedule 2.5(c) lists the 10 largest customers and 5 largest suppliers (by dollar volume) of the Company and the Subsidiaries (collectively) in terms of sales or purchases for the 12 months ended June 30, 2010; and for the period subsequent to June 30, 2010, on an annualized basis. To Sellers' Knowledge, neither the Company nor any Subsidiary has received notice of any termination or cancellation by any such customer or supplier of its business relationship with the Company or any Subsidiary or of any material reduction in the volume of business such customer or supplier does or will do with the Company or any such Subsidiary (whether prior or subsequent to the Closing Date or after giving effect to the transactions contemplated hereby), excluding customary reductions associated with the phase out of old products and the phase in of new products, and, to Sellers' Knowledge, no such termination, cancellation or reduction has been Threatened by any such customer or supplier, in each case, except where such termination, cancellation or reduction would not reasonably be expected to have a Company Material Adverse Effect; provided, however, that notwithstanding the foregoing to the contrary (including, without limitation the definition of the term Company Material Adverse Effect), any breach of the representation and warranty set forth above in this sentence relating to Best Buy / Magnolia's, Apple or New Advance will be deemed to have a Company Material Adverse Effect for purposes of Section 5.1(a) only.

(d) There are no material unresolved claims that have been submitted in writing to the Company or any Subsidiary seeking the return of any products manufactured or sold by the Company or any Subsidiary by reason of alleged overshipments, early or late shipments, defective delivery or defective product, and there is no Proceeding pending or to Sellers' Knowledge Threatened against the Company or a Subsidiary involving any product warranty claim which would reasonably be expected to have a Company Material Adverse Effect. None of the products manufactured or sold by the Company or any Subsidiaries or Former Subsidiaries have been the subject of a recall campaign mandated by any Governmental Body, there has been no Proceeding seeking such a recall commenced or to Sellers' Knowledge Threatened, and neither the Company nor any Subsidiary or Former Subsidiary has voluntarily recalled or withdrawn products to avert a recall campaign that would have been reasonably expected to be mandated by any Governmental Body

if such Governmental Body were aware of the aspects/attributes of such recalled or withdrawn products. Except as set forth in Schedule 2.5(d), there has been no material uninsured liability arising out of any injury to individuals or property as a result of the ownership, possession, or use of any product manufactured, sold, leased, or delivered in the course of the conduct of the Business by any of them since July 1, 2007, and no such liability (including if arising on or prior to July 1, 2007) exists. To Sellers' Knowledge, there is no material liability for replacement, repair or other warranty liability in connection with any products manufactured, distributed or sold in the course of the conduct of the Business, in each case for which, on or subsequent to the Closing Date, Buyer or any of its Affiliates would be liable in excess of the aggregate amount, if any, of the warranty reserve set forth on the interim balance sheet which is a component of the Interim Financial Statements or, if greater, used in the calculation of Final Closing Date Net Working Capital.

(e) Neither the Company nor any Subsidiary has received in the last five years written notice of any unresolved claim of personal injury, death or property damage, or any unresolved claim for injunctive relief, in connection with any product manufactured or sold by the Company or a Subsidiary.

(f) Schedule 2.5(f) lists the names, account numbers and locations of all banks and other financial institutions at which the Company or a Subsidiary has an account or safe deposit box and the names of each Person authorized to draft on or have access to any such account or safe deposit box.

(g) Neither the Company nor any Subsidiary has (i) used any corporate or other funds of the Company or a Subsidiary for unlawful contributions, payments, gifts or gratuities, or made any unlawful expenditures relating to political or administrative activity to officials of a Governmental Body or to any other Person, or established or maintained any unlawful or unrecorded funds in violation of applicable Legal Requirements; (ii) accepted or received any unlawful contributions, payments, gifts or gratuities; or (iii) made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns or violated any provision of the Foreign Corrupt Practices Act of 1977, as amended or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended.

Section 2.6 Employees.

(a) Neither the Company nor any Subsidiary, as applicable, has received prior to the date of this Agreement written notice from a Key Employee that such Key Employee intends to terminate his or her employment with the Company or a Subsidiary. All Key Employees of the Company or a Subsidiary based in the U.S. are either U.S. citizens or permanent resident aliens or are otherwise authorized to be lawfully employed in the United States. A copy of the current version of each policy manual and handbook provided to or governing the employees of the Company or any Subsidiary, and copies of the application forms currently being used by the Company or any Subsidiary in connection with the hiring of new employees, have been made available to Parent or Buyer.

(b) Neither the Company nor any Subsidiary is subject to any collective bargaining agreement or similar Contract. In the past six years, with respect to the Company or the Subsidiaries, there has not been, and to Sellers' Knowledge there is not now Threatened: (i) any strike, slowdown, picketing, work stoppage, lockout, union organizational activity or other labor dispute or Proceeding (excluding routine employee internal complaints, workers' compensation and similar routine employee claims); (ii) any application, complaint or charge filed by an employee with any Governmental Body; or (iii) any application, petition or demand for recognition or certification of a collective bargaining agent.

(c) Other than with respect to the Employee Benefit Plans or as provided in applicable employee

manuals or handbook, neither the Company nor any Subsidiary is a party to any Contract with any present or former director, officer, employee, agent or consultant with respect to length, duration or conditions of employment or engagement (or the termination thereof), salaries, bonuses, compensation, deferred compensation (as defined in Code §409A or otherwise), health Insurance, severance, any other form of remuneration or otherwise.

(d) Neither the Company nor a Subsidiary has in the last three years effectuated a "plant closing" or "mass layoff" (as defined in the WARN Act) affecting any single site of employment (as defined in the WARN Act). None of the employees of the Company or any Subsidiary will have suffered an "employment loss" under the WARN Act in the six months prior to the Closing Date.

(e) The Company and each Subsidiary has made all required payments to its unemployment compensation reserve accounts with the appropriate Governmental Bodies of the states or other jurisdictions where it is required to maintain such accounts.

Section 2.7 Employee Benefit Plans.

(a) Schedule 2.7(a) sets forth all Employee Benefit Plans. Copies of such Employee Benefit Plans have been made available to Parent or Buyer.

(b) The Company and each Subsidiary have complied in all material respects with their respective obligations under the Employee Benefit Plans. Each Employee Benefit Plan, and the administration of each Employee Benefit Plan, complies in all material respects, and has at all relevant times within the applicable statute of limitations periods complied in all material respects, with applicable Legal Requirements. To Sellers' Knowledge no prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code for which a statutory or administrative exemption does not exist has occurred with respect to any Employee Benefit Plan. The consummation of the transactions contemplated by this Agreement will not result in any prohibited transaction described in Section 406 of ERISA or Code §4975 for which an exemption is not available.

(c) Each Employee Benefit Plan that is intended to be qualified under Code §401(a) has received a favorable determination or opinion letter from the IRS as to its qualified status under the Code, and each Employee Benefit Plan that is a funded welfare plan and that is intended to be exempt from federal taxation under Code §501(a) has received recognition of exemption from federal income taxation from the IRS. To Sellers' Knowledge, nothing has occurred since the date of such determination or recognition of exemption that would adversely affect the qualification of such Employee Benefit Plan or the tax exempt status of any related trust. Sellers have made available to Parent or Buyer copies of the following: (i) the most recent determination or opinion letter issued by the IRS with respect to each Employee Benefit Plan that is intended to be qualified under Code §401(a); and (ii) the two most recent Annual Reports (IRS Forms 5500 series) required to be filed with respect to each such Employee Benefit Plan.

(d) None of the Company, a Subsidiary or any of their respective predecessors or Affiliates has ever established, maintained or contributed to or otherwise participated in, or has or has had an obligation to establish, maintain, contribute to or otherwise participate in, or has any obligation or liability in connection with, any Multi-Employer Retirement Plan.

(e) None of the Company, a Subsidiary or any of their respective predecessors or Affiliates has any obligation to provide post-retirement medical benefits to any current or former director, officer or employee, or their survivors, dependents or beneficiaries, except as may be required by Code §4980B or

Part 6 of Title I of ERISA or applicable Legal Requirements concerning medical benefits continuation.

(f) None of the Company, a Subsidiary or any of their respective predecessors or Affiliates maintains or has ever maintained an Employee Benefit Plan that is subject to Title IV of ERISA.

(g) There is no Proceeding (other than routine claims for benefits) pending or to Sellers' Knowledge Threatened with respect to any Employee Benefit Plan or against the assets of any Employee Benefit Plan. To Sellers' Knowledge, neither any Employee Benefit Plan nor any fiduciary thereof is the subject of an audit, investigation or examination by any Governmental Body.

(h) The consummation of the transactions contemplated by this Agreement will not (i) entitle any current or former director, officer, employee or consultant of the Company or any Subsidiary to severance pay, unemployment compensation or any bonus or other payment, or (ii) accelerate the time of payment or vesting or increase the amount of compensation due to any current or former director, officer or employee under an Employee Benefit Plan or otherwise.

Section 2.8 Real Property.

(a) The real property owned by the Company or a Subsidiary is set forth in Schedule 2.8(a) ("Owned Real Property"). The Company and each Subsidiary has good and marketable fee simple title to its Owned Real Property, free and clear of all Encumbrances other than Permitted Encumbrances. The Owned Real Property is not subject to any lease, tenancy, occupancy or similar Contract.

(b) The Company or a Subsidiary has a valid leasehold interest in the real property leased by it as identified in Schedule 2.8(b) (collectively, the "Real Property Leases" and, together with the Owned Real Property, the "Real Property"). A copy of each material Real Property Lease has been made available to Parent or Buyer. Except for the Real Property Leases, neither the Company nor any Subsidiary leases any real property.

(c) To Sellers' Knowledge, all buildings or improvements located on the Owned Real Property lie wholly within the boundaries of the Owned Real Property and do not encroach on any property owned by another Person, and no buildings or improvements owned by another Person encroach on any Owned Real Property. Neither the Owned Real Property nor to Sellers' Knowledge any Real Property Lease is the subject of any condemnation action and, to Sellers' Knowledge, there is no proposal under consideration by any Governmental Body to take or use any Real Property. The Real Property has access on a public way sufficient for current use.

Section 2.9 Certain Other Properties and Assets.

(a) All tangible properties and assets owned by the Company or a Subsidiary (other than the Owned Real Property which is addressed in Section 2.8) are free and clear of all Encumbrances other than Permitted Encumbrances. Schedule 2.9(a) lists as of the date of this Agreement each lease by the Company or a Subsidiary of material tangible property and assets (other than the Real Property Leases) (each, a "Personal Property Lease"). A copy of each such Personal Property Lease has been made available to Parent or Buyer. Except for inventory in transit, all material tangible properties and assets owned or leased by the Company or a Subsidiary are in the possession of the Company or such Subsidiary or at such other locations as are set forth in Schedule 2.9(a). All plant, property and equipment of the Company and of each Subsidiary is used or held for use by the Company and the Subsidiaries in the conduct of the Business. To Sellers' Knowledge, the material tangible personal property and assets of the Company or a Subsidiary are: (i) in

good working order and repair (ordinary wear and tear excepted), and (ii) have been maintained in all material respects in the Ordinary Course of Business.

(b) Except as disclosed on Schedule 2.9(b), the inventory of the Company and the Subsidiaries (i) is in good and merchantable condition in all material respects, (ii) is valued on the Financial Statements and Interim Financial Statements in the manner set forth on Schedule 2.9(b), (iii) is owned by the Company or its Subsidiaries, as the case may be, free and clear of all Encumbrances other than Permitted Encumbrances, and (iv) is not, as of December 31, 2010, on consignment. A list of inventory of the Company and the Subsidiaries as of December 31, 2010, is set forth on Schedule 2.9(b). Also set forth on Schedule 2.9(b) are the locations of inventory of the Company and the Subsidiaries not in transit.

Section 2.10 Litigation. There are no Proceedings or Orders pending or imposed upon or, to Sellers' Knowledge, Threatened against, the Company or a Subsidiary which are material (individually or in the aggregate) in nature or amount.

Section 2.11 Authorization and Enforceability; No Conflict.

(a) Each of the Company and each Seller has full capacity, power and authority to enter into and perform the Transaction Documents to which such Person is a signatory and to carry out the transactions contemplated by such Transaction Documents. Each Transaction Document to which the Company or a Seller is a signatory is the valid and binding obligation of such Person and is enforceable against such Person in accordance with its terms, except to the extent that enforceability thereof may be limited by bankruptcy, insolvency, reorganization or other similar Legal Requirements affecting the enforcement of creditors' rights generally and by general principles of equity.

(b) The execution, delivery and performance of the Transaction Documents and the consummation of the transactions contemplated thereby will not: (i) contravene any Organizational Documents of the Company or a Subsidiary; (ii) subject to receipt of any required consent, approval or authorization set forth in Schedule 2.11(b), result in a breach of or constitute a default under any Applicable Contract required to be disclosed in reference to Section 2.12(a)(iv) or (v) or material Applicable Contract; (iii) violate any Legal Requirement or Order; (iv) accelerate any material liability of the Company or a Subsidiary or adversely modify terms of any such liability; (v) result in an Encumbrance other than a Permitted Encumbrance being created or imposed upon any property or asset of the Company or any Subsidiary; or (vi) except for filings under the HSR Act, require any Governmental Authorization. All material consents, approvals or authorizations of, or declarations, filings or registrations with, any Person which are required in connection with the execution, delivery or performance of the Transaction Documents or the consummation of the transactions contemplated thereby are set forth in Schedule 2.11(b).

Section 2.12 Applicable Contracts.

(a)
copies of such Applicable Contracts have been made available to Parent or Buyer:

i. Any power of attorney or other similar Contract or grant of agency;

ii. Any Contract relating to the ownership of or investment in any business or enterprise, including investments in joint ventures, minority equity investments and similar Contracts;

iii. Any loan agreement, promissory note, letter of credit, advance or other evidence of

indebtedness which will survive Closing, (b) any guarantee by the Company or any Subsidiary of the payment or performance of any non-Affiliate, and (c) any Contract to act as a surety for, or be contingently or secondarily liable for, the obligations of any non-Affiliate;

iv. Any material broker, agent, sales representative, dealer, distribution or similar Contract; provided that only dealers or distributors who purchased in excess of $250,000 of products from the Company or its Subsidiaries (on a net sales basis) during fiscal year 2010 are listed on Schedule 2.12(a);

v. Any Contract (excluding purchase orders issued or received in the Ordinary Course of Business) that is not terminable by the Company or a Subsidiary upon 90 days' or less notice without penalty and that requires more than $100,000 in annual payments be made by the Company or any Subsidiary;

vi. Any Contract with a Governmental Body;

vii. Any Contract prohibiting or restricting the Company or a Subsidiary from competing in any business or geographical area (excluding any exclusive territory grants in sales representative, dealer, distribution or similar Contracts);

viii. Any Real Property Lease;

ix. Any Contract containing a "most favorable nation" or other provision requiring adjustment of cost, pricing, priority or other terms or conditions of the Contract, in relation to (A) the terms or conditions of other Contracts of the Business or (B) the price or other terms or conditions for the provision of similar goods or services by a third party.

x. Any guarantee of any obligation of a third Person that would, directly or indirectly, be an obligation of Buyer;

xi. Any Contract between the Company or any Subsidiary and any Affiliate of the Company or any Subsidiary; and

xii. Any purchase orders issued by the Company or a Subsidiary outstanding as of January 21, 2011 involving purchases in excess of $100,000, and purchase orders received by the Company or a Subsidiary and unfilled as of January 28, 2011 (Buyer acknowledges that not all such orders will be filled in the Ordinary Course of Business).

(b) Each Applicable Contract required to be disclosed in response to/referenced in Section 2.12(a)(iv) or (v) and each other Applicable Contract material to the operation of the Business (including each Real Property Lease, each material Personal Property Lease and each Contract relating to material Intellectual Property Assets to which the Company or any Subsidiary is a party) is in full force and effect and is valid and enforceable in accordance with its terms, except to the extent that enforceability thereof may be limited by bankruptcy, insolvency, reorganization or other similar Legal Requirements affecting the enforcement of creditors' rights generally and by general principles of equity. The Company or a Subsidiary, as applicable, and to Sellers' Knowledge, each other Person that is a party to each such Applicable Contract, has complied in all material respects with the terms of such Applicable Contract. To Sellers' Knowledge, no event has occurred or circumstance exists that (with or without notice or lapse of time) would be reasonably likely to contravene, conflict with or result in a violation or breach of, or give the

Company, a Subsidiary or any other Person the right to declare a default under, any such Applicable Contract.

Section 2.13 Insurance. The Company and its Subsidiaries maintain policies for fire, flood and casualty, liability and other forms of insurance in such amounts, with such deductibles and against such risks and losses, as the Management Shareholders believe are reasonable for the conduct of the Business and the nature, quantity and value, as applicable, of the assets and liabilities of the Company and its Subsidiaries. Neither the Company nor any of the Subsidiaries has received notice of cancellation or non-renewal of any Insurance policy. To Sellers' Knowledge, the activities and operations of the Business have been conducted in a manner so as to conform in all material respects to the applicable provisions of the Insurance policies of the Company and its Subsidiaries. Schedule 2.13 lists the policies of Insurance (excluding self-insurance) covering the properties, assets, directors, officers, employees, products or operations of the Company or any Subsidiary. Copies of each such policy have been made available to Parent or Buyer. Each listed policy of Insurance is in full force and effect and will remain in full force through the Closing Date.

Section 2.14 Environmental Matters. Except as set forth in the phase I environmental reports identified in Schedule 2.14 or in any Environmental Documents made available to Parent or Buyer:

(a) the Company and each of the Subsidiaries (i) are being conducted, and have been conducted, within all applicable statute of limitations periods, in compliance with all applicable Environmental Laws in all material respects; and (ii) possess all Governmental Authorizations required under applicable Environmental Laws to operate the Business as currently operated;

(b) there are no Proceedings (whether adjudicatory, licensing or otherwise) pending or, to Sellers' Knowledge Threatened, in law or in equity, or under any administrative or regulatory authority, before any Governmental Body, by or against the Company, any of the Subsidiaries, the Real Property or any property owned or, to Sellers' Knowledge leased, for use in the Business involving any actual or alleged failure to comply with applicable Environmental Laws or any potential suspension, revocation, revision, limitation, restriction, termination or invalidation of any Governmental Authorization relating to the Environment;

(c) within the preceding five years, neither the Company nor any Subsidiary has received any notice of any Proceeding or any Order relating to the Company or any Subsidiary which relates to compliance with any Environmental Law or to investigation or storage, treatment, release, transportation, disposal or cleanup of any Hazardous Substance or Materials at any location, nor has the Company nor any Subsidiary been cited for any violation or potential violation of any Environmental Laws which remain unresolved;

(d) there are no Hazardous Substance or Materials at the Real Property or any property owned or leased for use in the Business, in violation of, or which would give rise to liability to or obligation to remediate by Buyer, the Company or any Subsidiary under, any Environmental Law;

(e) except as would not be reasonably expected to give rise to any Environmental Liability: (i) no Hazardous Material has been disposed of, spilled, leaked or otherwise released on the Real Property or, to Sellers' Knowledge, at any geologically or hydrologically adjoining property; (ii) no Hazardous Substance or Materials are present on or in the ambient air, surface water, ground water, land surface or surface strata at the Real Property (including any Hazardous Substance or Materials contained in barrels, aboveground or underground storage tanks, landfills, land deposits, dumps, equipment (whether movable or fixed) or other containers, either temporary or permanent, and deposited or located in land, water, sumps or any other part of the Real Property or, to Sellers' Knowledge, such adjoining property, or incorporated into any structure therein or thereon), and (iii) no Hazardous Material is located in the soil, surface water or groundwater on or below the Real Property;

(f) except in compliance with applicable Environmental Laws: no Hazardous Substance or Materials are or have been generated, manufactured, treated, stored, transported, used, disposed of or otherwise handled by the Company or any Subsidiary either on or off of the Real Property, and there are no underground or above ground storage tanks or associated piping thereon (whether or not regulated and whether or not out of service, closed or decommissioned) and any such tanks that have been removed from the Real Property have been removed in accordance with applicable Environmental Laws;

(g) there is no condition affecting the Real Property which is in violation of any Environmental Law which would reasonably be expected to give rise to any Environmental Liability;

(h) neither the Company nor any Subsidiary has, during applicable statute of limitation periods, conducted activities on the Real Property involving the treatment, storage or disposal of Hazardous Substance or Materials except in compliance with Environmental Laws;

(i) to Sellers' Knowledge, no previous owner or tenant of the Real Property has spilled, disposed, discharged, emitted or released any Hazardous Substance or Materials into, upon or from the Real Property or into or upon the soil, ground or surface water thereof, nor has any previous owner or tenant of the Real Property violated any Environmental Law with respect to the Real Property;

(j) except for routine maintenance and repair, no capital expenditures by the Company, any Subsidiary or Buyer (following the Closing) will be required to establish or maintain compliance with any and all applicable Environmental Laws;

(k) neither the Company nor any Subsidiary has received any notice or other communication concerning any past, present or future events, actions or conditions which under present Legal Requirement may give rise to any liability of the Company, any Subsidiary or Buyer (following the Closing) relating to the presence of Hazardous Substance or Materials on the Real Property or on the real property of any Person;

(l) neither the Company nor any Subsidiary has an agreement with any Governmental Authority relating to any such environmental matter (excluding Environmental permits, if any) or any environmental or Hazardous Substance or Materials cleanup; and

(m) this Section 2.14 contains the sole representations and warranties of Sellers with respect to Environmental matters.

Section 2.15 No Broker's Fees. None of the Company, any Subsidiary, any Seller or anyone acting on any of their behalf has incurred or will incur any liability or obligation to pay fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement or other Transaction Documents for which the Company, a Subsidiary or Buyer will be liable other than such fees or commissions payable to Houlihan Lokey Howard & Zukin (for which Sellers will be solely responsible except to the extent paid prior to Closing or reflected in the Final Closing Date Net Working Capital calculation).

Section 2.16 No Other Representations or Warranties. Neither the Company nor any Seller has made, and will not be deemed to have made, any representation or warranty other than as expressly made by them in this Article 2. Without limiting the generality of the foregoing, except as expressly covered by a representation and warranty contained in this Article 2, neither the Company nor any Seller makes any representation or warranty with respect to any information or documents (financial or otherwise) made available to Parent or Buyer or their respective Representatives before or after the date of this Agreement.

Section 2.17 10b-5/Full Disclosure. To Sellers' Knowledge, no representation or warranty or other statement made by the Sellers in this Agreement contains any untrue statement or omits to state a material fact necessary to make any of them, in light of the circumstances in which it is made, not misleading.

Section 2.18 Sufficiency of Assets. The assets, rights and properties of the Company and the Subsidiaries are all of the assets, rights and properties used or held for use in the conduct of the Business as presently conducted and as conducted in the preceding twelve calendar months and all of the assets, rights and properties necessary for the conduct of the Business as presently conducted and as conducted in the preceding twelve calendar months.

Section 2.19 Accounts Receivable. Except as set forth in Schedule 2.19, all of the Accounts Receivable are bona fide receivables arising from sales actually made to or services actually performed for third parties that are not Affiliates of the Company, are reflected on the books and records of the Company or a Subsidiary, as applicable, arose in the Ordinary Course of Business and the goods and services involved have been sold, delivered and performed to the account obligors, in all material respects, and no further material amount of goods are required to be provided and no material amount of further services are required to be rendered in order to complete the sales and fully render the services and entitle Buyer, the Company or a Subsidiary to collect the Accounts Receivable in full. Except for Permitted Encumbrances or as set forth in Schedule 2.19, there are no Encumbrances in respect of the Accounts Receivable and there is no right of offset against any of the Accounts Receivable and no agreement for deduction or discount has been made with respect to any of the Accounts Receivable.

Section 2.20 Affiliate Transactions. Except as disclosed in Schedule 2.5(b) or Schedule 2.20, neither the Company nor any Subsidiary is a party to or bound by any agreement or arrangement (whether oral or written) to which any Affiliate of the Company or a Subsidiary is a party (excluding any agreement or arrangement between or among the Company and one or more Subsidiaries).

Section 2.21 Intellectual Property.

(a) Schedule 2.21(a) contains a complete list of all Business Registered Intellectual Property owned by the Company or any of the Subsidiaries as of the date of this Agreement, specifying, as applicable, registration or application numbers, ownership and the relevant jurisdiction. All Business Intellectual Property is either owned by the Company or a Subsidiary or is licensed by third parties to the Company or a Subsidiary, in either case free and clear of any Encumbrance other than a Permitted Encumbrance.

(b) Schedule 2.21(b) contains a list of each material Contract as of the date of this Agreement pursuant to which a third party has licensed software (other than generally available commercial software that is licensed on non-negotiable terms pursuant to open source, "shrinkwrap" or "clickwrap" license agreements) or has agreed to provide services (including material development, maintenance or other services) with respect to software used or held for use by the Company or a Subsidiary in the operation of the Business (the "Software Licenses").

(c) Schedule 2.21(c) contains a list of each material Contract as of the date of this Agreement pursuant to which:

i. a third party has licensed to the Company or a Subsidiary Intellectual Property that is used exclusively in the Business (excluding Contracts required to be listed in Schedule 2.21(b)) (the "In-bound Licenses");

ii. any Person is licensed to use any Business Intellectual Property (the " Out-bound Licenses"); or

iii. any Intellectual Property has or will be developed, disclosed or conveyed by or for the benefit of the Company or a Subsidiary, which Intellectual Property is used or held for use in the Business (the " Development Agreements" and, together with the Software Licenses, In-bound Licenses and Out-bound Licenses, the " Intellectual Property Agreements").

(d) Neither the Company nor any of the Subsidiaries is (and, to Sellers' Knowledge, no other party is) in material breach of or default under any Intellectual Property Agreement, and no event has occurred or condition exists that, with or without notice or lapse of time or both, would result in a material breach or a default under the Intellectual Property Agreements by the Company or a Subsidiary (or, to Sellers' Knowledge, any other party).

(e) Except as set forth in Schedule 2.21(e), (i) to Sellers' Knowledge, the conduct of the Business as presently conducted does not infringe, misappropriate, dilute or otherwise violate the Intellectual Property of any third party; (ii) no Proceeding is pending or, to Sellers' Knowledge, Threatened, against the Company or any of the Subsidiaries with respect to the infringement, misappropriation, dilution or violation of any Business Intellectual Property; (iii) to Sellers' Knowledge, neither the Company or any of the Subsidiaries has received any charge, complaint, claim, demand or notice alleging that the conduct of the Business, as presently conducted, infringes, misappropriates, dilutes, or otherwise violates the Intellectual Property rights of any third party (including any claim that the Company or any of the Subsidiaries must license or refrain from using any Intellectual Property rights of any third party); and (iv) no Proceeding is pending or, to Sellers' Knowledge, Threatened which challenges the legality, validity, enforceability, use or ownership of any Business Intellectual Property.

(f) Except as set forth on Schedule 2.21(f), no Business Intellectual Property is subject to any outstanding Order or settlement that restricts the use thereof in the Business.

(g) All necessary filings have been made and all necessary registration, maintenance and renewal fees have been paid to the relevant authorities and registrars in connection with the Business Registered Intellectual Property for the purposes of maintaining such Business Registered Intellectual Property through the Closing Date.

(h) To Sellers' Knowledge, no third party is interfering with, infringing upon, misappropriating, diluting or otherwise violating any Business Intellectual Property.

(i) To Sellers' Knowledge, the Business IT Systems (i) are free of all known viruses, worms, trojan horses, and other contaminants and do not contain any bugs, errors, or problems that, in each case, would be expected to disrupt the operation of the Business or impact the operation of the Business in any material respect, (ii) have not, to Sellers' Knowledge, been subject to a material security or firewall breach, penetration or intrusion by an unauthorized Person, and (iii) do not contain Intellectual Property rights licensed to the Company or one or more of the Subsidiaries pursuant to a GNU General Public License or similar "open source" license.

Section 2.22 Closing Date Debt. A description of the Closing Date Debt to be paid at Closing is set forth on Schedule 2.22.

ARTICLE 3

Representations And Warranties Of parent and Buyer

Parent and Buyer, jointly and severally, make the following representations and warranties to Sellers.

Section 3.1 Organization and Good Standing. Parent is a Delaware corporation and Buyer is a Delaware limited liability company, each duly organized, validly existing and in good standing under the Legal Requirements of the jurisdiction of its organization, with full corporate or company power and authority (as applicable) to conduct its business as it is now being conducted and to own and use its properties and assets.

Section 3.2 Authorization and Enforceability; No Conflict.

(a) Parent and Buyer each has all requisite power and authority to enter into and perform the Transaction Documents to which it is a signatory and to carry out the transactions contemplated by such Transaction Documents. Each Transaction Document to which Parent or Buyer is a signatory is binding upon Parent or Buyer, as applicable, and is enforceable against Parent or Buyer, as applicable, in accordance with its terms, except to the extent that enforceability thereof may be limited by bankruptcy, insolvency, reorganization or other similar Legal Requirements affecting the enforcement of creditors' rights generally and by general principles of equity. The execution, performance and delivery by Parent and Buyer of each Transaction Document to which Parent or Buyer is a signatory has been duly authorized, approved and adopted by Parent and Buyer.

(b) The execution, delivery and performance by Parent and Buyer of the Transaction Documents and the consummation by Parent and Buyer of the transactions contemplated thereby will not: (i) contravene any Organizational Documents of Parent and Buyer; (ii) result in a breach of any provision of, or constitute a default under, any Contract of Parent or Buyer; (iii) violate any Legal Requirement or Order; or (iv) except for filings under the HSR Act, require any Governmental Authorization.

Section 3.3 Investment Intent. Buyer is acquiring the Shares for investment and not with a view to any resale or distribution thereof.

Section 3.4 Sufficient Funds. Buyer will have available on the Closing Date cash or, pursuant to its then existing credit facilities or commitments, sufficient funds, to pay the Cash Payment Amount and all other amounts payable pursuant to this Agreement or otherwise necessary to consummate the transactions contemplated hereby. Buyer has delivered to Sellers true, complete and correct copies of (i) fully executed commitment letters (the "Debt Financing Commitments") in respect of the debt amounts set forth therein (the "Debt Financing"). The Debt Financing Commitments are in full force and effect as of the date of this Agreement and are legal, valid and binding obligations of Parent or Buyer (as applicable), the lender parties thereto and the other parties thereto in accordance with the terms and conditions thereof for so long as they are in full force and effect. Except for the January 29, 2011 amendment, none of the Debt Financing Commitments has been amended or modified (except with the consent of Sellers' Representative not to be unreasonably withheld), and the respective commitments contained in the Debt Financing Commitments have not been withdrawn or rescinded in any respect as of the date hereof. No event has occurred which, with or without notice, lapse of time or both, would constitute a default or breach on the part of Parent or Buyer under any Debt Financing Commitment and assuming neither Sellers nor the Company are in material breach of this Agreement, neither Parent nor Buyer has any reason to believe that they will be unable to satisfy on a timely basis any term or condition of Closing to be satisfied by it in any of the Debt Financing Commitments on or prior to the Closing. There are no precedent conditions related to the funding or investing,

as applicable, of the full amount of the Debt Financing other than as expressly set forth in or contemplated by the Debt Financing Commitments. There are no side letters or other agreements, contracts or arrangements (except for customary fee letters and engagement letters) related to the funding or investing, as applicable, of the full amount of the Debt Financing other than as expressly set forth in or contemplated by the Debt Financing Commitments.

Section 3.5 Solvency. At and immediately following Closing, subject to the accuracy of the representations and warranties made by Sellers to Buyer under the Transaction Documents (both as of the date hereof and as of the Closing Date), Parent, Buyer, the Company and the Subsidiaries, taken as a whole, will not (a) be insolvent (either because their financial condition is such that the sum of their debts is greater than the fair market value of their assets or because the fair saleable value of their assets is less than the amount required to pay their probable liability on existing debts as they mature), (b) have unreasonably small capital with which to engage in their business, or (c) have incurred debts beyond their ability to pay as they become due.

Section 3.6 Inspection. Each of Parent and Buyer is an informed and sophisticated Person, and has engaged expert advisors experienced in the evaluation and acquisition of companies as contemplated hereunder. Each of Parent and Buyer has undertaken such investigation and, subject to the accuracy of the representations and warranties made by Sellers to Buyer under the Transaction Documents (both as of the date hereof and as of the Closing Date), has been provided with and has evaluated such documents and information, as it has deemed necessary to enable it to make an informed and intelligent decision with respect to the execution, delivery and performance of this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby. Subject to the accuracy of the representations and warranties made by Sellers to Buyer under the Transaction Documents (both as of the date hereof and as of the Closing Date), Parent and Buyer and their respective Representatives have no reason to believe they have not received all materials relating to the Company and the Subsidiaries that they have requested or have not been afforded the opportunity to obtain additional information necessary to verify the accuracy of any such information or of any representation or warranty made by Sellers hereunder or to otherwise evaluate the merits of the transactions contemplated by this Agreement and the other Transaction Documents. Subject to the accuracy of the representations and warranties made by Sellers to Buyer under the Transaction Documents (both as of the date hereof and as of the Closing Date), each of Parent and Buyer acknowledges that Sellers have given Parent and Buyer and their respective Representatives access to the key employees, documents and facilities of the Company and the Subsidiaries. Subject to the accuracy of the representations and warranties made by Sellers to Buyer under the Transaction Documents (both as of the date hereof and as of the Closing Date), the Company, the Subsidiaries and their respective Representatives have answered all inquiries that Parent and Buyer and their respective Representatives have made concerning the Company, the Subsidiaries or otherwise relating to the Business and the transactions contemplated by this Agreement and the other Transactions Documents.

Section 3.7 No Broker's Fees. Neither Parent, Buyer nor anyone acting on Parent's or Buyer's behalf has incurred or will incur any liability or obligation to pay fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement or other Transaction Documents for which Sellers (or if Closing does not occur, Sellers, the Company or any Subsidiary) will be liable.

ARTICLE 4

Covenants And Agreements

The Parties covenant and agree as follows:

Section 4.1 Conduct Pending Closing.

(a) From the date of this Agreement to the Closing Date, the Company will (and the Management Shareholders will cause the Company to), and will (and the Management Shareholders will cause the Company to) cause the Subsidiaries to, conduct their respective operations and affairs in the Ordinary Course of Business and exercise commercially reasonable efforts to preserve intact their respective business organization, personnel and goodwill, except in either case for actions taken with Buyer's prior written consent or to prepare for the consummation of the transactions contemplated by this Agreement. Notwithstanding anything contained herein to the contrary, neither the Company nor any Subsidiary will, without the prior written consent of Buyer, which will not be unreasonably withheld or delayed:

i. terminate, amend in any material respect, or waive any material rights under any Applicable Contract;

ii. enter into or adopt any collective bargaining agreement with any labor union or similar organization, except as required by Legal Requirements;

iii. enter into or amend in any material respect any employment or consulting agreement with any employee or consultant;

iv. make or revoke any material tax election, settle or compromise any material Tax liability or materially amend any Tax return that would reasonably be expected to have an adverse effect on the Business;

v. permit any of the Insurance policies to expire, or to be canceled or terminated, unless a comparable Insurance policy reasonably acceptable to Buyer is obtained and put in effect;

vi. adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization, or otherwise permit the corporate existence of any of such Persons or the material rights or franchises or any license, permit or authorization under which the Business operates, to be suspended, lapsed or revoked;

vii. sell, assign, abandon, allow to lapse, transfer, license, or dispose of, in whole or in part, any Business Intellectual Property, except in the Ordinary Course of Business; or

viii. perform, permit to occur or suffer to exist any Restricted Event.

(b) From the date of this Agreement to the Closing Date, Sellers and the Company will not, and will cause their respective Affiliates to not, directly or indirectly, enter into or continue any negotiations, discussions or Contracts contemplating or relating to the acquisition by any Person other than Parent and Buyer of all or any part of the Shares or other securities, or of any properties or assets of, the Company or a Subsidiary (regardless of the form of the transaction, but excluding sales of inventory and miscellaneous assets in the Ordinary Course of Business), or furnish to any person other than Parent and Buyer any information with respect to, or otherwise cooperate in any way, assist or participate in, facilitate or encourage the submission of, any proposal that would reasonably be expected to relate to any such acquisition.

Section 4.2 Access to Information. From the date of this Agreement to the Closing Date, upon reasonable notice, and subject to restrictions contained in any confidentiality agreements to which the

Company or any Subsidiary is subject, the Company and each Subsidiary will provide to Buyer, its Representatives, Buyer's lenders (i.e., the financial institutions which are the subject of Section 3.4) and their Representatives during normal business hours reasonable access to all Books and Records, personnel (subject to the Company's prior approval and opportunity to be present), properties (except that no phase 2 environmental testing or other Environmental Action will be performed), contracts and other financial, operating and other data and information of the Company and the Subsidiaries or the Business (in a manner so as to not unreasonably interfere with the normal business operations of the Company or any Subsidiary). All Books and Records and other information furnished to or obtained by Parent or Buyer will be treated as confidential information pursuant to the terms of the Confidentiality and Non-Disclosure Agreement (the "CNDA") between the Company and Parent dated September 10, 2010, the provisions of which are incorporated herein by reference, which CNDA will terminate upon Closing.

Section 4.3 Efforts; Notice; Further Assurances

(a) Each of Parent, Buyer, each Management Shareholder and the Company will use their respective reasonable best efforts to fulfill the conditions required to be fulfilled by it to bring about the timely consummation of the transactions contemplated by this Agreement and the other Transaction Documents, including with respect to the filings and responses to inquiries under the HSR Act. Parent will cause the pre-merger notification report required under the HSR to be filed on or before February 7, 2011, and will request early termination of the waiting period thereunder. Each of Parent, Buyer, each Management Shareholder and the Company will give prompt notice to the other of the occurrence of any event or the failure of any event to occur that could reasonably be expected to preclude or interfere with the satisfaction of any condition precedent to the obligations of any Party under this Agreement or the timely consummation of the transactions contemplated by this Agreement and the other Transaction Documents; provided, however, that no such notice will modify a Party's termination rights in Article 6 or its indemnification rights under Article 7. After Closing, each of Parent, Buyer and the Sellers' Representative will take all reasonable actions, execute and deliver all such further reasonable documents and do all other reasonable acts and things as the other may reasonably request to carry out and document the intent of this Agreement and the other Transaction Documents. Each Management Shareholder and the Company shall provide such reasonable cooperation in connection with the arrangement of the Debt Financing as may be reasonably requested by Buyer, but neither will have any responsibility for any resulting actions or inactions by third Persons.

(b) Each of Parent, Buyer, the Company and the Management Shareholders will, if required:

i. to the extent permitted by applicable Legal Requirements, promptly inform each other of any material communication received by such party from any Governmental Body with jurisdiction over the enforcement of any applicable antitrust Laws ("Governmental Antitrust Authority"); and

ii. take promptly all other actions and do all other things reasonably necessary and proper to avoid, resolve or eliminate each and every impediment under any antitrust Legal Requirements that may be asserted by any Governmental Antitrust Authority or any other party to the consummation of Buyer's consummation of the transactions contemplated hereby in accordance with the terms of this Agreement and the other Transaction Agreements.

(c) Notwithstanding anything contained in this Agreement, neither Parent, Buyer or the Company nor any of their Affiliates will be required to:

i. dispose of, hold separate, or transfer any of its assets, businesses or interests;

ii. alter the conduct of its business in any material respect;

iii. other than customary filings fees, make any payments other than those reasonable in amount and reasonably incidental to the conduct of proceedings before Governmental Bodies;

iv. discontinue any of its operations or business, wind-up or liquidate any of its related entities, or cause any of its related entities to be wound up or liquidated; or

v. agree to do any of the foregoing.

Section 4.4 Restrictive Covenants. In consideration of the consummation of the transactions contemplated by this Agreement and other valuable consideration:

Section 4.4.1 Non-Competition and Non-Interference of Mr. Fred Klipsch.

(a) Acknowledgements by Mr. Fred Klipsch. Mr. Klipsch acknowledges that: (i) Parent would not cause Buyer to purchase Shares from Mr. Klipsch unless Mr. Klipsch agrees to the terms of this Section 4.4.1; (ii) the information to be disclosed to Mr. Klipsch and the services to be performed by Mr. Klipsch under his employment agreement are of a special, unique, extraordinary and intellectual character; (iii) the Company and Parent compete with other businesses that are located in the Market Jurisdictions; (iv) the restricted period of time and the geographic limitations set forth herein are reasonable in view of the nature of the business in which the Company and Parent are engaged and Mr. Klipsch's knowledge of the Company's and Parent's operations Mr. Klipsch has gained and will gain by virtue of Mr. Klipsch's position; (v) this limited restriction is not an attempt to prevent Mr. Klipsch from obtaining other employment in violation of Indiana Code § 22-5-3-1; and (vi) the provisions of this Section 4.4.1 are reasonable and necessary to protect the Company's and Parent's business.

(b) Covenants of Mr. Klipsch. In consideration of the acknowledgments by Mr. Klipsch, and in consideration of the payments, compensation and benefits to be paid or provided to Mr. Klipsch under this Agreement or, following the Closing, by the Company and Parent, Mr. Klipsch covenants that Mr. Klipsch will not, directly or indirectly:

(i) for a period of five years from the Closing, except in the course of Mr. Klipsch's employment by the Company or Parent, directly or indirectly, in a competitive capacity, engage or invest in, own, manage, operate, finance, control or participate in the ownership, management, operation, financing or control of, be employed by, associated with or in any manner connected with, lend Mr. Klipsch's name or any similar name to, lend Mr. Klipsch's credit to or render services or advice to, or plan or prepare to do any of the foregoing with any business whose products or activities compete in whole or in part with the Business in any Market Jurisdiction; provided, however, that Mr. Klipsch may purchase or otherwise acquire up to (but not more than) two percent (2%) of any class of securities of any entity (but without otherwise participating in the activities of such entity) if such securities are listed on any national or regional securities exchange or have been registered under § 12(g) of the Securities Exchange Act of 1934, as amended.

(ii) for a period of five years from the Closing, directly or indirectly, interfere with, solicit, employ or otherwise engage, as an employee, independent contractor or otherwise, any Person who is or was an employee of the Company or its Affiliates at any time during the last two years that Mr.

Klipsch is employed by the Company or in any manner induce or attempt to induce any employee of the Company or its Affiliates to terminate his or her employment with the Company or its Affiliates; or in a competitive capacity, interfere with the Company's or its Affiliates' relationship with any Person, including, but not limited to, any Person who at any time during the period that Mr. Klipsch is employed by the Company or its Affiliates was a customer, contractor or supplier of the Company or its Affiliate; or

(iii) disparage the Company or Parent or its Affiliates or their respective shareholders, board of directors, members, managers, officers, employees or agents (contesting a matter as Sellers' Representative will not be deemed disparagement for purposes of the foregoing).

If any term, provision or covenant in this Section 4.4.1 is held to be unreasonable, arbitrary or against public policy, a court may limit the application of such term, provision or covenant or modify such term, provision or covenant and proceed to enforce this Section 4.4.1 as so limited or modified, which limited or modified term, provision or covenant will be effective, binding and enforceable against Mr. Klipsch.

The period of time applicable to any covenant in this Section 4.4.1 shall be extended by the duration of any actual or threatened violation by Mr. Klipsch of such covenant.

Mr. Klipsch shall, while the covenant under this Section 4.4.1 is in effect, give notice to the Company and Parent, within ten (10) days after accepting any other employment, of the identity of Mr. Klipsch's new employer. The Company and Parent may notify such employer that Mr. Klipsch is bound by this Agreement and, at the Company's or Parent's election, furnish such employer with a copy of this Agreement or relevant portions thereof.

Section 4.4.2 Non-Competition and Non-Interference by the Other Management Shareholders .

(a) Acknowledgements by the Management Shareholders Other than Fred Klipsch ("Other Management Shareholders") . Other Management Shareholders acknowledge that: (i) Parent would not cause Buyer to purchase Shares from the Other Management Shareholders unless they agree to the terms of this Section 4.4.2; (ii) the information to be disclosed to Other Management Shareholders and the services to be performed by Other Management Shareholders under their respective employment agreements or as employees of their respective employers are of a special, unique, extraordinary and intellectual character; (iii) the Company and Parent compete with other businesses that are located in the Market Jurisdictions; (iv) the restricted period of time and the geographic limitations set forth herein are reasonable in view of the nature of the business in which the Company and Parent are engaged and Other Management Shareholders' knowledge of the Company's and Parent's operations Other Management Shareholders has gained and will gain by virtue of Other Management Shareholders' position; (v) this limited restriction is not an attempt to prevent Other Management Shareholders from obtaining other employment in violation of Indiana Code § 22-5-3-1; and (vi) the provisions of this Section 4.4.2 are reasonable and necessary to protect the Company's and Parent's business.

(b) Covenants by the Other Management Shareholders . In consideration of the acknowledgments by Other Management Shareholders, and in consideration of the payments, compensation and benefits to be paid or provided to Other Management Shareholders under this Agreement or, following the Closing, by the Company and Parent, Other Management Shareholders covenants that Other Management Shareholders will not, directly or indirectly:

(i) for a period of thirty (30) months from the Closing, except in the course of Other

Management Shareholders' employment by the Company or Parent, directly or indirectly, in a competitive capacity, engage or invest in, own, manage, operate, finance, control or participate in the ownership, management, operation, financing or control of, be employed by, associated with or in any manner connected with, lend Other Management Shareholders' name or any similar name to, lend the Other Management Shareholders credit to or render services or advice to, or plan or prepare to do any of the foregoing with any business whose products or activities compete in whole or in part with the Business in any Market Jurisdiction; provided, however, that Other Management Shareholders may purchase or otherwise acquire up to (but not more than) two percent (2%) of any class of securities of any entity (but without otherwise participating in the activities of such entity) if such securities are listed on any national or regional securities exchange or have been registered under § 12(g) of the Securities Exchange Act of 1934, as amended.

(ii) for a period of 30 months from the Closing, directly or indirectly, interfere with, solicit, employ or otherwise engage, as an employee, independent contractor or otherwise, any Person who is or was an employee of the Company or its Affiliates at any time during the last two years that the respective Other Management Shareholder was employed by the Company or in any manner induce or attempt to induce any employee of the Company or its Affiliates to terminate his or her employment with the Company or its Affiliates; or in a competitive capacity interfere with the Company's or its Affiliates' relationship with any Person, including, but not limited to, any Person who at any time during the period that the respective Other Management Shareholder was employed by the Company was a customer, contractor or supplier of the Company or its Affiliates; or

(iii) disparage the Company or Parent or its Affiliates or their respective shareholders, board of directors, members, managers, officers, employees or agents.

If any term, provision or covenant in this Section 4.4.2 is held to be unreasonable, arbitrary or against public policy, a court may limit the application of such term, provision or covenant or modify such term, provision or covenant and proceed to enforce this Section 4.4.2 as so limited or modified, which limited or modified term, provision or covenant will be effective, binding and enforceable against Other Management Shareholders.

The period of time applicable to any covenant in this Section 4.4.2 shall be extended by the duration of any actual or threatened violation by Other Management Shareholders of such covenant.

Other Management Shareholders shall, while the covenant under this Section 4.4.2 is in effect, give notice to the Company and Parent, within ten (10) days after accepting any other employment, of the identity of Other Management Shareholder's new employer. The Company and Parent may notify such employer that Other Management Shareholder is bound by this Agreement and, at the Company's or Parent's election, furnish such employer with a copy of this Agreement or relevant portions thereof.

Section 4.4.3. From the date of this Agreement and forever afterward, each Management Shareholder will not, and will cause such Management Shareholder's Affiliates not to, directly or indirectly, use or disclose to any Person any non-public information of or relating to the Business, the Company or a Subsidiary, except in connection with, and to the extent necessary to use or disclose in, any Proceeding subject to Article 7 or if required to do so by applicable Legal Requirements or legal process (provided that he or it makes a reasonable effort to notify Buyer before complying with the applicable Legal Requirements or legal process to enable Buyer to seek an appropriate protective order), and except to the extent that such information enters the public domain through no fault of a Management Shareholder or any Affiliate of a Management Shareholder. Notwithstanding anything contained herein or in the Nondisclosure Agreement

attached as Exhibit 4.4 to the contrary, VantagePoint Venture Partners, on behalf of itself and its Affiliates (including those Affiliates party to this Agreement, reinstates and agrees to be bound by such Nondisclosure Agreement, and agrees that the restrictions therein relating to VantagePoint Venture Partners or any of its Affiliates shall apply to all such Persons for a period of three years from the date of this Agreement.

Section 4.5 Public Announcements. The Parties will, and will cause their respective Affiliates and Representatives, for the period from and after the date hereof and ending at Closing in the case of all Parties hereto, and for the period from and after Closing in the case of each of the Sellers, to, maintain the confidentiality of this Agreement unless otherwise publicly disclosed and will not, and will cause their respective Affiliates and Representatives not to, issue or cause the publication of any press release or other public announcement with respect to this Agreement or any Transaction Document or the transactions contemplated hereby or thereby without the prior written consent of the other Parties, which consent will not be unreasonably withheld or delayed; provided, however, that a Party may, without the prior consent of Parent, Buyer, the Sellers' Representative or any Seller, issue or cause publication of any such press release or public announcement to the extent that such Party reasonably determines, after consultation with legal counsel, such action to be required by applicable Legal Requirements or by the rules of any applicable self-regulatory organization, in which event such Party will use commercially reasonable efforts to allow the other Parties reasonable time to comment on such press release or public announcement in advance of its issuance.

Section 4.6 Sellers' Representative.

(a) Sellers hereby irrevocably make, constitute and appoint Fred S. Klipsch (the initial "Sellers' Representative") as their true and lawful attorney-in-fact on behalf of Sellers to: (i) receive notices and communications pursuant to this Agreement and the other Transaction Documents; (ii) administer this Agreement and the other Transaction Documents, including the resolution of any disputes or claims; (iii) make determinations to settle any dispute as to the calculation of the Purchase Price; (iv) resolve, settle or compromise claims for indemnification asserted against Sellers pursuant to Article 7; (v) assert claims for indemnification under Article 7 and resolve, settle or compromise any such claim; and (vi) take other action specifically authorized by this Agreement.

(b) If Sellers' Representative is of the opinion that he requires further authorization or advice from Sellers on any matters concerning this Agreement, Sellers' Representative is entitled to seek such further authorization from Sellers prior to acting on their behalf. In such event and on any other matter requiring or permitting Sellers to vote in this Section 4.6, each Seller will have a number of votes equal to the Shares owned by that Seller immediately prior to Closing and the authorization of a majority of such Shares will be binding on all Sellers and will constitute authorization by all Sellers.

(c) Parent and Buyer will be fully protected in dealing with Sellers' Representative with respect to this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby and may rely upon the authority of Sellers' Representative to act as the agent of Sellers for the purposes set forth herein under this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby. The appointment of Sellers' Representative is coupled with an interest and will be irrevocable by any Seller in any manner or for any reason. This power of attorney will not be affected by the disability or incapacity of the principal pursuant to any applicable Legal Requirement. Sellers' Representative will have no individual liability to Parent or Buyer under this Agreement arising from his actions as Sellers' Representative.

(d) If at any time there is more than one Sellers' Representative, any act of Sellers' Representative

will require the act of a majority of Sellers' Representatives. Any Sellers' Representative may resign from his capacity as a Sellers' Representative at any time by written notice delivered to the other Sellers and to Parent and Buyer. If at any time there is no person acting as a Sellers' Representative for any reason, Sellers will promptly designate a new Sellers' Representative and notify Parent and Buyer in writing of such determination. Following the time that Parent and Buyer are notified that there is no Sellers' Representative and until such time as a new Sellers' Representative is designated as provided herein and Parent and Buyer are so notified in writing, Sellers will collectively act as Sellers' Representative, with decisions made in the manner specified in Section 4.6(b).

(e) Fred S. Klipsch, as the initial Sellers' Representative, acknowledges that he has carefully read and understands this Section 4.6, hereby accepts such appointment and designation, and represents that he will act in his capacity as Sellers' Representative in compliance with and conformance to the provisions of this Section 4.6.

(f) Sellers' Representative will not be liable to Sellers for any error of judgment or any act done or action taken or omitted by him or for any mistake in fact or Legal Requirement, or for anything that he may do or refrain from doing in connection with this Agreement or the other Transaction Documents, except for his own gross negligence, bad faith or willful misconduct. Sellers' Representative may seek the advice of legal counsel in the event of any dispute or question as to the construction of any of the provisions of this Agreement or the other Transaction Documents or his duties hereunder or thereunder, and he will incur no liability to Sellers and will be fully protected with respect to any action taken, omitted or suffered by him in good faith in accordance with the opinion of such counsel.

(g) Any expenses incurred by Sellers' Representative in connection with the performance of his duties under this Agreement (including any fees and expenses of legal counsel retained by Sellers' Representative) will not be the personal obligations of Sellers' Representative but will be payable and will be promptly paid or reimbursed first out of the Sellers' Representative Fund established pursuant to subsection (h) below, and then by Sellers pro rata in accordance with their respective Share ownership as set forth on Exhibit 1.2(b).

(h) Prior to Closing, Sellers' Representative may designate in writing that up to $500,000 of the Cash Payment Amount otherwise payable to Sellers be deposited into one or more accounts for the sole benefit of Sellers, and Parent and Buyer will abide by such direction.

Section 4.7 Termination of Shareholder Agreements, etc. The Company and Sellers hereby agree that the Shareholder Agreements, and all rights and obligations thereunder, will be terminated without further action effective contemporaneously with the Closing; and each party thereto hereby releases each other party thereto from all obligations thereunder effective as of the Closing without further action. Effective as of Closing, each Seller hereby releases, without further action, any and all claims against the Company or any Subsidiary as of the date of Closing arising from or relating to any acts, omissions, facts or circumstances existing on or prior to Closing, except (as applicable) with respect to unpaid compensation for services rendered, vested employee benefits, rights under the Transaction Documents and rights to indemnification under existing agreements or the Organizational Documents of the Company or any Subsidiary.

Section 4.8 Assignment of Rights; Reimbursement. To the extent Sellers pay a Buyer Indemnified Party for the full amount of a claim to the extent due under Article 7, Parent, Buyer, the Company, a Subsidiary or any or all of them, as applicable, will assign to Sellers' Representative on behalf of Sellers to the fullest extent allowable its or their rights and causes of action against other Persons with respect to such claim to the extent of such amount, or in the event assignment is not permissible, allow Sellers' Representative on

behalf of Sellers to pursue such claim, at their expense, in the name of Parent, Buyer, the Company or a Subsidiary, as applicable. Sellers will be entitled to retain all recoveries for their own accounts made as a result of any such action. Parent and Buyer will provide, and cause the Company or a Subsidiary, as applicable, to provide, reasonable assistance to Sellers' Representative in prosecuting any such claim, including making their Books and Records relating to such claim available to Sellers' Representative and their Representatives and making their employees available for interview, testimony and similar assistance, all at the sole cost and expense of the Sellers (provided that Sellers shall pay Buyer in advance, or reimburse Buyer, for the expense of the same, upon Buyer's demand). If Parent or any of its Affiliates (including Buyer, the Company or a Subsidiary) recovers from another Person any part of a claim that has previously been paid by Sellers pursuant to Article 7, Parent or Buyer will promptly remit to Sellers the amount of such recovery, without regard to the time limitations described in Section 9.1, to the extent of indemnification payments received by any Buyer Indemnified Party, less any Adverse Consequences with respect to such claims not paid as a result of Section 7.3(b).

Section 4.9 Records Retention. Parent will preserve until the seventh anniversary of the Closing Date the Books and Records of the Company and the Subsidiaries. After the Closing Date, Parent will provide Sellers and their Representatives with reasonable access to the pre-Closing Books and Records, and Sellers and their Representatives will have the right to make copies of the pre-Closing Books and Records at their expense.

Section 4.10 Certain Tax Matters.

(a) If the Company or a Subsidiary becomes subject to audit or other review by the IRS or any other Governmental Body relating to Taxes with respect to periods prior to the Closing Date, Parent or Buyer will promptly notify Sellers' Representative of such audit or review. Sellers' Representative, Parent and Buyer will reasonably cooperate with each other in responding to any such audit or review. Parent and Buyer will permit Sellers' Representative on behalf of Sellers to participate in the audit or review.

(b) Neither Parent, Buyer nor any Affiliate will make any election under Code §338 or any similar Legal Requirement in connection with the transactions contemplated by this Agreement.

(c) Without the prior written consent of Buyer, between the date of this Agreement and Closing, neither the Company nor any Subsidiary will make or change any election, change any annual accounting period, adopt or change any accounting method, file any amended Tax Return, enter into any closing Contract, settle any Tax claim relating to the Company or any Subsidiary, surrender any right to claim a refund of Taxes, consent to any extension or waiver of the limitation period applicable to any Tax claim relating to the Company or any Subsidiary, or take any other similar action relating to the filing of any Tax Return or the payment of any Tax, if such election, adoption, change, amendment, Contract, settlement, surrender, consent or other action would have the effect of increasing the Tax liability of the Company or any Subsidiary for any period ending after the Closing Date or decreasing any Tax attribute of the Company or any Subsidiary existing on the Closing Date.

(d) The Tax Returns of the Company and its Subsidiaries for the Tax year ending on the Closing Date will be prepared in a manner consistent with the treatment of items in determining Final Closing Date Net Working Capital and the Final Cash/Tax Differential.

Section 4.11 Employee Benefit Matters. From the Closing Date to the first anniversary of the Closing Date, Parent will cause Buyer will provide employees of the Company and the Subsidiaries with compensation that is no less favorable than the compensation (including with respect to opportunities for

bonuses) provided to such employees immediately prior to the Closing Date and with employee benefits that are no less favorable in the aggregate than those provided under the Employee Benefit Plans as of the Closing Date. From and after the Closing Date, Buyer will, and will cause the Company and each Subsidiary to, grant all employees credit for any service with the Company or any Subsidiary earned prior to the Closing Date (a) for eligibility and vesting purposes and (b) for purposes of vacation accrual and severance benefit determinations under any benefit or compensation plan, program or Contract that may be established or maintained by Buyer, the Company or any Subsidiary on or after the Closing Date (the "New Plans"). Buyer will (x) cause to be waived all pre-existing condition exclusions and actively-at-work requirements and similar limitations, eligibility waiting periods and evidence of insurability requirements under any New Plans to the extent waived or satisfied by an employee under any Employee Benefit Plan as of the Closing Date and (y) cause any covered expenses incurred on or before the Closing Date by any employee (or covered dependent thereof) to be taken into account for purposes of satisfying applicable deductible, coinsurance and maximum out-of-pocket provisions after the Closing Date under any New Plan. Nothing contained herein, express or implied, is intended to confer upon any employee of the Company or any Subsidiary any right to continued employment for any period or constitute an amendment to or any other modification of any New Plan or Employee Benefit Plan.

Section 4.12 Financing.

(a) Without limiting Sellers' and the Company's obligations under this Agreement, Parent and Buyer each acknowledges and agrees that none of Sellers, the Company nor any of their Affiliates have any responsibility for any financing that Buyer may raise in connection with the transactions contemplated hereby. Any offering materials and other related documents prepared by or on behalf of or utilized by Parent or Buyer or their respective Affiliates and financing sources, in connection with Parent's or Buyer's financing activities in connection with the transactions contemplated hereby, that include any information provided by the Sellers, the Company or any of their Affiliates, including any offering memorandum, banker's book or similar document used, or any other written offering materials used (collectively, "Offering Materials"), in connection with any debt or securities offering or other such Parent or Buyer financing will include a conspicuous disclaimer to the effect that none of the Sellers, the Company nor any of their Affiliates have any responsibility for the content of such document and disclaim all responsibility therefor and will further include a disclaimer with respect to the Sellers, the Company and their Affiliates in any oral disclosure with respect to such financing.

(b) Parent and Buyer will use their respective reasonable best efforts to take, or cause to be taken, all actions and do, or cause to be done, all things necessary, proper or advisable to (i) maintain in effect the Debt Financing Commitments, (ii) enter into definitive financing agreements with respect to the Debt Financing and Debt Financing Commitments, so that such agreements are in effect as promptly as practicable but in any event no later than on the Closing Date, and (iii) consummate the Debt Financing at the Closing. Parent will provide to Sellers and the Company copies of all final documents relating to the Debt Financing and will keep Sellers and the Company fully informed of material developments in respect of the financing process relating thereto. Prior to the Closing, Parent will not agree to, or permit, any amendment or modification of, or waiver under, the Debt Financing Commitments or other final documentation relating to the Debt Financing which would reduce the maximum borrowing amount or delay funding past March 1, 2011 or reduce the likelihood of consummating the Debt Financing, without the prior written consent of Sellers' Representative (such consent not to be unreasonably withheld).

(c) If any of the Debt Financing or the Debt Financing Commitments (or any definitive financing agreement relating thereto) expire or are terminated prior to the Closing, in whole or in part, for any reason, Parent will (i) promptly notify the Sellers' Representative of such expiration or termination and the reasons

therefor and (ii) use its reasonable best efforts to promptly arrange for alternative financing (which will be in an amount sufficient to pay for Purchase Price and the transactions contemplated herein from other sources) to replace the financing contemplated by such expired or terminated commitments or agreements.

Section 4.13 Pre-Closing Distribution. Immediately preceding Closing, the Company will make a distribution on its equity (after giving effect to the options to be exercised as contemplated in this Agreement) in the amount equal to the Estimated Cash/Tax Differential, if a positive number.

Section 4.14 Bonus Payments. Accrued bonuses as of the Closing Date will be paid within 75 days following the Closing Date and allocated among the designated recipients pursuant to the direction of Sellers' Representative.

ARTICLE 5

Conditions To Obligation To Close

Section 5.1 Conditions to Obligation of Buyer. Parent and Buyer's obligation to consummate the transactions contemplated by this Agreement and to take the other actions required to be taken by Parent or Buyer at Closing is subject to the satisfaction, at or before Closing, of each of the following conditions (any of which may be waived by Buyer in its sole discretion, in whole or in part):

(a) Without regard to any reference to "Company Material Adverse Effect" or other materiality qualification contained therein, the representations and warranties set forth in Article 2 of this Agreement, individually and collectively, must have been accurate as of the date of this Agreement and must be accurate as of the Closing Date as if made again on the Closing Date, except (i) for any representation or warranty made as of a specific date or for a particular period, which must be accurate as of such specific date or for such particular period and (ii) as would not reasonably be expected to have, individually or collectively, a Company Material Adverse Effect. In addition, the representations and warranties set forth in Sections 2.1, 2.11(a) and 2.20 must be true and correct in all material respects;

(b) Sellers and the Company must have performed and complied in all material respects with their respective covenants and obligations under this Agreement required to be performed or complied with by them prior to Closing;

(c) Sellers and the Company must have delivered to Buyer, in a form reasonably acceptable to Buyer, (i) a certificate dated as of the Closing Date certifying that the conditions set forth in Sections 5.1(a) and (b) have been satisfied and (ii) the resignation of Sellers (as designated by Buyer) as directors and officers of the Company and the Subsidiaries;

(d) There must not be any non-appealable Order pending or Legal Requirement enacted since the date of this Agreement prohibiting the consummation of the transactions contemplated by this Agreement;

(e) From and after the date hereof to immediately preceding the Closing, Fred S. Klipsch, Michael F. Klipsch, T. Paul Jacobs, Frederick L. Farrar, David Kelley must have remained in the active employ of the Company or a Subsidiary, and as of Closing, such Persons must not have repudiated their respective employment agreements signed in contemplation of, and to become effective at, the consummation of the transactions contemplated by this Agreement;

(f) The waiting period under the HSR Act must have expired or been terminated; and

(g) Since the date of the Balance Sheet there must not have occurred a Company Material Adverse Effect, and the Parties agree that any material loss of business from or Threatened material loss of business with Best Buy/Magnolia's, Apple or New Advance will be deemed a Company Material Adverse Effect for purposes of this Section 5.1(g)).

Section 5.2 Conditions to Obligation of Sellers. Sellers' obligation to consummate the transactions contemplated by this Agreement and to take the other actions required to be taken by Sellers at Closing is subject to the satisfaction, at or before Closing, of each of the following conditions (any of which may be waived by Sellers' Representative, in whole or in part):

(a) The representations and warranties set forth in Article 3 of this Agreement, individually and collectively, must have been accurate in all material respects as of the date of this Agreement and must be accurate in all material respects as of the Closing Date as if made again on the Closing Date, except for any representation or warranty made as of a specific date or for a particular period, which must be accurate in all material respects as of such specific date or for such particular period;

(b) Parent and Buyer must have performed and complied in all material respects with the covenants and obligations under this Agreement required to be performed or complied with by it prior to Closing;

(c) Parent and Buyer must have delivered to Sellers, in form reasonably acceptable to Sellers, a certificate dated as of the Closing Date certifying that the conditions set forth in Sections 5.2(a) and (b) have been satisfied;

(d) There must not be any non-appealable Order pending or any Legal Requirement enacted since the date of this Agreement prohibiting the consummation of the transactions contemplated by this Agreement; and

(e) The waiting period under the HSR Act must have expired or been terminated.

ARTICLE 6

Termination

Section 6.1 Termination Events. This Agreement may be terminated by mutual written consent of Buyer and Sellers' Representative or by written notice given before or at Closing:

(a) by Buyer or Sellers (acting through Sellers' Representative), if a breach of this Agreement has been committed by the other (which includes in the case of Sellers, any breach by the Company), which breach constitutes a failure of a condition contained in Article 5, and which has not been waived or cured, within 20 days following receipt of written notice of such breach, to the reasonable satisfaction of the non-breaching Party;

(b) by Buyer or Sellers (acting through Sellers' Representative), if Closing has not occurred (other than through the failure of the Party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before March 31, 2011 or such later date as Buyer and Sellers' Representative may agree in writing; or

(c) at any time by Buyer or Sellers (acting through Sellers' Representative), if (i) any Governmental Body has issued a final non-appealable Order enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement, or (ii) a Legal Requirement is enacted after the date of this Agreement preventing the consummation of the transactions contemplated by this Agreement.

Section 6.2 Effect of Termination. If this Agreement is properly terminated pursuant to Section 6.1, (i) all further obligations of the Parties to consummate the transactions contemplated by this Agreement and all obligations of the Parties under this Agreement will terminate, except that those set forth in the last sentence of Sections 4.2, 9.8 and 9.12 will survive any termination; (ii) there will be no liability or obligation on the part of any Party or any of its Affiliates or Representatives, except with respect to any breach of the last sentence of Section 4.2 or any intentional or bad faith breach of any provision of this Agreement, or any breach by Parent or Buyer of Section 3.4 or failure to have consummated the Debt Financing other than as a result of a breach by any or all of Sellers or the Company of any of the representations, warranties, covenants or agreements of any of such Persons contained in this Agreement which cause any condition described in Section 5.1 not to be satisfied; and (iii) each Party irrevocably waives and releases any other claim which may otherwise exist upon such termination. For purposes of this Section 6.2, an "intentional breach" means an action that a Party intended to take, with the knowledge that such act would be a breach of this Agreement.

ARTICLE 7

Indemnification

Section 7.1 Indemnification and Reimbursement by Sellers.

(a) Sellers, jointly and severally, except to the extent provided in subsection (b) below, will indemnify Buyer and its Affiliates, and their respective officers, directors, employees, successors and assigns (each, a "Buyer Indemnified Party") for all Adverse Consequences arising from (i) a breach by Sellers (or any of them) of their representations and warranties in this Agreement (excluding any breach of the representations and warranties addressed in clause (b) below), (ii) a breach by the Company of its covenants and agreements in this Agreement to be performed prior to the Closing or (iii) the Covered Items (subject to the limitations set forth in Section 7.3(b), and irrespective of matters disclosed in the Disclosure Schedule or correctness or accuracy the representations and warranties made hereunder (i.e., the fact that a representation or warranty with respect to a Covered Item is not breached does not limit Buyer's right to indemnity with respect thereto)). Any indemnification obligations arising under this Section 7.1(a) will be satisfied solely through the application of funds comprising the Escrow Fund in accordance with the Escrow Agreement.

(b) Each Seller will severally indemnify the Buyer Indemnified Parties and each other Seller for all Adverse Consequences arising from a breach by such Seller of his or its representations or warranties set forth in Sections 2.1(c) and 2.11(a) of this Agreement and from a breach by such Seller of his or its covenants or agreements in this Agreement. Any indemnification obligations to a Buyer Indemnified Party arising under this Section 7.1(b) will be satisfied solely through the application of funds comprising the Escrow Fund in accordance with the Escrow Agreement; provided, however, that notwithstanding anything contained herein to the contrary, no indemnification obligations to a Seller arising under this Section 7.1(b) may be satisfied through the application of funds comprising all or any portion of the Escrow Fund.

Section 7.2 Indemnification and Reimbursement by Parent and Buyer. Parent and Buyer, jointly

and severally, will indemnify Sellers, their Affiliates and their respective officers, directors, employees, successors and assigns for all Adverse Consequences arising from a breach by Parent or Buyer of their respective representations, warranties, covenants or agreements in this Agreement.

Section 7.3 Certain Limitations.

(a) Basket. A Buyer Indemnified Party will have no right to recover amounts under Section 7.1 until the aggregate amount of Adverse Consequences incurred or suffered by the Buyer Indemnified Parties exceeds $850,000 in the aggregate (the "Basket"), and then the Buyer Indemnified Parties may only recover that amount by which Adverse Consequences exceed in the aggregate the Basket; provided, however, that the Basket shall not apply to any breach by Sellers of Section 2.4 and Section 2.7 (solely as it relates to Tax matters), each Seller's obligation to make payments to effect Purchase Price adjustments under Article 1, or the Covered Items or the obligations of Sellers in respect of the same as set forth in this Article 7, or any adjustments that may be required in respect of the calculation of Closing Date Debt or Final Cash/Tax Differential.

(b) Liability Cap. The liability of Sellers under this Article 7 will in no event exceed the amount available in Escrow Fund. This provision does not limit a Party's rights to specific performance or injunctive relief or with respect to actual fraud. In addition, in no event will the liability of Sellers under this Article 7 exceed: $1,000,000 in the case of the failure of the Company or any Subsidiary to pay sales Taxes (including with respect to the failure to have timely obtained sales Tax exemption certificates, but excluding retail sales Taxes addressed in the succeeding clause); $350,000 in the case of the failure of the Company or any Subsidiary to pay retail sales Taxes; $100,000 in the case of claims by any Governmental Body for unclaimed property Taxes; $250,000 in the aggregate in the case of the cost of transfer pricing studies, the fees, costs and expenses of professional and advisors, and Taxes, fees and expenses, arising out of the Denmark Tax audit, state tax/capital Tax issues, the China Tax audit, Canadian transfer pricing issues, sales Tax promotional materials, the non-filing of foreign reporting, Michigan SBT, Philadelphia business privilege Tax Returns and/or Netherlands Tax Returns; and in connection with the Circuit City preference claim, $1,650,000 (including defense and defense related fees, costs and expenses) (all such matters, the "Covered Items").

(c) Mutual Limitations.

i. No Party will be obligated to indemnify any other Person with respect to any claim to the extent the relevant Adverse Consequences result from the passing of or change in any Legal Requirement or any accounting policy, principle or practice after the Closing Date or any increase in Tax rates in effect on the Closing Date, if and only if the change or increase has retroactive effect and such retroactive effect is the sole cause of the relevant Adverse Consequences. A Buyer Indemnified Party will not be entitled to indemnification for any Adverse Consequence resulting from Parent, Buyer or an Affiliate filing a Tax Return taking a position for Tax purposes that is inconsistent with a position taken on a Tax Return that was filed on or before Closing unless the position taken in such Tax Return filed on or before Closing did not comply with applicable Legal Requirements at the time such Tax Return was filed; provided, however, that the preceding sentence will not apply to any Covered Items.

ii. A Buyer Indemnified Party will not be entitled to indemnification under this Article 7 for Adverse Consequences to the extent caused or aggravated by acts or omissions by Parent, Buyer or any of its Affiliates following the Closing Date that are in violation of common law mitigation principles or this Agreement.

iii. For purposes of calculating Adverse Consequences arising from a breach of a Seller's representations and warranties in Article 2, but not for purposes of determining whether such a breach exists, limitations or qualifications as to "materiality" (including, without limitation, the word "material") or to Company Material Adverse Effect will not be given effect.

iv. The right to indemnification under this Article 7 will not be affected by any knowledge (actual, constructive or otherwise) of, or acquired (or capable of being acquired) at any time by, any Party, whether before, at or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of any of the representations, warranties or other provisions contained in this Agreement or any of the other Transaction Documents; provided that Sellers will not be required to indemnify a Person with respect to any breach of representations or warranties if the operative facts or circumstances constituting the breach were actually known by a Parent Knowledge Person prior to the execution of this Agreement but were not actually within Sellers' Knowledge as of the execution of this Agreement.

v. To avoid duplication, in no event shall a Party be liable for any breach or inaccuracy of representation or warranty or breach or non-fulfillment of any covenant under this Agreement or any other Transaction Document if and to the extent that Indemnified Party's Adverse Consequences arising from such breach, inaccuracy or non-fulfillment were included in the calculation of the purchase price adjustment which is the subject of Section 1.3. Notwithstanding anything to the contrary contained in this Agreement or any other Transaction Document, Sellers will not be required to indemnify any Person for any Adverse Consequences relating to environmental matters that are caused by or arise from actions voluntarily taken by Parent, Buyer or any Affiliate following the Closing which are not in compliance with applicable Legal Requirements, but Sellers will be required to indemnify a Buyer Indemnified Party for any Adverse Consequences relating to environmental matters (to the extent obligated to do so under Section 7.1(a)) that are caused by or arise from actions voluntarily taken by Parent, Buyer or any Affiliate following the Closing in connection with an actual capital improvement or asset repair project on any Real Property made in good faith and not for the purpose of invoking this exception. Following Closing Parent and Buyer will not cause or permit any Environmental Action to be performed at or near any Real Property unless (A) Sellers' Representative gives prior written consent to the performance of the Environmental Action or (B) Buyer or an Affiliate is required to perform the Environmental Action by a final order of a Governmental Body with appropriate jurisdiction over such matters, or (C) the Environmental Action is routine testing that is required by the terms of any environmental permit held by the Company or a Subsidiary and necessary for operation of the Business on the Real Property. Adverse Consequences arising with respect to environmental matters for which indemnification is required under Section 7.1(a) will be limited to investigatory, corrective or remedial actions that are required under Environmental Laws and that are conducted in the most cost-effective manner, assuming continued industrial use of the subject property and employing risk-based standards and institutional controls.

vi. Without limiting Buyer's right to control, Buyer and Sellers' Representative will reasonably cooperate with each other with respect to the defense and settlement of the pending Circuit City matter to minimize the Company's liability and maximize its recovery of its unsecured claims. The amount indemnifiable with respect to such claim will be net of any recoveries actually received from the bankruptcy estate. If any amounts are paid from the Escrow Fund with respect to such claim and subsequently the Company or an Affiliate recovers any amount on its unsecured claims, Buyer will cause such amounts, to the extent of any such payments from the Escrow Fund,

to be deposited into the Escrow Fund or, if no longer in existence, paid to Sellers' Representative for the benefit of Sellers.

vii. Any amounts recovered in the Ultimate bankruptcies (including Ultimate or its Affiliates) by the Company or any Subsidiary, to the extent of any reserves therefor or write-offs thereof reflected in the determination of Final Closing Date Net Working Capital, net, without duplication, (A) preference amounts paid to Ultimate and of third party costs of defense (re preference claims if any) or collection, (B) Taxes relating to any recovery of the same by the Company or any Subsidiary and (C) the amount attributable thereto in clause (b) of the definition of Cash/Tax Differential included in the calculation the Final Cash/Tax Differential, will promptly be paid to Sellers.

Section 7.4 Indemnification Procedures.

(a) Third-Party Proceedings.

i. Promptly after receipt by a Person entitled to be indemnified under this Article 7 (an "Indemnified Party") of notice of the commencement of a Proceeding against it, such Indemnified Party will, if a claim for indemnification is to be made under this Article 7, give prompt notice to the Party or, with respect to claims against the Company, to Sellers' Representative, of the commencement of such Proceeding. Such notice must identify the matter for which indemnification is sought, state the estimated amounts of the claim if then reasonably determinable and state the basic facts underlying the claim to the extent then known. The failure to timely notify the appropriate Party will not affect a Person's rights to indemnification except to the extent that the defense of such action was materially prejudiced by the Indemnified Party's failure to provide timely notice.

ii. A Party required to provide indemnification hereunder or, in the case of any claim for indemnification under Section 7.1(a), Sellers (acting through Sellers' Representative), will be entitled to participate in any such Proceeding and, to the extent that it wishes, to assume the defense of such Proceeding. Following an assumption of defense by a Party hereunder, there will be no liability for any subsequent fees of legal counsel or other expenses incurred by the Indemnified Party in connection with such Proceeding. If a Party assumes the defense of a Proceeding, no compromise or settlement of the underlying claims may be effected by it without the Indemnified Party's consent, which will not be unreasonably withheld or delayed, unless the sole relief provided is monetary damages that are paid in full or otherwise provided for by a Party concurrently with the compromise or settlement. If a Party assumes the defense of a Proceeding, the Indemnified Party will not settle such Proceeding; provided, however, that the Indemnified Party will have the right to settle any such Proceeding without consent if the Indemnified Party first waives any right to indemnity under this Agreement with respect to such Proceeding or any related matter. Without impairing an Indemnified Party's right to seek indemnification, if a Party entitled to assume the defense of a Proceeding does not elect to assume the defense of such Proceeding, the terms of any settlement of the Proceeding by the Indemnified Party will not be binding for purposes of establishing such Party's indemnification obligations with respect to such Proceeding absent consent to such settlement in writing.

iii. The assumption of the defense by a Party will not constitute an admission of responsibility to indemnify or in any manner impair or restrict that Party's rights to later seek to be reimbursed for its costs and expenses if indemnification with respect to the matter was not required. A Party entitled to assume the defense hereunder may elect to assume such defense at any time

during the pendency of the matter, even if initially it did not elect to assume the defense, so long as the assumption of such defense at such later time would not materially and irreparably prejudice the rights of the Indemnified Party. If a Party properly elects to assume the defense of a matter but subsequently determines in good faith that indemnification of such matter is not required under this Article 7, such Party may elect to transfer the defense back to the Indemnified Party in a manner that would not materially and irreparably prejudice the rights of the Indemnified Party.

iv. Except to the extent it would cause a waiver of a privilege, each Party will make available to the other Parties and the other Parties' Representatives all of his or its Books and Records and, as applicable, employees relating to a third-party Proceeding, and each Party will render to the other assistance as may be reasonably required in order to insure the proper and adequate defense of such third-party Proceeding.

v. Each Party hereby consents to the non-exclusive jurisdiction of any court in which a Proceeding is brought by a Person not a Party to this Agreement against any Indemnified Party for purposes of litigating a claim that an Indemnified Party may have under this Agreement against a Party with respect to such Proceeding or the matters alleged therein (including its right to indemnification).

(b) Other Claims. A claim for indemnification for any matter not involving a third-party Proceeding must be asserted by written notice to Parent and Buyer, if indemnification is sought against Buyer, or to Sellers' Representative, if indemnification is sought against the Company or Sellers, identifying the matter for which indemnification is sought, the estimated amounts of the claim if then reasonably determinable and the basic facts underlying the claim to the extent then known.

Section 7.5 Adjusted Purchase Price. Any payment of a claim for indemnification under this Article 7 will be accounted for as an adjustment to the Purchase Price.

Section 7.6 Exclusive Remedy. Except in the case of actual fraud or a Party's right to seek specific performance or other equitable relief, this Article 7 constitutes the sole and exclusive remedy of the Parties with respect to any matters arising under or with respect to this Agreement. Following the Closing, without limiting the availability of injunctive relief and except in the case of actual fraud (which may be maintained against the perpetrator of such fraud only), the sole recourse of a Buyer Indemnified Party for any breach of the representations, warranties, covenants or agreements of Sellers set forth in this Agreement is to make a claim against the Escrow Fund. Amounts remaining in the Escrow Fund upon its expiration will be paid to Sellers as provided herein or in the Escrow Agreement. For greater certainty, no Seller makes any representation, warranty, covenant or agreement in connection with, or related to, the Company, its Business, this Agreement, the transactions contemplated hereby or otherwise, except those representations, warranties, covenants or agreements which such Seller has expressly made in this Agreement or in any of the other Transaction Documents. Except for actual fraud perpetrated by such Seller and without limiting the availability of injunctive relief, and except with respect to the Escrow Fund, no Seller shall be liable to the Buyer Indemnified Parties for any damage or other remedy arising out of, in connection with or related to this Agreement or the transactions contemplated hereby, or any representation warranty, covenant or agreement contained herein.

ARTICLE 8

Definitions

For purposes of this Agreement, the following terms have the meanings specified in this Article 8:

"Accounting Firm" has the meaning set forth in Section 1.3(c) of this Agreement.

"Accounts Receivable" means all accounts receivable of the Business as of the Closing Date.

"Adverse Consequence" means any loss, cost, liability or reasonable expense (including reasonable legal and other professional fees and costs), in each case net of any Tax Benefits actually available to and third-party recoveries actually received by, including insurance proceeds actually received by, and that actually reduces the overall impact of the Adverse Consequences upon, the relevant Indemnified Party; provided, however, Adverse Consequence does not include: (a) special, punitive or exemplary damages, except to the extent any such Adverse Consequences are found by a court of competent jurisdiction to be owed to a third party; or (b) Adverse Consequences based on a "multiple of profits" or other similar damage calculation methodology. For avoidance of doubt, Adverse Consequences which are recurring in nature are to be included in the computation of Adverse Consequences under this Agreement.

"Affiliate" means any shareholder, director or officer of a Person; the spouse of a Person; any direct heir or descendant of a Person if the Person were not living; and any Person in which any of the foregoing has a direct or indirect equity or voting interest, except through ownership of less than 5% of the outstanding shares of any Person whose securities are listed on a national securities exchange or traded in the national over-the-counter market.

"Agreement" has the meaning set forth in the first paragraph of this Agreement.

"Applicable Contract" means any Contract in effect as of the date of this Agreement under which the Company or any Subsidiary is bound.

"Balance Sheet" has the meaning set forth in Section 2.2(a) of this Agreement.

"Basket" has the meaning set forth in Section 7.3(a) of this Agreement.

"Books and Records" includes all data, documents, ledgers, databases, books, records, business plans, records of sales, customer and supplier lists, files, Contracts and Organizational Documents.

"Business" has the meaning set forth in the second paragraph of this Agreement.

"Business Day" shall mean any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Legal Requirements to be closed in the State of New York.

"Business Intellectual Property" shall mean all Intellectual Property owned by or licensed to the Company or a Company Affiliate and used or held for use in connection with the Business.

"Business IT Systems" shall mean all computer systems and networks, including all hardware, equipment, software, data, databases, and Internet websites and content therein, owned by, licensed to or leased by the Company or a Company Affiliate that are used or held for use in connection with the Business.

"Business Registered Intellectual Property" shall mean all Registered Intellectual Property existing as of the date hereof or the Closing Date included in the Business Intellectual Property.

"Buyer" has the meaning set forth in the first paragraph of this Agreement.

"Buyer Indemnified Party" has the meaning set forth in Section 7.1(a).

"Calculation Principles" has the meaning set forth in Section 1.3(c) of this Agreement.

"Cash Payment Amount" has the meaning set forth in Section 1.2(a) of this Agreement.

"Cash/Tax Differential" means the difference between (a) cash on hand (i.e., cash in the bank(s) of the Company or a Subsidiary as of the Closing Date (e.g., cash which is not withdrawn by or paid or distributed to any of the Sellers or any other Person)), and (b) without duplication, the Company's and its Subsidiaries' consolidated accrued income Tax liabilities as of the Closing Date (net of Tax refunds reflected on the Company's or its Subsidiaries' Books and Records as of February 28, 2011 with respect to Klipsch Group Europe, B.V.), adjusted to reduce the amount of the Closing Date consolidated accrued net income Tax liabilities to the amount that would result if all accrued expense items and reserves (including with respect to Ultimate) included in the determination of Final Closing Date Net Working Capital determined in accordance with GAAP. For the avoidance of doubt, a sample calculation of the income Tax liabilities which are the subject of clause (b) above is attached hereto as Exhibit 8.1. Cash proceeds received or to be received by the Company or offset against the Cash Payment Amount in discharge of the Options Notes will deemed cash on hand as of the Closing Date, provided such proceeds are received immediately subsequent to Closing.

"Closing" has the meaning set forth in Section 1.4 of this Agreement.

"Closing Date" has the meaning set forth in Section 1.4 of this Agreement.

"Closing Date Debt" means the outstanding indebtedness to JPMorgan Chase Bank, N.A., and all other indebtedness for borrowed funds (including, without limitation, capital lease obligations) of the Company or any Subsidiary as of the Closing Date, whether owing to a Seller, to any Affiliate or to any other Person.

"Closing Date Net Working Capital" has the meaning set forth in Section 1.3(b) of this Agreement.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the first paragraph of this Agreement.

"Company Material Adverse Effect" means any event, circumstance, change, effect or condition that is, or would reasonably be expected to be, materially adverse to (i) the financial or other condition, assets, liabilities, capitalization, Business or results of operations of the Company and the Subsidiaries taken as a whole, or (ii) the ability of Sellers and the Company to consummate the transactions contemplated hereby; provided, however, that none of the following changes will constitute, or will be considered in determining whether there has occurred, and no event, circumstance, change, effect or condition resulting from or arising out of (but only to the extent resulting form or arising out of) any of the following will constitute, a Company Material Adverse Effect: (a) the announcement of the execution of this Agreement or any other Transaction Document or the intended consummation of the transactions contemplated herein or therein (including any Threatened or actual impact on any relationship with any customer, vendor, supplier, distributor, landlord or employee of the Company or any Subsidiary (including the Threatened or actual termination, suspension, modification or reduction of such relationships)); (b) the failure of the Company or any Subsidiary to meet any estimate of revenues, earnings or other financial projections, performance measures or operating statistics;

(c) any act or omission of Parent, Buyer or any of their respective Affiliates or any of their respective Representatives after the date of this Agreement and prior to the Closing Date other than actions or omissions which are in accordance with the provisions of this Agreement or any of the other Transaction Documents or which are with the consent of the Sellers' Representative or Company; (d) any condition or change in economic conditions generally affecting the economy or the industries in which the Company or any Subsidiary operates, to the extent that such changes/conditions do not affect the Company disproportionately; (e) any national or international political or social conditions, including the engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency, war or the occurrence of any military or terrorist attack on the United States or any of its territories, possessions, offices or military installations, to the extent that such changes/conditions do not affect the Company disproportionately; (f) any condition affecting financial, banking or securities markets (including any disruption thereof and any decline in the price of any security or market index) to the extent that such changes/conditions do not affect the Company disproportionately; (g) any change in any Legal Requirements, Orders, GAAP or interpretations thereof, to the extent that such changes/interpretations do not affect the Company disproportionately; (h) any event, occurrence or circumstance constituting a Company Material Adverse Effect and which is disclosed in the Disclosure Schedule and with respect to which the Company Material Adverse Effect (but for the provisions/exclusion of this clause (h)) relating to the same is readily apparent; and (i) the taking by Sellers or the Company of any action required by this Agreement or the other Transaction Documents, including the completion of the transactions contemplated hereby and thereby.

"Contract" means any agreement or contract that is legally binding.

"Covered Items" has the meaning set forth in Section 7.3(b) of this Agreement.

"Debt Financing" has the meaning set forth in Section 3.4 of this Agreement.

"Debt Financing Commitments" has the meaning set forth in Section 3.4 of this Agreement.

"Disclosure Schedule" means the schedules delivered in connection with this Agreement which (a) set forth the information specifically described in certain of the representations and warranties contained in Article 2 of this Agreement, and (b) set forth exceptions or qualifications to the representations and warranties contained in Article 2 of this Agreement.

"Employee Benefit Plan" means any "employee pension benefit plan" (as defined in Section 3(2) of ERISA), any "employee welfare benefit plan" (as defined in Section 3(1) of ERISA) and any other employee benefit, program, plan, policy, Contract (other than statutory or Tax-based programs such as workers' compensation or social security), including insurance coverage, severance benefits, disability benefits, deferred compensation, bonuses, stock options, stock purchase, phantom stock, stock appreciation or other forms of incentive compensation or post-retirement compensation which is maintained or contributed to by the Company or a Subsidiary for the benefit of current consultants, directors or employees of the Company or a Subsidiary (or their respective beneficiaries).

"Encumbrance" means any charge, claim, community property interest, equitable interest, mortgage, lien, option, warrant, purchase right, pledge, security interest, right of first refusal, marital or community property interest or restriction of any kind, including any restriction on use, voting (in the case of any security), transfer, receipt of income or exercise of any other attribute of ownership.

"Environment" means soil, land surface or subsurface strata, surface waters (including navigable waters and ocean waters), groundwater, drinking water supply, stream sediments, ambient air or protected

plant and wild-life.

"Environmental Action" means any testing, sampling, analysis, digging, boring, removal of soil, relocation of soil or preparation of baseline environmental assessments relating to the Environment or the Real Property.

"Environmental Document or Documents" means: (a) any environmental study, evaluation or investigation relating to the property, assets or operations of the Company or any Subsidiary, including (i) any Phase I or Phase II (or subsequent phases) studies and investigations, (ii) and including documents and information related to any improvements or buildings on the Real Property, and (iii) any testing, sampling, analysis, digging, boring, removing soil, relocating of soil or preparation of baseline environmental assessments relating to the Environment or the Real Property; (b) consent agreements, inspection reports, letters and notices of violation and related correspondence with any Governmental Body; (c) free product recovery reports, monitoring well assessments and related correspondence and materials; and (d) other correspondence or memoranda describing any release of Company and or Subsidiary products or raw materials used to make Company or Subsidiary products.

"Environmental Law" means any Legal Requirement designed to: (a) notify Governmental Bodies, employees or the public of intended, Threatened or actual releases of any Hazardous Substance or Material in violation of environmental permits or other applicable Legal Requirements; (b) prevent, regulate or require the reporting of the use, discharge, release or emission of Hazardous Substances or Materials into the Environment; (c) reduce the quantities, prevent the release and minimize Hazardous Substances or Materials that are generated; (d) regulate the generation, management, treatment, storage, handling, transportation or disposal of Hazardous Substances or Materials; (e) assure that products are designed, formulated, packaged or used so that they do not present unreasonable risks to public health or the Environment when used or disposed of; or (f) provide for or require the cleanup of Hazardous Substances or Materials that have been released to the Environment without a permit or otherwise in violation of Legal Requirements.

"Environmental Liability" means any Adverse Consequence to the Company or a Subsidiary arising from or relating to any violation of or liability under any Environmental Law with respect to acts or omissions of the Company or a Subsidiary occurring on or before the Closing Date.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Escrow Agent" means, initially, a national banking association selected by the Sellers' Representative prior to Closing (subject to the approval of Buyer, such approval not to be unreasonably withheld) and at all times, the "Escrow Agent" as defined in the Escrow Agreement.

"Escrow Agreement" has the meaning set forth in Section 1.2(a) of this Agreement.

"Escrow Amount" has the meaning set forth in Section 1.2(a) of this Agreement.

"Escrow Fund" means the Escrow Amount.

"Estimated Cash/Tax Differential" means Sellers' good faith written estimate following consultation with Parent of the Cash/Tax Differential delivered to Parent at least two Business Days prior to Closing.

"Estimated Closing Date Net Working Capital" means Sellers' good faith written estimate following consultation with Parent of Closing Date Net Working Capital delivered to Parent at least two Business Days

prior to Closing and calculated using the Calculation Principles.

"Estimated Closing Date Net Working Capital Adjustment" means the amount by which Estimated Closing Date Net Working Capital is greater or less than the Target Amount.

"Final Cash/Tax Differential" means the Cash/Tax Differential as finally determined applying the same timeline and the objection and dispute resolution procedures set forth in Sections 1.3(b) and 1.3(c) with respect to determining Final Closing Date Net Working Capital thereunder.

"Final Closing Date Net Working Capital" has the meaning set forth in Section 1.3(c) of this Agreement.

"Financial Statements" has the meaning set forth in Section 2.2(a) of this Agreement.

"Financing" has the meaning set forth in Section 3.4 of this Agreement.

"Former Subsidiaries" mean all direct or indirect past or present subsidiaries of the Company, other than the Subsidiaries.

"GAAP" means United States generally accepted accounting principles, consistently applied throughout the periods covered thereby in respect of the Financial Statements.

"Government Antitrust Authority" has the meaning set forth in Section 4.3(b)(i).

"Governmental Authorization" means any approval, consent, license, permit, waiver or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement.

"Governmental Body" means any: (a) nation, state, county, city, town, village, district or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign or other government; (c) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official or entity and any court or other tribunal); (d) multi-national organization or body; (e) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or Taxing authority; or (f) organization or association that sponsors, authorizes or conducts any arbitration Proceeding, or any arbitrator or panel of arbitrators, the decisions of which are enforceable in any court of law.

"Hazardous Substance or Material" means (a) any substance, waste or material that is controlled or regulated by any Environmental Law, including oil, petroleum or derivatives thereof; or (b) any substance that is toxic, explosive, corrosive, flammable, infectious, carcinogenic, mutagenic or otherwise hazardous to the Environment or public health, including polychlorinated biphenyls, asbestos and asbestos containing materials; provided, however, that Hazardous Substance or Material will not include typical office supplies (*ie:* printer/copier toner cartridges, inks, correction fluids, etc.), cleaning supplies (*ie:* furniture polish/wax, detergents, soaps, sanitizers, glass cleaners, etc.) or personal care items (*ie:* cosmetics, medicines, perfumes, colognes, deodorants, fragrances, fingernail polishes, etc.) or naturally occurring substances (*e.g.* mineral deposits, metal ores, fossilized plants and animals, etc.).

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations promulgated thereunder.

"In-bound Licenses" shall have the meaning set forth in Section 2.21.

"Indemnified Party" has the meaning set forth in Section 7.4(a)(i) of this Agreement.

"Insurance" means all forms of insurance, including liability, crime, fidelity, life, fire, product liability, workers' compensation, health, director and officer liability and other forms of insurance maintained by the Company or a Subsidiary.

"Intellectual Property" shall mean all Marks; inventions (whether patentable or unpatentable and whether or not reduced to practice), patents, patent applications, patent disclosures, together with all reissuances, continuations, continuations-in-part, divisions, revisions, extensions and reexaminations thereof; copyrights and copyrightable works and all applications, registrations and renewals in connection therewith; mask work rights and all applications, registrations and renewals in connection therewith; and trade secrets and confidential business information (including ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, methods, schematics, technology, technical data, designs, drawings, flowcharts, block diagrams, specifications, customer and supplier lists, pricing and cost information and business and marketing plans and proposals); computer software (including data and related documentation); and all other proprietary rights, including rights of privacy and publicity, to use the names, likenesses and other personal characteristics of any individual.

"Intellectual Property Agreements" shall have the meaning set forth in Section 2.20.

"Interim Financial Statements" has the meaning set forth in Section 2.2(a) of this Agreement.

"IRS" means the United States Internal Revenue Service.

"Key Employee" means each of the Management Shareholders, Mark Casavant, Steen Frederiksen, Steen Michaelsen, Stephane Tessier, Jerry Calhoon and Kerry Geist.

"Legal Requirement" means any federal, state, local, municipal, foreign, international, multinational or constitution law, ordinance, principle of common law (including equitable principles), statute, code, regulation, rule or treaty.

"Management Shareholders" mean Fred S. Klipsch, T. Paul Jacobs, Michael F. Klipsch, Stephen P. Klipsch, Frederick L. Farrar, David Kelley and Oscar Bernardo.

"Market Jurisdiction" means the jurisdictions set forth on Exhibit 8.2, the United States of America and any other country where the Company, any of the Subsidiaries or any of the direct or indirect subsidiaries from time to time of any of the foregoing Persons sells speakers and sound products or otherwise engages in the Business.

"Marks" shall mean trademarks, service marks, trade names corporate names, trade dress, logos, and domain names, together with all translations, adaptations, derivations and combinations thereof and including all goodwill associated therewith, and all applications, registrations and renewals in connection therewith.

"Multi-Employer Retirement Plan" has the meaning set forth in Section 3(37)(A) of ERISA, as amended.

"Net Working Capital" means, without duplication, the Company's and the Subsidiaries' consolidated

current assets, less the Company's and the Subsidiaries' consolidated current liabilities, in each case as identified in the line items of Exhibit 8.3 (items not so identified are excluded from the calculation and definition of the term Net Working Capital), calculated in accordance with the Calculation Principles.

"New Plans" has the meaning set forth in Section 4.11 of this Agreement.

"NWC Holdback" has the meaning set forth in Section 1.2(a).

"Offering Materials" has the meaning set forth in Section 4.12(a).

"Option Notes" mean the promissory notes to be delivered to fund the exercise of outstanding options to purchase Shares.

"Order" means any award, decision, injunction, judgment, order, ruling, subpoena or verdict entered, issued, made or rendered by any Governmental Body.

"Ordinary Course of Business" means in accordance with the customary and usual day-to-day practices of the Company or a Subsidiary, as applicable, with respect to the activity in question, consistent with past practice.

"Organizational Documents" means the organizational documents of a non-natural Person, including, as applicable, the charter, articles or certificate of incorporation, bylaws, articles of organization, operating agreement or similar governing documents, as amended.

"Other Management Shareholders" has the meaning set forth in Section 4.4.2 of this Agreement.

"Out-bound Licenses" shall have the meaning set forth in Section 2.20.

"Owned Real Property" has the meaning set forth in Section 2.8(a) of this Agreement.

"Parent" has the meaning set forth in the first paragraph of this Agreement.

"Parent Knowledge Persons" means any of the following individuals: John J. Shalam, Patrick M. Lavelle, Charles M. Stoehr, Robert S. Levy and Loriann Shelton.

"Party" or "Parties" has the meaning set forth in the first paragraph of this Agreement.

"Permitted Encumbrances" means (a) Encumbrances for Taxes not yet due and payable; (b) utility easements of record; (c) Encumbrances arising by operation of Legal Requirements in the Ordinary Course of Business, such as mechanics' Encumbrances, materialmen's Encumbrances, carriers' Encumbrances, warehousemen's Encumbrances and similar Encumbrances; (d) pledges or deposits under workers' compensation (or similar) Legal Requirements, unemployment insurance or other types of insurance or compensation plans participation in which is mandatory in connection with the operation of the Business; (e) pledges or deposits that secure the performance of tenders, statutory obligations, bonds, bids, leases, Contracts and similar obligations; (f) with respect to any lease, Encumbrances arising pursuant to the terms of the applicable lease or arising under zoning, land use or other applicable Legal Requirements; (g) Encumbrances of record; (h) minor imperfections of title and other Encumbrances that do not materially detract from the value of the property subject thereto or materially impair the operations of the Company or a Subsidiary; (i) Encumbrances for water, sewer and similar charges; (j) Encumbrances disclosed in the title

reports and surveys obtained by Sellers and provided to Parent or Buyer; and (k) Encumbrances to be discharged at Closing, none of which Encumbrances, in the case of the Encumbrances listed in any of (a)-(j) above, individually or in the aggregate, would reasonably be expected to have a Company Material Adverse Effect.

"Person" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, Governmental Body or other entity.

"Personal Property Lease" has the meaning set forth in Section 2.9(a) of this Agreement.

"Proceeding" means any action, arbitration, audit, hearing, litigation or lawsuit (whether civil, criminal or administrative) commenced, brought, conducted or heard by or before any Governmental Body.

"Purchase Price" means the Cash Payment Amount plus the Escrow Amount, as adjusted pursuant to Article 1 or Article 7.

"Real Property" has the meaning set forth in Section 2.8(b) of this Agreement.

"Real Property Lease" has the meaning set forth in Section 2.8(b) of this Agreement.

"Registered Intellectual Property" shall mean United States and non-United States: (i) registered Marks and applications to register Marks, including intent-to-use applications; (ii) copyright registrations and applications to register copyrights; (iii) mask work registrations and applications to register mask works; and (iv) issued patents and applications for patents.

"Representative" means, with respect to a particular Person, any director, officer, manager, managing member, employee, agent, consultant, advisor or other representative of such Person, including legal counsel, accountants and financial advisors.

"Restricted Event" means, with respect to the Company or any Subsidiary, (a) except in the Ordinary Course of Business and as disclosed in the pertinent schedules to the Disclosure Schedule or in the financial statements which are the subject of Section 2.2, paying a bonus to any director, manager, officer, employee or agent, or increasing the salary or other compensation of any director, manager, officer, employee or agent, or entering into any employment, severance or other Contract with any director, manager, officer, employee or agent; (b) adopting or increasing payments to or benefits under any Employee Benefit Plan, except for increases required under the terms of any such Employee Benefit Plan; (c) selling (excluding sales of inventory and miscellaneous assets in the Ordinary Course of Business), leasing, licensing or otherwise disposing of any real or personal property or asset material to the operation of the Business; (d) incurring or suffering any material Encumbrance other than a Permitted Encumbrance on any property or asset material to the operation of the Business, which Encumbrance would survive Closing; (e) changing any accounting method or principle used; (f) amending any Organizational Document; (g) incurring or suffering material damage to or destruction or material loss of any property or assets material to the operation of the Business not covered by Insurance; (h) issuing, redeeming, purchasing or otherwise acquiring any Shares, capital stock or equity or debt interests, capital stock or equity or debt interests; or (i) entering into a Contract or making a binding commitment to do any of the foregoing.

"Review Period" has the meaning set forth in Section 1.3(b).

"Seller" or "Sellers" has the meaning set forth in the first paragraph of this Agreement.

"Sellers' Knowledge" means the actual awareness of any Seller after reasonable inquiry.

"Sellers' Representative" has the meaning set forth in Section 4.6(a) of this Agreement.

"Shareholder Agreements" means the Major Holder Agreement, the Shareholder Agreement, the Investors' Rights Agreement, the Management Rights Agreement, the IPO Allocation Agreement, the Common Buy-Sell Agreement, the Klipsch Family Buy-Sell Agreement, the Voting Agreement and Irrevocable Proxy, the Contribution Agreement, the Dividend and Tax Distribution Agreement and the Series A Preferred Stock Purchase Agreement each dated February, 2005, as amended.

"Shares" has the meaning set forth in Section 1.1 of this Agreement.

"Software Licenses" shall have the meaning set forth in Section 2.20.

"Subsidiaries" means Klipsch Group Europe, B.V., Audio Products International Corp., Klipsch Asia/Pacific Holdings, Klipsch Group Europe - Denmark ApS, Klipsch Group Europe - France S.A.R.L., Jamo China, Ltd., Dongguan KGI Technical Consulting Ltd. and Klipsch Audio Trading (Shanghai) Co., Ltd.

"Target Amount" means $29,692,607.55 (see Exhibit 8.3).

"Tax" or "Taxes" means any tax (including any income tax, gross receipts tax, capital gains tax, value-added tax, sales tax, use tax, property tax, business tax, payroll tax, gift tax, estate tax, franchise tax, net worth tax, excise tax and business occupancy tax), levy, assessment, tariff, duty (including any customs duty), deficiency or other fee or any related charge or amount (including any fine, penalty, interest or addition thereto), imposed, assessed or collected by or under the authority of any Governmental Body or payable pursuant to any tax-sharing Contract or any other Contract relating to the sharing of payment of any tax, levy, assessment, tariff, duty, deficiency or fee.

"Tax Benefit" means the value of any refund, credit or reduction in otherwise required Tax payments, including any interest payable thereon, which value will be computed as of the later of the Closing Date or the first date on which the right to the refund, credit or other Tax reduction arises or otherwise becomes available to be utilized (regardless of the time of actual utilization of the benefit), using the Tax rate applicable to the highest level of income with respect to such Tax under applicable Legal Requirements on such date.

"Tax Return" means any return (including any information return), report, statement, schedule, notice, form or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation or enforcement of or compliance with any Legal Requirement relating to any Tax.

"Threatened" means, as to any Proceeding or other matter, that an oral or written demand or statement has been made or an oral or written notice has been given.

"Transaction Documents" means this Agreement and all other Contracts and documents to be executed and delivered by any Party in connection with the consummation of the transactions contemplated by this Agreement.

"WARN Act" means the Worker Adjustment and Retraining Notification (WARN) Act Pub. L. 100 379.102 stat. 890 (1988), as amended, codified at 29 U.S.C. 2101 et seq.

ARTICLE 9

General

Section 9.1 Survival of Representations, Warranties, Covenants and Agreements. The representations and warranties made by any Party in this Agreement or any other Transaction Document will survive Closing and expire on the date which is 18 months subsequent to the Closing Date; provided, however, that notwithstanding anything contained herein to the contrary, the representations and warranties contained in Sections 2.1(b), 2.1(c), 2.1(d), 2.4, 2.7 (solely with respect to Tax Matters) and 2.11(a) shall survive the Closing and expire on the date which is 24 months subsequent to the Closing Date. The covenants and agreements (other than the representations and warranties) contained in this Agreement shall survive this Closing and shall continue until all obligations with respect thereto shall have been performed or satisfied, or shall have been terminated in accordance with their terms. A claim for indemnification with respect to a breach of a representation or warranty shall toll the expiration of the representation or warranty with respect to, but only with respect to, such claim.

Section 9.2 Binding Effect; Benefits; Assignment. All of the terms of this Agreement and the other Transaction Documents executed by a Party will be binding upon, inure to the benefit of and be enforceable by and against such Party and his or its heirs, legal representatives, successors and authorized assigns. Except as otherwise expressly provided in this Agreement or another Transaction Document, nothing in this Agreement or such other Transaction Document, express or implied, is intended to confer upon any other Person any rights or remedies under or by reason of this Agreement or such other Transaction Document, this Agreement and the other Transaction Documents being for the exclusive benefit of the Parties and their respective heirs, legal representatives, successors and assigns. No Party will assign any of his or its rights or obligations under this Agreement or any other Transaction Document to any other Person without the prior written consent of the other Parties to this Agreement or other Transaction Documents, as applicable, and any such attempted or purported assignment will be null and void; provided, however, that Buyer may, without consent, assign all or part of its rights under this Agreement or any of its other Transaction Document to one or more of its Affiliates, and Buyer may, without consent, collaterally assign all or part of its rights under this Agreement or any of the other Transaction Documents as may be required from time to time pursuant to any of the agreements which are the subject of either Section 3.4 or Section 4.12, which assignments will not relieve Parent or Buyer of any of its obligations under this Agreement or such other Transaction Document.

Section 9.3 Entire Agreement. This Agreement, the exhibits and schedules to this Agreement (including the Disclosure Schedule) and the other Transaction Documents set forth the entire agreement and understanding of the Parties in respect of the transactions contemplated by this Agreement or other Transaction Documents, as applicable, and supersede all prior Contracts, letters of intent, arrangements and understandings relating to the subject matter hereof and thereof. No representation, promise, inducement or statement of intention has been made by any Party in connection with the transactions contemplated by this Agreement or other Transaction Document that is not embodied in this Agreement or such other Transaction Document, as applicable, and no Party will be bound by or liable for any alleged representation, promise, inducement or statement of intention not so embodied. Without limiting the generality of the foregoing, Sellers specifically make no representation or warranty with respect to any projections, estimates or budgets delivered or made available to Parent or Buyer or their respective Representatives at any time with respect to future revenues, expenses or expenditures or future results of operations.

Section 9.4 Amendment and Waiver. This Agreement may be amended, modified, superseded or canceled, and any of its provisions may be waived, only by a written instrument executed by the Parties or, in the case of a waiver, by the Party waiving compliance. The failure of any Party at any time to require performance of any provision of this Agreement will in no manner affect the right of that Party at a later time to enforce such provision. No waiver by any Party of any provision of this Agreement or the breach of any provision of this Agreement, in any one or more instances, will be deemed to be or construed as a further or continuing waiver of such provision or breach, or any other provision of this Agreement.

Section 9.5 Governing Law. This Agreement and any dispute about which this Agreement is a subject will be governed by and construed in accordance with the applicable Legal Requirements of the State of Delaware as applicable to Contracts made and to be performed in the State of Delaware, without regard to conflicts of laws principles.

Section 9.6 Notices. All notices, requests, demands and other communications required or permitted to be given pursuant to this Agreement must be in writing and will be deemed to have been duly given on the day of delivery if delivered by hand, on the first business day following delivery if sent by facsimile with confirmation, on the first business day following deposit with a nationally recognized overnight delivery service, or on the fifth business day following first class mailing, with first class, postage prepaid:

(a) If to Parent or Buyer:

Audiovox Corporation
150 Marcus Blvd.
Hauppauge, NY 11788
Attn: Chief Financial Officer

with a copy to (which will not constitute notice):

Levy Stopol & Carmelo, LLP
Attn: Robert S. Levy
1425 Reckson Plaza
Uniondale NY 11556-1425
Telephone: (516) 802-7007
Facsimile: (516) 802-7008

Duane Morris LLP
Attn: Laurence S. Hughes
1540 Broadway
New York, NY 10036
Telephone: (212) 692-1004
Facsimile: (212) 202-6315

(b) If to Sellers or the Company:

As set forth under the signatures of the Sellers' Representative and VantagePoint Venture Associates III, L.L.C.

with a copy to (which will not constitute notice):

Barnes & Thornburg LLP
Attn: Tracy T. Larsen
171 Monroe Avenue N.W.
Suite 1000
Grand Rapids, MI 49503
Telephone: (616) 742-3931
Facsimile: (616) 742-3999

(c) If to Sellers' Representative:

Fred S. Klipsch
3510 Sedgemoor Circle
Carmel, Indiana 46032
Telephone: (317) 860-8211
Facsimile: (317) 860-9128

with a copy to (which will not constitute notice):

Barnes & Thornburg LLP
Attn: Tracy T. Larsen
171 Monroe Avenue N.W.
Suite 1000
Grand Rapids, MI 49503
Telephone: (616) 742-3931
Facsimile: (616) 742-3999

A Party may change his or its address, telephone number or facsimile number by prior written notice to the other Parties provided as set forth in this Section 9.6.

Section 9.7 Counterparts. This Agreement may be executed by original signature or by facsimile, digital or other electronic signature and in one or more counterparts, each of which will be deemed an original and together will constitute one and the same instrument.

Section 9.8 Expenses. Except as otherwise expressly provided in this Agreement, Sellers, on one hand, and Parent and Buyer, on the other hand, will each pay all of his or its own expenses, costs and fees (including legal and other professional fees and costs) incurred by each of them (and, in the case of Sellers, the expenses incurred by Sellers' Representative) in connection with the negotiation, preparation, execution

and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby (whether the transactions contemplated by this Agreement are consummated or not). Except to the extent paid by the Sellers, Company or a Subsidiary prior to Closing or accrued in determining Net Working Capital, any expenses of Sellers or the Company relating to the transactions contemplated by this Agreement (including financial advisory, legal and accounting fees), will be paid by Sellers at or as soon as practical following Closing. Parent will pay all filing fees with respect to filings under the HSR Act.

Section 9.9 Headings; Construction; Time of Essence. The headings of the articles, sections and paragraphs in this Agreement have been inserted for convenience of reference only and will not restrict or otherwise modify any of the provisions of this Agreement. Unless otherwise expressly provided, the words "including," "include" or "includes," or other similar words, whenever used in this Agreement will be deemed to be immediately followed by the words "without limitation." With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence. References in this Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. Neither this Agreement nor any other Transaction Document (nor any uncertainty or ambiguity herein or therein) will be construed against any Party under any rule of construction or otherwise. No Party will be considered the draftsman of this Agreement or any other Transaction Document. This Agreement and each other Transaction Document has been reviewed, negotiated and accepted by all Parties and their attorneys and will be construed and interpreted according to the ordinary meaning of the words so as fairly to accomplish the purposes and intentions of the Parties. The provisions of this Agreement have been negotiated by and chosen by all of the Parties to express their mutual intent, and no rule of strict construction will be applied against any Party. All references to dollars in this Agreement or any other Transaction Document are to U.S. Dollars.

Section 9.10 Partial Invalidity. Whenever possible, each provision of this Agreement and each other Transaction Document will be interpreted in such manner as to be effective and valid under applicable Legal Requirements, but in case any one or more of the provisions contained in this Agreement or other Transaction Document is, for any reason, held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision of this Agreement or other Transaction Document, as applicable, and this Agreement or other Transaction Document will be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein or therein unless the deletion of such provision or provisions would result in such a material change as to cause completion of the transactions contemplated hereby or thereby to be unreasonable. If the deemed deletion of the invalid, illegal or unenforceable provision or provisions is reasonably likely to have a material adverse effect on a Party, all Parties will endeavor in good faith to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as practicable to that of the invalid, illegal or unenforceable provisions.

Section 9.11 Certain Disclosure Matters. The Disclosure Schedule contains a series of schedules which, in part, set forth information specifically referred to in Article 2 and, in part, provide exceptions or qualifications to the representations and warranties contained in Article 2 (the latter schedules are not specifically referred to in Article 2). Neither the specification of any dollar amount in Article 2 nor the disclosure of a document or information in a Schedule comprising part of the Disclosure Schedule is intended, or will be construed or offered in any dispute between the Parties as evidence of, the materiality of such dollar amount, document or information, nor does it establish any standard of materiality upon which to judge the inclusion or omission of any similar documents or information in that Schedule or any other Schedule comprising the Disclosure Schedule. The information contained in this Agreement and the Disclosure Schedule is disclosed solely for the purposes of this Agreement, and no information contained

herein or therein will be deemed to be an admission of any matter whatsoever, including of any violation of Legal Requirement or breach of any Contract.

Section 9.12 Specific Performance. The Parties agree that irreparable damage would occur if any provision of this Agreement were not performed by a Party in accordance with the terms hereof and that in addition to any other remedy to which a Party is entitled at law or in equity, the non-breaching Party will be entitled to injunctive relief to prevent breaches of this Agreement and will be entitled to specifically enforce the performance of the provisions hereof.

Section 9.13 Dispute Resolution.

(a) Exclusivity. Any controversy, claim or dispute arising out of or relating to this Agreement or any Transaction Document or the breach or alleged breach thereof which does not involve claims by or against third parties (a "Dispute") shall be resolved exclusively as provided in this Section 9.13. However, nothing in this Section shall preclude either Party from seeking interim or provisional relief concerning the Dispute, including a temporary restraining order, a preliminary injunction or an order of attachment, at any time prior to or during Mediation or Arbitration. Any such interim or provisional relief must be brought in the courts located in New Castle County, Delaware. Each Party irrevocably submits to the exclusive jurisdiction of each such court in any such proceeding and waives any objection it may now or hereafter have to venue or to convenience of forum.

(b) Mediation. If a Dispute arises, the Parties shall first attempt in good faith to resolve it promptly by non-binding mediation in accordance with this paragraph (b) ("Mediation"). A Party may initiate Mediation by providing written notice (a "Dispute Notice") to the other Party setting forth in reasonable detail the nature of the Dispute and the relief sought. The other Party will respond in writing (a "Response") within five (5) business days from the receipt of such Dispute Notice. The Parties shall mutually agree, as soon as practicable after the Response, to an independent third-party mediator, with appropriate experience and expertise, to assist in the Mediation. All matters relating to, and all communications, whether oral, written or electronic, in, any Mediation shall be non-binding and shall be confidential, and such communications in Mediation shall also be treated as compromise and settlement negotiations for purposes of applicable rules of evidence. The costs of Mediation, including fees and expenses of mediators, shall be shared in equal measure by the Parties. The Parties shall bear their own legal fees, costs and expenses of Mediation.

(c) No Obligation. Neither Party shall be obligated to continue to participate in Mediation if the Parties have not resolved the Dispute within thirty (30) calendar days after delivery of the Dispute Notice to the other Party or such longer period as may be agreed by the Parties.

(d) Arbitration. Arbitration of Disputes shall be administered by JAMS in accordance with its Commercial Arbitration Rules then in effect by three independent and impartial arbitrators ("Arbitration"). Upon and following the composition of the arbitration panel, the arbitrators shall be neutral and shall have no ex parte contact with the Parties. The Arbitration shall be governed by the arbitral law of the State of Delaware and discovery shall be permitted and governed in accordance with the Federal Rules of Civil Procedure. This Agreement and its interpretation and validity shall be governed by the substantive law of the State of Delaware as set forth in Section 9.5 above. Judgment on the award rendered by the arbitrators may be entered, confirmed and enforced in any court having jurisdiction thereof. The language of the Arbitration shall be English. The place of the Arbitration shall be Wilmington, Delaware, and the award shall be deemed a United States award for purposes of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958 (the "New York Convention"). For purposes of the New York

Convention, the relationship between the Parties is commercial in nature, and any disputes between the parties related to this contract shall be deemed commercial. All matters relating to, and all communications, whether oral, written or electronic, in, any Arbitration shall be confidential. The Parties shall bear their own legal fees, costs and expenses of Arbitration; provided, however, the arbitral panel in any Arbitration may award legal fees.

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The Parties have executed this Stock Purchase Agreement as of the date stated in the first paragraph of this Stock Purchase Agreement.

SOUNDTECH LLC

By: AUDIOVOX CORPORATION
Its: Sole Member

By: s/Patrick M. Lavelle
Patrick M. Lavelle
Its: President

"Buyer"

AUDIOVOX CORPORATION

By: s/Patrick M. Lavelle
Patrick M. Lavelle
Its: President

"Parent"

KLIPSCH GROUP, INC.

By: s/Fred S. Klipsch
Its: Chairman and CEO

"Company"

VANTAGEPOINT VENTURE PARTNERS III, L.P.

By: VantagePoint Venture Associates III, L.L.C., Its: General Partner

By: s/Alan E. Salzman
Its: Managing Member

Address:
Attn: General Counsel
1001 Bayhill Road, Suite 300
San Bruno, California 94066
Facsimile: (650) 869-6078

VANTAGEPOINT VENTURE PARTNERS III (Q), L.P.

By: VantagePoint Venture Associates III, L.L.C.,

Its: General Partner

By: s/Alan E. Salzman
Its: Managing Member

VANTAGEPOINT VENTURE PARTNERS IV, L.P.

By: VantagePoint Venture Associates IV, L.L.C.,

Its: General Partner

By: s/Alan E. Salzman
Its: Managing Member

VANTAGEPOINT VENTURE PARTNERS IV (Q), L.P.
By: VantagePoint Venture Associates IV, L.L.C.,
Its: General Partner

By: s/Alan E. Salzman
Its: Managing Member

VANTAGEPOINT VENTURE PARTNERS IV PRINCIPALS FUND, L.P.
By: VantagePoint Venture Associates IV, L.L.C.,
Its: General Partner

By: s/Alan E. Salzman
Its: Managing Member

s/Fred S. Klipsch
Fred S. Klipsch

Judy Klipsch Wealth Trust

By: s/Frederick L. Farrar
Frederick L. Farrar, Trustee

Fred and Judy Klipsch Family Wealth Trust
for Michael F. Klipsch

By: s/Frederick L. Farrar
Frederick L. Farrar, Trustee

Fred and Judy Klipsch Family Wealth Trust
for Stephen P. Klipsch

By: s/Frederick L. Farrar

Frederick L. Farrar, Trustee

Fred and Judy Klipsch Family Wealth Trust
for Thomas B. Meyer and Wendy J. Meyer

By: s/Frederick L. Farrar
Frederick L. Farrar, Trustee

s/Michael F. Klipsch
Michael F. Klipsch

s/Stephen P. Klipsch
Stephen P. Klipsch

s/T. Paul Jacobs
T. Paul Jacobs

s/Frederick L. Farrar
Frederick L. Farrar

s/Charles F. Lieske
Charles F. Lieske

s/Kyle E. Lanham
Kyle E. Lanham

s/Lisa M. Lanham
Lisa M. Lanham

Charles E. Lanham Family Wealth Trust u/a 9/25/07 for Kyle E. Lanham

By: s/Frederick L. Farrar
Frederick L. Farrar, Trustee

Charles E. Lanham Family Wealth Trust u/a 9/25/07 for Lisa Lanham

By: s/Frederick L. Farrar
Frederick L. Farrar, Trustee

Charles Lanham 2007 Annuity Trust u/a 10/31/07

By: s/Frederick L. Farrar
Frederick L. Farrar, Trustee

s/David Kelley
David Kelley

s/Nancy Mills
Nancy Mills

s/Lance E. Jones
Lance E. Jones

s/Oscar Bernardo
Oscar Bernardo Effective upon execution of outstanding options.

s/Thomas Jacoby
Thomas Jacoby

s/John Carter
John Carter

"Sellers"

SELLERS' REPRESENTATIVE

s/Fred S. Klipsch
Fred S. Klipsch

"Sellers' Representative"

Address:
3510 Sedgemoor Circle
Carmel, Indiana 46032
Telephone: (317) 860-8211
Facsimile: (317) 860-9128

* Effective upon execution of outstanding options.

EXHIBIT 1.2(a)

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (the "Escrow Agreement") is made as of _____ ___, 2011, by and among by and among Soundtech LLC, a Delaware limited liability company ("Buyer"), Audiovox Corporation, a Delaware corporation ("Parent"), Fred S. Klipsch, as Sellers' Representative (Mr. Klipsch or any successor representative designated pursuant to the Purchase Agreement (as defined below), "Sellers' Representative"), and JPMorgan Chase & Co., a national banking association, as escrow agent hereunder ("Escrow Agent").

WHEREAS:

A. Buyer, Parent, each shareholder (each a "Seller" and collectively "Sellers") of Klipsch Group, Inc., an Indiana corporation (the "Company") and the Company are parties to that certain Stock Purchase Agreement dated as of February 3, 2011 (the "Purchase Agreement").

B. Pursuant to the Purchase Agreement, Buyer has agreed to purchase, and Sellers have agreed to sell, the Shares (as defined in the Purchase Agreement) for the Purchase Price (as defined in the Purchase Agreement).

C. Pursuant to the Purchase Agreement, on the Closing Date (as defined in the Purchase Agreement), Buyer will deposit the Escrow Funds and NWC Holdback with the Escrow Agent.

D. Pursuant to Section 4.6 of the Purchase Agreement, Fred S. Klipsch has been designated as the initial Sellers' Representative, in part to take actions with respect to the Escrow Account (as defined below).

E. In order to administer the Escrow Account, the parties hereto have entered into this Escrow Agreement.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties hereto, for themselves, their successors and assigns, hereby agree to the foregoing and as follows:

1. Definitions.

(a) All capitalized terms used herein shall have the same meaning as provided for in the Purchase Agreement, a copy of which is attached hereto as Exhibit A, unless the capitalized term is expressly defined herein.

(b) "Escrow Account" has the meaning set forth in Section 3(a) of this Escrow Agreement.

(c) "Escrow Earnings" has the meaning set forth in Section 5 of this Escrow Agreement.

(d) "Escrow Funds" means $13,000,000 deposited with the Escrow Agent with respect to indemnification claims under the Purchase Agreement.

(e) "NWC Holdback" means $2,500,000 deposited with the Escrow Agent with respect to the Cash Payment Amount adjustment set forth in Section 1.3 of the Purchase Agreement.

(f) "Sellers' Representative" has the meaning set forth in the first paragraph of this Escrow Agreement.

(g) "Written Direction" shall mean a written notification, signed by Buyer or by Sellers' Representative, substantially in the form attached hereto as Exhibit B.

2. Appointment of and Acceptance by Escrow Agent. Buyer and Sellers' Representative hereby appoint JPMorgan Chase & Co. to serve as Escrow Agent hereunder. Escrow Agent hereby accepts such appointment and agrees to hold and disburse all NWC Holdback/Escrow Funds and Escrow Earnings in accordance with this Escrow Agreement.

3. Escrow Account.

(a) Escrow Agent shall establish an escrow account (the "Escrow Account") to receive the NWC Holdback/Escrow Funds.

(b) At the Closing Date, Buyer shall deposit by wire transfer the Escrow Funds and NWC Holdback into the Escrow Account, pursuant to the following wire instructions:

[•]
ABA No. **[___]**
Account No.: **[___]**
Name: **[___]**

4. Disbursement of Funds. Subject to Section 9, Escrow Agent shall distribute the NWC Holdback/Escrow Funds only as follows:

(a) Net Working Capital Adjustment. Within three Business Days following the determination of Final Closing Date Net Working Capital, Sellers' Representative will provide a Written Direction to Escrow Agent (with a copy simultaneously delivered to Buyer) identifying the amount, if any, of the NWC Holdback to be paid to Buyer to effectuate the Cash Payment Amount adjustment set forth in Section 1.3 of the Purchase Agreement. Any portion of the NWC Holdback not due to Buyer will be paid to Sellers and allocated among them as set forth on Exhibit C. All payments will be made by wire transfer to one or more accounts designated in the Written Direction. The Escrow Agent will promptly, and in any event within three Business Days of its receipt of the Written Direction, release and distribute to Buyer or Sellers, or apportion among them, as applicable, all amounts payable under this Section 4(a).

(b) Indemnification Claims. From and after the date of this Escrow Agreement, Buyer may deliver to Sellers' Representative and Escrow Agent a Written Direction for claims subject to indemnification by one or more Sellers pursuant to the Purchase Agreement. If Buyer submits a Written Direction, Escrow Agent will, not sooner than, but promptly after, the date which is 30 calendar days of receipt, distribute such portion of the Escrow Funds set forth in the Written Direction in immediately available funds by wire transfer to one or more accounts designated by Buyer in writing, unless Escrow Agent receives written

notice from Sellers' Representative of its objection to such distribution during such 30 calendar day period following Escrow Agents' receipt of Buyer's Written Direction (in which case Escrow Agent shall conduct itself in accordance with Section 7 of this Escrow Agreement). Buyer shall deliver to Sellers' Representative a copy of each Written Direction, it submits hereunder on the same date that such Written Direction is provided to Escrow Agent, and Sellers' Representative shall deliver to Buyer and all Sellers a copy of any objection to a distribution specified in a Written Direction on the same date that such objection is provided to Escrow Agent. For the purposes of calculating the foregoing period, the date of receipt shall be counted.

5. Holding of Funds. Escrow Agent shall hold the NWC Holdback/Escrow Funds in the Escrow Account in accordance with the provisions hereof. Escrow Agent shall not be responsible for any loss resulting from investments of the NWC Holdback/Escrow Funds made pursuant to this Agreement. Buyer and Sellers' Representative may from time to time instruct the Escrow Agent in writing, to invest the NWC Holdback/Escrow Funds and investment income earned thereon in any one or more of the following investments: (a) demand or time deposits in banks having at least $100 million in assets, (b) in short-term bank certificates of deposit in banks having at least $100 million in assets, (c) United States Treasury bills, or (d) money market funds the assets of which are any of those obligations described in (a), (b) or (c) of this Section 5. If the Escrow Agent has not received written instructions from Buyer and Sellers' Representative at any time an investment decision must be made, the Escrow Agent shall invest the NWC Holdback/Escrow Funds and any investment income earned thereon in accordance with the instructions set forth on Exhibit D. Buyer and Sellers' Representative acknowledge that they have read and understand Exhibit D. Escrow Agent is authorized to liquidate in accordance with its customary procedures any portion of the NWC Holdback/Escrow Fund consisting of investments to provide for payments required to be made under this Agreement. The Escrow Agent is hereby authorized, in making or disposing of any investment permitted by this Escrow Agreement, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or any such affiliate is acting as agent of the Escrow Agent or for any third person or dealing as principal for its own account. Buyer and Sellers' Representative acknowledge that the Escrow Agent is not providing investment supervision, recommendations, or advice. All earnings received from the investment of the NWC Holdback/Escrow Fund and investment income ("Escrow Earnings") shall be paid to Sellers in accordance with the Written Direction provided to Escrow Agent by Sellers' Representative and shall not be (i) deemed at any time to be part of the NWC Holdback/Escrow Fund for purposes of this Agreement or (ii) delivered to Buyer at any time. The portion of the Escrow Earnings earned from the NWC Holdback shall be paid to Sellers at the time the NWC Holdback is distributed. All Escrow Earnings earned from the Escrow Fund shall be paid to Sellers (i) on the annual anniversary of the Closing Date, except that at the 18 month anniversary of the Closing Date, the Escrow Earnings shall be paid to Sellers together with the Escrow Fund payment, and (ii) on the date all Escrow Funds are distributed from the Escrow Account. The Sellers shall be responsible for all foreign, federal, state and local income taxes payable on the Escrow Earnings. For tax reporting purposes, the Escrow Earnings shall, as of the end of each calendar and to the extent required by the Internal Revenue Service, be reported as having been earned by the recipient of the Escrow Earnings. Each of the Sellers shall, prior to or simultaneously with the execution hereof, provide an executed W-9 form to Escrow Agent. Escrow Agent shall have no liability for the payment of taxes or for any reporting requirement that may relate thereto.

6. Resignation and Removal of Escrow Agent. Escrow Agent may resign from the performance of its duties hereunder at any time by giving thirty (30) calendar days prior written notice to Buyer and Sellers' Representative or may be removed, with or without cause, by either Buyer or Sellers' Representative by furnishing thirty (30) calendar days prior written notice to Escrow Agent. Such resignation or removal shall take effect upon the earlier of (i) the appointment of a successor Escrow Agent as provided below, or (ii) thirty (30) calendar days after the written notice delivered by Escrow Agent referenced above is received by Buyer and Sellers' Representative. Upon any such notice of resignation or removal, Buyer and Sellers'

Representative shall appoint a successor Escrow Agent hereunder. Upon the acceptance in writing of any appointment as Escrow Agent hereunder by a successor Escrow Agent, such successor Escrow Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Escrow Agent, and the retiring Escrow Agent shall be discharged from its duties and obligations under this Escrow Agreement. The retiring Escrow Agent shall transmit all records pertaining to the Escrow Account and shall pay all NWC Holdback/Escrow Funds and Escrow Earnings to the successor Escrow Agent, after making copies of such records as the retiring Escrow Agent deems advisable. If Buyer and Sellers' Representative fail to designate a successor Escrow Agent within ten (10) Business Days of receiving Escrow Agent's written notice of resignation, Escrow Agent may, at its sole discretion and option, institute an interpleader action in accordance with the terms of this Escrow Agreement.

7. Conflicting Demands or Claims. In the event Escrow Agent receives or becomes aware of conflicting demands or claims with respect to some or all of the NWC Holdback/Escrow Funds or the rights of any of the parties hereto, Escrow Agent may not distribute the portion of the NWC Holdback/Escrow Funds in dispute until such conflict is resolved. Such resolution of a conflict is determined in accordance with and upon receipt of (i) joint written instructions of Buyer and Sellers' Representative or (ii) a final, non-appealable order of a court of competent jurisdiction. Any court order shall be accompanied by a legal opinion by counsel for the presenting party satisfactory to Escrow Agent to the effect that the order is final and non-appealable. Escrow Agent shall act on such order and legal opinion without further question. Escrow Agent shall have the further right to commence or defend an action or proceeding for the resolution of such conflict. In the event Escrow Agent files a suit in interpleader, it shall thereupon be fully released and discharged from all further obligations to perform any and all duties or obligations imposed upon it by this Escrow Agreement.

8. Interpleader. In the event Escrow Agent receives conflicting instructions regarding the NWC Holdback/Escrow Funds or its obligation hereunder, or the failure of Buyer and Sellers' Representative to appoint a successor Escrow Agent upon the resignation of Escrow Agent, Escrow Agent may commence an interpleader action in any state or federal court located in New Castle County, Delaware. Buyer and Sellers' Representative agree to the jurisdiction of any such court and agree that such venue is a convenient forum for hearing any disputes arising out of this Escrow Agreement, and waive any claim that such courts are not a convenient forum.

9. Termination of Escrow; Payment of Funds. This Escrow Agreement shall terminate upon the distribution of all of the NWC Holdback/Escrow Funds and Escrow Earnings. Upon determination of the Final Closing Date Net Working Capital, the NWC Holdback will be allocated among and paid to Buyer or Sellers, or apportioned among them, as applicable (i.e., as directed by the Written Direction). At the 18 month anniversary of the Closing Date, $6,500,000 of the Escrow Funds will be allocated among and paid to Sellers as set forth on Exhibit C less amounts for which Buyer has submitted a Written Direction. At the 24 month anniversary of the Closing Date, all remaining Escrow Funds and Escrow Earnings will be allocated among and paid to Sellers as set forth on Exhibit C less amounts for which Buyer has submitted a Written Direction.

10. Liability of Escrow Agent. Escrow Agent shall have no duties or responsibilities except those set forth herein, which the parties hereto agree are ministerial in nature, and no implied duties or obligations shall be inferred or otherwise imposed upon or against Escrow Agent. Escrow Agent shall be protected in acting upon any written notice, request, waiver, consent, certificate, receipt, authorization, power of attorney or other paper or document which Escrow Agent in good faith believes to be genuine and what it purports to be, including, but not limited to, items requesting or authorizing release, disbursement or retainage of the subject matter of this Escrow Agreement and items amending the terms of the Escrow Agreement. Concurrent with the execution of this Escrow Agreement, Buyer shall deliver to the Escrow Agent an authorized signers

form in the form of Exhibit E hereto. It is expressly understood that Escrow Agent is obligated only to receive and hold the NWC Holdback/Escrow Funds as set forth in this Escrow Agreement, and to disburse the same in accordance with Written Direction given under the provisions of this Escrow Agreement. Escrow Agent shall not be liable hereunder or responsible, directly or indirectly, to anyone for any damages, losses or expenses unless the same shall be determined by adjudication to have been caused by the gross negligence or willful misconduct of Escrow Agent, including, but not limited to, any loss of the NWC Holdback/Escrow Funds accruing as a result of loss of value of any investment of the NWC Holdback/Escrow Funds in any securities or the failure of any bank (other than Escrow Agent) used by it as a depository for funds received by it under this Escrow Agreement. THE ESCROW AGENT SHALL NOT BE LIABLE, DIRECTLY OR INDIRECTLY, FOR ANY special, Indirect or consequential damages or LOSSES OF ANY KIND WHATSOEVER (INCLUDING WITHOUT LIMITATION LOST PROFITS), even if the escrow agent has been advised of the possibility of such LOSSES OR damages AND REGARDLESS OF THE FORM OF ACTION. In any event, Escrow Agent's liability shall not exceed the return or reimbursement of the Escrow Account as it is then constituted as set forth in the preceding sentence. The parties to this Escrow Agreement agree to and hereby do waive any suit, claim demand or cause of action of any kind which it or they may have or may assert against Escrow Agent arising out of or relating to the execution or performance by Escrow Agent under this Escrow Agreement, unless such suit, claim, demand or cause of action is based upon the breach of this Escrow Agreement or willful neglect or gross negligence of Escrow Agent. Buyer and Sellers' Representative, jointly and severally, agree to indemnify and hold harmless Escrow Agent against and from any and all claims, demands, costs, liabilities and expenses, including counsel fees and expenses, which may be asserted against it or to which it may be exposed or which it may incur by reason of its execution or performance under this Escrow Agreement, except those which have been finally adjudicated to have resulted from willful misconduct or gross negligence. This paragraph shall survive the termination of this Escrow Agreement for any reason and the resignation and removal of the Escrow Agent.

11. Fees of Escrow Agent. The Escrow Agent shall be entitled to compensation for its services as stated in the fee schedule attached hereto as Exhibit F, which compensation shall be paid out of the Escrow Funds. The fee agreed upon for the services rendered hereunder is intended as full compensation for the Escrow Agent's services as contemplated by this Escrow Agreement; provided, however, that in the event that the conditions for the disbursement of funds under this Escrow Agreement are not fulfilled, or the Escrow Agent renders any service not contemplated in this Escrow Agreement, or there is any assignment of interest in the subject matter of this Escrow Agreement, or any material modification hereof, or if any material controversy arises hereunder, or the Escrow Agent is made a party to any litigation pertaining to this Escrow Agreement or the subject matter hereof, then the Escrow Agent shall be compensated for such extraordinary services and reimbursed for all costs and expenses, including reasonable attorneys' fees and expenses, occasioned by any such delay, controversy, litigation or event. The Escrow Agent shall have, and is hereby granted, a prior lien upon the NWC Holdback/Escrow Funds and Escrow Earnings with respect to its unpaid fees, non-reimbursed expenses and unsatisfied indemnification rights, superior to the interests of any other persons or entities and is hereby granted the right to set off and deduct any unpaid fees, non-reimbursed expenses and unsatisfied indemnification rights first from the Escrow Earnings and then from the NWC Holdback/Escrow Funds.

12. Reports and Accounting. Escrow Agent will provide monthly reports, or more frequently upon reasonable request, to Buyer and Sellers' Representative reflecting disbursement activity in the Escrow Account for the period and year to date. Escrow Agent shall further issue a final report and accounting that summarizes the expenses and disbursements associated with the administration of the Escrow Account and such other reports as Buyer and Sellers' Representative may reasonably require from time to time. Information regarding the status of the Escrow Account shall be accessible to Buyer and Sellers' Representative. Escrow Agent will provide the name of the officer who will have principal responsibility for the management of the

Escrow Account and who will be Escrow Agent's principal contact.

13. Merger or Consolidation. Any corporation or association into which the Escrow Agent may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer all or substantially all of its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which the Escrow Agent is a party, shall be and become the successor escrow agent under this Escrow Agreement and shall have and succeed to the rights, powers, duties, immunities and privileges as its predecessor, without the execution or filing of any instrument or paper or the performance of any further act.

14. Attachment of Funds and Escrow Earnings; Compliance with Legal Orders . In the event that any of the NWC Holdback/Escrow Funds and/or Escrow Earnings shall be attached, garnished or levied upon by any court order, or the delivery thereof shall be stayed or enjoined by an order of a court, or any order, judgment or decree shall be made or entered by any court order affecting the NWC Holdback/Escrow Funds and/or Escrow Earnings, the Escrow Agent shall promptly notify Buyer and Sellers' Representative and is hereby expressly authorized, in its sole discretion, to respond as it in good faith deems appropriate or to comply with all writs, orders or decrees so entered or issued, or which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction. In the event that the Escrow Agent obeys or complies with any such writ, order or decree it shall not be liable to any of Buyer, Sellers or to any other person, firm or corporation, should, by reason of such compliance notwithstanding, such writ, order or decree be subsequently reversed, modified, annulled, set aside or vacated.

15. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been validly served, given or delivered five (5) business days after deposit in the United States mail, by certified mail with return receipt requested and postage prepaid, when delivered personally, one (1) business day after delivery to any overnight courier, or when transmitted by facsimile transmission facilities, and addressed to the party entitled to be notified as follows:

If to Sellers' Representative	Fred S. Klipsch 3510 Sedgemoor Circle Carmel, Indiana 46032 Telephone: (317) 860-8211 Facsimile: (317) 860-9128
With a copy (which shall not constitute notice) to:	Barnes & Thornburg LLP Attn: Tracy T. Larsen 171 Monroe Avenue N.W. Suite 1000 Grand Rapids, MI 49503 Telephone: (616) 742-3931 Facsimile: (616) 742-3999
If to Buyer:	Audiovox Corporation 150 Marcus Blvd. Hauppauge, NY 11788 Attn: Chief Financial Officer
With a copy (which shall not constitute notice) to:	Levy Stopol & Carmelo, LLP Attn: Robert S. Levy 1425 Reckson Plaza Uniondale NY 11556-1425 Telephone: (516) 802-7007 Facsimile: (516) 802-7008 Duane Morris LLP Attn: Laurence S. Hughes 1540 Broadway New York, NY 10036 Telephone: (212) 692-1004 Facsimile: (212) 202-6315
If to Escrow Agent:	[•]
If to Sellers:	At the addresses set forth in the Purchase Agreement

or to such other address as each party may designate for itself by like notice.

16. Amendment or Waiver. This Escrow Agreement may be changed, waived, discharged or terminated only by a writing signed by all of the parties to this Escrow Agreement. No delay or omission by any party in exercising any right with respect hereto shall operate as a waiver. A waiver on any one occasion shall not be construed as a bar to, or waiver of, any right or remedy on any future occasion. Escrow Agent agrees to negotiate an amendment of this Escrow Agreement with respect to the treatment, designation, and/or use of the Escrow Account, should such amendment be deemed warranted by Buyer and Sellers' Representative.

17. Governing Law; Venue. The Laws of the State of Delaware shall govern all questions concerning the construction, validity, interpretation and enforceability of this Escrow Agreement and the exhibits and schedules attached hereto, and the performance of the obligations imposed by this Escrow Agreement, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Delaware. Any controversy, claim or dispute arising out of or relating to this Escrow Agreement shall be resolved as provided in Section 9.13 of the Purchase Agreement.

18. Entire Agreement. This Escrow Agreement and the Purchase Agreement constitute the entire agreement between the parties relating to the holding, investment and disbursement of the NWC Holdback/Escrow Funds and set forth in their entirety the obligations and duties of Escrow Agent with respect to the NWC Holdback/Escrow Funds.

19. Binding Effect. All of the terms of this Escrow Agreement, as may be amended from time to time, shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, successors and assigns.

20. Dealings. Nothing herein shall preclude Escrow Agent from acting in any other capacity for any party, person or entity referenced herein.

21. Counterparts. This Escrow Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original, and such counterparts shall together constitute one and the same instrument.

(Signature page follows)

IN WITNESS WHEREOF, the parties have caused this Escrow Agreement to be executed as of the date first above written.

BUYER:
SOUNDTECH LLC

By: _____

Its: _____

PARENT:
AUDIOVOX CORPORATION

By: _____

Its: _____

SELLERS' REPRESENTATIVE:

_____
Fred S. Klipsch

ESCROW AGENT:

JPMORGAN CHASE & CO.

_____
Name: [•]
Its: [•]

Exhibit A

Purchase Agreement

(Attached)

Exhibit B

Written Direction Example

[___]
Account # **[___]**

Reference is made to that certain Escrow Agreement (the "Escrow Agreement") dated as of February ___, 2011, by and among Soundtech LLC, a Delaware limited liability company ("Buyer"), Audiovox Corporation, a Delaware corporation ("Parent"), Fred S. Klipsch, as Sellers' Representative and [•], a national banking association, as escrow agent hereunder ("Escrow Agent"). All capitalized terms not defined herein shall have the meanings ascribed to such terms in the Escrow Agreement. In accord with the Escrow Agreement and the Purchase Agreement, **[Buyer and/or Sellers' Representative]** direct(s) Escrow Agent to take the following action with respect to the **[NWC Holdback/Escrow Funds]**:

Escrow Agent shall _____.

DATED: _____, 201__.

[BUYER or SELLERS' REPRESENTATIVE]:

By: _____
Name:
Its:

Exhibit C

Allocation of the NWC Holdback/Escrow Funds and Escrow Earnings among Sellers

Seller	% Ownership
Vantagepoint Venture Partners III, L.P.	0.90%
Vantagepoint Venture Partners III (Q), L.P.	7.37%
Vantagepoint Venture Partners IV, L.P.	3.17%
Vantagepoint Venture Partners IV (Q), L.P.	31.65%
Vantagepoint Venture Partners IV Principals Fund, L.P.	0.12%
Fred S. Klipsch	13.17%
Judy L. Klipsch Wealth Trust	2.98%
Fred and Judy Klipsch Family Wealth Trust for Michael F. Klipsch	5.87%
Fred and Judy Klipsch Family Wealth Trust for Stephen P. Klipsch	5.87%
Fred and Judy Klipsch Family Wealth Trust for Thomas B. Meyer and Wendy J. Meyer	2.98%
Michael F. Klipsch	3.01%
Stephen P. Klipsch	3.01%
T. Paul Jacobs	2.16%
Frederick L. Farrar	2.28%
Charles F. Lieske	0.91%
Kyle E. Lanham	1.42%
Lisa M. Lanham	1.42%
Charles E. Lanham Family Wealth Trust u/a 9/25/07 for Kyle E. Lanham	1.57%
Charles E. Lanham Family Wealth Trust u/a 9/25/07 for Lisa Lanham	1.57%
Charles Lanham 2007 Annuity Trust u/a 10/31/07	1.81%
David Kelley	1.44%
Nancy Mills	0.27%
Lance E. Jones	0.14%
Oscar Bernardo	0.12%
Thomas Jacoby	3.32%
John Carter	1.48%
TOTAL	100.00%

Exhibit D

Agency and Custody Account Direction
For NWC Holdback/Escrow Funds
JPMorgan Chase Money Market Deposit Account

Direction to use the following JPMorgan Chase Money Market Deposit Account for NWC Holdback/Escrow Funds for the Escrow Account established under the Escrow Agreement to which this Exhibit D is attached.

The Escrow Agent is hereby directed to deposit, as indicated below, or as Buyer and Sellers' Representative shall direct further in writing from time to time, all cash in the Escrow Account in the following money market deposit account of JPMorgan Chase & Co.:

[ACCOUNT-to be specifically identified upon establishment prior to closing]

Buyer and Sellers' Representative understand that amounts on deposit in the JPMorgan Chase Money Market Deposit Account are insured, subject to the applicable rules and regulations of the Federal Deposit Insurance Corporation (FDIC), in the basic FDIC insurance amount of $250,000 per depositor, per insured bank. This includes principal and accrued interest up to a total of $250,000.

Buyer and Sellers' Representative acknowledge that they have full power to direct investments of the Account.

Buyer and Sellers' Representative understand that they may change this direction at any time in accordance with Section 5 of the Escrow Agreement and that it shall continue in effect until revoked or modified in writing.

Exhibit E

Certificate as to Authorized Signatures

The specimen signatures shown below are the specimen signatures of the individuals who have been designated as authorized representatives of Buyer and are authorized to initiate and approve transactions of all types for the escrow account or accounts established under the Escrow Agreement to which this Exhibit E is attached, on behalf of Buyer.

Name / Title	Specimen Signature
_____ Name	
_____ Title	_____ Signature
_____ Name	
_____ Title	_____ Signature
_____ Name	
_____ Title	_____ Signature
_____ Name	
_____ Title	_____ Signature

Exhibit F

Fees of Escrow Agent

EXHIBIT 1.2(b)
SELLERS' OWNERSHIP INTERESTS

Seller	Shares			% Ownership
	Voting Common	Non-Voting Common	Series A Preferred	
Vantagepoint Venture Partners III, L.P.	—	—	30,127.00	0.90%
Vantagepoint Venture Partners III (Q), L.P.	—	—	247,417.00	7.37%
Vantagepoint Venture Partners IV, L.P.	—	—	106,392.00	3.17%
Vantagepoint Venture Partners IV (Q), L.P.	—	—	1,062,749.00	31.65%
Vantagepoint Venture Partners IV Principals Fund, L.P.	—	—	3,872.00	0.12%
Fred S. Klipsch	104,867.00	337,447.40	—	13.17%
Judy L. Klipsch Wealth Trust	—	100,000.00	—	2.98%
Fred and Judy Klipsch Family Wealth Trust for Michael F. Klipsch	—	197,166.48	—	5.87%
Fred and Judy Klipsch Family Wealth Trust for Stephen P. Klipsch	—	197,166.48	—	5.87%
Fred and Judy Klipsch Family Wealth Trust for Thomas B. Meyer and Wendy J. Meyer	—	100,000.00	—	2.98%
Michael F. Klipsch	10,252.36	90,831.26	—	3.01%
Stephen P. Klipsch	10,252.36	90,831.26	—	3.01%
T. Paul Jacobs	6,315.37	66,093.59	—	2.16%
Frederick L. Farrar	6,728.77	69,762.55	—	2.28%
Charles F. Lieske	3,093.99	27,407.00	—	0.91%
Kyle E. Lanham	4,885.12	42,911.38	—	1.42%
Lisa M. Lanham	4,885.12	42,911.38	—	1.42%
Charles E. Lanham Family Wealth Trust u/a 9/25/07 for Kyle E. Lanham	5,331.81	47,426.30	—	1.57%
Charles E. Lanham Family Wealth Trust u/a 9/25/07 for Lisa Lanham	5,331.81	47,426.30	—	1.57%
Charles Lanham 2007 Annuity Trust u/a 10/31/07	6,052.69	54,594.24	—	1.81%
David Kelley	1,837.60	46,534.38	—	1.44%
Nancy Mills	909.00	8,179.00	—	0.27%
Lance E. Jones	455.00	4,090.00	—	0.14%
Oscar Bernardo	—	4,000.00	—	0.12%
Thomas Jacoby	11,134.70	100,212.30	—	3.32%
John Carter	4,982.60	44,843.40	—	1.48%
TOTAL	187,315.30	1,719,834.70	1,450,557.00	100.00%

Reflected in this Exhibit 1.2(b) is the exercise of certain options which consist of (i) 20,000 shares of Non-Voting Common Stock issued by certain Sellers in favor of David Kelley; (ii) 34,000 shares of Non-Voting Common Stock issued by the Company in the amounts of 10,000 shares in favor of Frederick Farrar, 10,000 shares in favor of T. Paul Jacobs, 10,000 shares in favor of David Kelley and 4,000 shares in favor of Oscar Bernardo; and (iii) 102,107 and 40,586 shares, which consists of 9 shares of Non-Voting Common Stock and 1 share of Voting Common Stock for every 10 shares, issued by the Company in favor of Thomas Jacoby and John Carter respectively, and when exercised, such options only dilute VantagePoint Venture Partners through the Company's repurchase of its Series A Preferred Stock in the identical amount.

EXHIBIT 1.3(c)

CALCULATION PRINCIPLES

Klipsch Group Inc
Accounting Standards for Reserves and Accruals

Allowance for Doubtful Accounts

Accounts receivable are recorded at net realizable value. Net realizable value is equal to the gross amount of receivables less an estimated allowance for uncollectible accounts.

The Companies credit department is responsible for writing off accounts to bad debt and determining what the reserve or allowance for bad debt should be. A bad debt is deemed to exist if, at the date of the applicable statement, it does not expect to collect the full amount of the accounts receivable. Under this circumstance, an accrual for a loss contingency must be charged to income, if both of the following conditions exist:

(1) It is probable that as of the date of the financial statements an asset has been impaired or a liability incurred, based on subsequent available information prior to the issuance of the financial statements, and

(2) The amount of the loss can be reasonably estimated.

If both of the above conditions are met, an accrual for the estimated allowance amount of uncollectible receivables is made even if the specific uncollectible receivables cannot be identified. We generally use 100 percent of the balance over 90 days past due, excluding any aged credits. Management applies an estimate of the entire accounts receivable balance to compute a general allowance covering those amounts. There are a few exceptions:

(1) Employee accounts are not included in the reserve - We will collect from the employee with payroll deductions or at the time of termination.

(2) The customer's accounts receivable are insured.

(3) The amount is included in another reserve.

(4) The customer is making regularly scheduled payments.

Management may direct additional accruals at their discretion.

Inventory Valuation at Standard Cost

The Company uses a standard cost methodology to value the inventory. For purchased items standard costs include material, freight and duty, and overhead for corporate logistics. For manufactured items standard costs include material, labor, variable overhead and fixed overhead. Material price variances and exchange gain or losses are charged as incurred to the income statement in the purchase price variance account;

freight and duty is charged to the income statement in the freight absorption account; and overhead is charged to the income statement in the overhead absorption account. Each month the detail inventory sub ledger is reconciled to the general ledger.

Standard costs are reviewed annually (changed in FY 2011 to every six months per the auditors management letter) for any substantial changes to material, exchange rate, freight and duty or overhead, which could result in a change to the standard and a revaluation of the inventory.

At year-end the standards are updated to reflect changes in purchase price and budgeted expenses. Once the standards are updated a revaluation is completed. A reserve is established to get the inventory back to actual costs.

Physical Inventory Reserve

The Company performs a physical inventory at least once a year at all facilities. An accrual for potential shrink is recorded each month. After the physical inventory, any realized shortagesare charged to the reserve. Any over or under accrual would be charged to the income statement.

Periodically, cycle counts are completed at the facilities and or inventory adjustments are made that also are charged to the reserve. Upon review, these adjustments may be charged to the income statement.

Excess and Obsolete Reserve

The Company periodically evaluates the inventories for excess quantities and obsolescence and future prospects for individual products. This evaluation includes analyses of sales levels by product and projections of future demand. Throughout the year management will promote and/or discount the sales price of products to reduce inventory in conjunction with changes in customer tastes, markets and product offerings. If future demand or market conditions are less favorable than the Companies' projections, inventory write-downs may be required.

At year-end the personnel involved with sales and inventory management prepares a list to review with the CFO for recommended write-downs to cost. . Upon approval the list is given to Inventory Control to make the adjustments and revalue the inventory.

A monthly accrual is made to the excess and obsolete reserve. The reserve is adjusted to equal the amount of the approved list of write-downs. The revaluation when completed is charged to the reserve.

Management may direct additional accruals at their discretion.

Prepaid Expenses

The Company records certain prepayments as a prepaid expense. Typically these are items such as insurance, maintenance agreements and lease payments in Europe. The Company will charge to the income statement each month a prorated amount for the time period specified in the contract which represents the portion of the asset that has been utilized

Accrued Accounts Payable and Expenses

The Company records certain expenses as a liability when incurred but not yet paid. The most common

accruals are accounts payable, payroll and fringe benefits, rebate programs, advertising, accounting and legal fees and warranty. Each month an analysis is performed to estimate the amount of the reserve and an entry is made to the income statement. Often the accrual represents the budgeted amount, until it appears the accrual is not reflective of actual and expected costs. Periodic adjustments maybe made to the reserve and income statement in managements discretion.

Accrued AP

At month end close, items relating to the closing period are accrued. Additionally, significant liabilities in various functional areas not received by accounts payable are communicated to accounting and accrued.

At year-end, the process above is extended out for approximately 3 weeks. During this period, copies of invoices relating to pre-July 1 are made with relevant account numbers written on them. These are given to and reviewed by Accounting, and a closing period entry is made in order to recognize the liability in the appropriate fiscal year.

Meet Comp / Buying Group Rebates

Various agreements exist with customers with incentives that are separate from Deduct from Invoice (DFI) incentives and terms. These include volume rebates, advertising support, no return allowances, co-op funding, and demo discounts. Sales reports are run monthly and a % calculation is made according to each customer's program. The liability is adjusted when the customer has met the requirements of the program. The programs are established yearly and can be for a fiscal or calendar year. Periodic review is performed on customers to determine if accruals are adequate for any program that has a tiered structure, or if a change to a program is made. Any adjustment is reflected in the income statement the month it has been determined a correction is necessary.

Budgeted Accruals

Certain departmental expenses are accrued for on a monthly basis based at budgeted levels. These accounts include Sales Meetings, Ad Media, Accounting Fees, Legal Fees, Professional Services, and Outside Services. As expenses are incurred the various liability accounts are adjusted. Periodic reviews are made to determine if these accounts are over/under reserved and adjustments are made to the income statement.

Warranty

The warranty liability is based on prior year audited rates of claims vs. gross sales on a 12-month rolling basis. Additionally, trending is reviewed with data accumulated from July 2007 to present (the time period Klipsch, Jamo, and API product began similar warranty processes). Periodic review is made to determine if any adjustments are necessary based on actual warranty claims processed. Any adjustment is made to the income statement.

Royalties

Royalties owed to external customers are accrued for on a monthly basis. The companies due royalties include, but are not limited to, Apple, THX, Dolby, DTS, Thompson, MPEG, and Macrovision. A complete list of royalty vendors and relative obligations are maintained by a Senior accountant and also by Legal.

Royalties are generally paid within 30 days after a quarter-end. The accrual is reviewed periodically and

adjustments are made to the income statement.

EXHIBIT 4.4

NONDISCLOSURE AGREEMENT

Confidentiality Agreement

THIS AGREEMENT made this 20th day of October, 2004, by and between VantagePoint Management, Inc. ("VPVP") with a principal office at 1001 Bayhill Drive, Suite 300, San Bruno, California 94066, and the Company identified on the signature page hereof ("the Company").

Whereas, the Company wishes to engage in discussions with VPVP for the purposes of exploring a potential investment by VPVP in the Company; and

Whereas, VPVP is a venture capital firm in the business of analyzing, evaluating and investing in entrepreneurial companies; and

Whereas, the Company and VPVP wish to exchange certain information for the purposes of exploring a potential investment in the Company by VPVP;

NOW, THEREFORE, in consideration of the foregoing and the agreements entered into herein, VPVP and the Company hereby agree as follows:

1. The Company may have disclosed and may in the future disclose certain information including, without limitation, information relating to its business, technology, know how, inventions (whether patented or not), trade secrets, business and product plans, business relationships, forecasts, financial results or requirements and product development plans to VPVP or its affiliates or their respective employees, agents or other representatives ("VPVP Parties") (collectively, "Information").

2. VPVP agrees that the VPVP Parties will (i) maintain the Information in confidence and take all reasonable precautions to protect such Information in similar manner to the precautions VPVP takes with respect to its own confidential and proprietary information; (ii) use such Information solely for the purpose of evaluating whether to enter into a business relationship with or investment in the Company; and (iii) not disclose such Information to any third party except as may be authorized by the Company or except to such agents, employees, and consultants of VPVP who require access to such Information for the purposes of assisting VPVP. VPVP shall be responsible for any actions or omissions by any VPVP Party which are not in accordance with this agreement.

3. VPVP shall have no obligation whatsoever hereunder or otherwise with regard to any Information which (i) is in the public domain at the time of disclosure to VPVP or which thereafter enters the public domain through no improper action or inaction by VPVP, (ii) information which was in the possession of or known to VPVP prior to its receipt thereof by VPVP, or (iii) is rightfully disclosed to VPVP by any person not in violation of the rights or obligations of the Company or another person or entity.

4. Upon the request of the Company at any time, VPVP will turn over to the Company or destroy all documents and other tangible media containing any of the Company's Information and any copies of the same.

5. The Company and the VPVP Parties understand and agree that nothing herein (i) requires the disclosure of any confidential information of the Company which will be disclosed, if at all, solely at the discretion of the Company, or (ii) requires the Company to proceed with any proposed transaction or relationship in connection with which Information may be disclosed. Nothing contained herein or in the course of dealings between the parties shall create or imply any commitment on the part of VPVP to consider, evaluate or enter into any business or investment

relationship with the Company.

6. Except to the extent required by law, neither party hereto shall disclose the existence or subject matter of the relationship contemplated hereunder or the possibility of an investment in the Company by VPVP.

7. The Company understands and agrees that VPVP is in the business of evaluating technologies and the potential development plans of a large number of companies. In the course of its business, VPVP is provided access to a variety of, and a steady stream of information regarding, many companies' business plans, ideas and projections. Accordingly, the Company acknowledges that VPVP may have in the past or may in the future hold discussions with, evaluate an investment in or develop an investment relationship with one or more companies who could be deemed to be competitive with the Company.

8. This Agreement supersedes all prior discussions and writings and constitutes the entire agreement between the parties with respect to the protection, use and disclosure of Information. No waiver or modification of this Agreement will be binding on either party unless made in writing and signed by duly authorized representatives of such party. All obligations of the parties hereunder shall terminate as of the fifth anniversary of the date of this Agreement.

9. This Agreement shall be governed and construed in accordance with the internal laws of the State of Delaware, without regard to conflicts of law provisions thereof. The parties agree that money damages would not be a sufficient remedy for breach and the parties shall be entitled to specific performance and injunctive or other equitable relief as a remedy for any such breach.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

VANTAGEPOINT MANAGEMENT, INC.

By: s/Fred S. Klipsch By: s/Alan E. Salzman

Name: Fred S. Klipsch Name: Alan E. Salzman

Title: Chairman/CEO

Company: Klipsch Audio Inc.

EXHIBIT 8.1

SAMPLE CALCULATION OF INCOME TAX LIABILITIES

(attached)

EXHIBIT 8.2

MARKET JURISDICTION

Alabama
Alaska
Arizona
Arkansas
California
Colorado
Connecticut
Delaware
Florida
Georgia
Hawaii
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Maryland
Massachusetts
Michigan
Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Hampshire
New Jersey
New Mexico
New York
North Carolina
North Dakota
Ohio
Oklahoma
Oregon
Pennsylvania
Rhode Island
South Carolina
South Dakota
Tennessee
Texas
Utah
Vermont
Virginia
Washington
West Virginia
Wisconsin
Wyoming
District of Columbia

EXHIBIT 8.3

NET WORKING CAPITAL

(attached)

AMENDMENT TO STOCK PURCHASE AGREEMENT

THIS AMENDMENT TO STOCK PURCHASE AGREEMENT (the "Amendment") is made as of February 28, 2011 to amend in certain respects that certain Stock Purchase Agreement (the "Agreement") entered into on February 3, 2011 by and among Soundtech LLC, a Delaware limited liability company ("Buyer"), Audiovox Corporation, a Delaware corporation ("Parent"), Klipsch Group, Inc., an Indiana corporation (the "Company"), each shareholder (each a "Seller" and collectively "Sellers") of the Company and Fred S. Klipsch in his capacity as Sellers' Representative. Capitalized terms not defined in this Amendment shall have the respective meanings given to them in the Agreement.

The Parties agree as follows:

1. Notwithstanding Section 1.5(c) of the Agreement, Buyer will not, at Closing, discharge the Closing Date Debt due City of Hope, Arkansas represented by that certain Promissory Note issued by Klipsch, L.L.C. in favor of City of Hope, Arkansas dated as of October 17, 2001.

2. The Company will fund the exercise of 10,000 stock options by each of Messrs. Frederick L. Farrar, David Kelley and T. Paul Jacobs through a special bonus. Such bonus will not be deemed a Restricted Event. All outstanding options to purchase Shares (including those referenced in the preceding sentence) will be deemed exercised prior to the record date for determining the shareholders entitled to receive the distribution of the Estimated Cash/Tax Differential (if a positive number). All unpaid obligations with respect to exercise price and tax withholdings due to the Company upon exercise from individuals exercising options will be paid by offsetting such obligations against the Cash Payment Amount to be paid such individuals at Closing. The Parties agree that stock certificates otherwise issuable upon the exercise of outstanding options need not be physically issued. Obligations with respect to exercise price to be offset against the Cash Payment Amount as provided in this paragraph, together with outstanding notes issued to the Company to fund previous option exercises, will be deemed "Option Notes" for purposes of the Agreement.

3. All required federal, state or local income and employment tax withholding obligations relating to distributions from the escrow account to be funded at Closing with respect to shares of common stock acquired through the exercise of stock options will be withheld and remitted to the Company. The amounts to be paid to the Company pursuant to the preceding sentence shall be netted against the amount to be distributed to the applicable Sellers. Not less than ten business days prior to each distribution to Sellers the Company shall give written notice to the Escrow Agent of the amounts to be withheld and remitted to the Company. Any disputes concerning the amounts to be withheld and remitted to the Company under this paragraph shall be resolved utilizing the dispute resolution principles set forth in Section 1.3(c) of the Agreement.

4. The final form of the Escrow Agreement is attached hereto as Exhibit A.

5. Except as expressly set forth herein, the Agreement remains in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this Amendment to Stock Purchase Agreement as of the date first above written.

SOUNDTECH LLC

By: AUDIOVOX CORPORATION
Its: Sole Member

By: s/Charles M. Stoehr
Charles M. Stoehr
Its: Senior Vice President

"Buyer"

AUDIOVOX CORPORATION

By: s/Charles M. Stoehr
Charles M. Stoehr
Its: Senior Vice President

"Parent"

KLIPSCH GROUP, INC.

By: s/Fred S. Klipsch
Its: Chairman and CEO

"Company"

VANTAGEPOINT VENTURE PARTNERS III, L.P.

By: VantagePoint Venture Associates III, L.L.C., Its: General Partner

By: s/Alan E. Salzman
Its: Managing Member

Address:
Attn: General Counsel
1001 Bayhill Road, Suite 300
San Bruno, California 94066
Facsimile: (650) 869-6078

VANTAGEPOINT VENTURE PARTNERS III (Q), L.P.

By: VantagePoint Venture Associates III, L.L.C., Its: General Partner

By: s/Alan E. Salzman
Its: Managing Member

VANTAGEPOINT VENTURE PARTNERS IV, L.P.

By: VantagePoint Venture Associates IV, L.L.C., Its:General Partner

By: s/Alan E. Salzman
Its: Managing Member

VANTAGEPOINT VENTURE PARTNERS IV (Q), L.P.
By: VantagePoint Venture Associates IV, L.L.C., Its:General Partner

By: s/Alan E. Salzman
Its: Managing Member

VANTAGEPOINT VENTURE PARTNERS IV PRINCIPALS FUND, L.P.
By: VantagePoint Venture Associates IV, L.L.C., Its:General Partner

By: s/Alan E. Salzman
Its: Managing Member

s/Fred S. Klipsch
Fred S. Klipsch

Judy Klipsch Wealth Trust

By: s/Frederick L. Farrar
Frederick L. Farrar, Trustee

Fred and Judy Klipsch Family Wealth Trust
for Michael F. Klipsch

By: s/Frederick L. Farrar
Frederick L. Farrar, Trustee

Fred and Judy Klipsch Family Wealth Trust
for Stephen P. Klipsch

By: s/Frederick L. Farrar
Frederick L. Farrar, Trustee

Fred and Judy Klipsch Family Wealth Trust
for Thomas B. Meyer and Wendy J. Meyer

By: s/Frederick L. Farrar

Frederick L. Farrar, Trustee

s/Michael F. Klipsch
Michael F. Klipsch

s/Stephen P. Klipsch
Stephen P. Klipsch

s/T. Paul Jacobs
T. Paul Jacobs

s/Frederick L. Farrar
Frederick L. Farrar

s/Charles F. Lieske
Charles F. Lieske

s/Kyle E. Lanham
Kyle E. Lanham

s/Lisa M. Lanham
Lisa M. Lanham

Charles E. Lanham Family Wealth Trust u/a 9/25/07 for Kyle E. Lanham

By: s/Frederick L. Farrar
Frederick L. Farrar, Trustee

Charles E. Lanham Family Wealth Trust u/a 9/25/07 for Lisa Lanham

By: s/Frederick L. Farrar
Frederick L. Farrar, Trustee

Charles Lanham 2007 Annuity Trust u/a 10/31/07

By: s/Frederick L. Farrar
Frederick L. Farrar, Trustee

s/David Kelley
David Kelley

s/Nancy Mills
Nancy Mills

s/Lance E. Jones
Lance E. Jones

s/Oscar Bernardo
Oscar Bernardo Effective upon execution of outstanding options.

s/Thomas Jacoby
Thomas Jacoby

s/John Carter
John Carter

"Sellers"

SELLERS' REPRESENTATIVE

s/Fred S. Klipsch
Fred S. Klipsch

"Sellers' Representative"

Address:
3510 Sedgemoor Circle
Carmel, Indiana 46032
Telephone: (317) 860-8211
Facsimile: (317) 860-9128

EXHIBIT A

ESCROW AGREEMENT

(attached)

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (the "Escrow Agreement") is made as of February 28, 2011, by and among Soundtech LLC, a Delaware limited liability company ("Buyer"), Audiovox Corporation, a Delaware corporation ("Parent"), Fred S. Klipsch, as Sellers' Representative (Mr. Klipsch or any successor representative designated pursuant to the Purchase Agreement (as defined below), "Sellers' Representative" and together with Buyer and Parent are sometimes referred to individually in this Escrow Agreement as a "Party" or collectively as the "Parties"), and JPMorgan Chase Bank, N.A., a national banking association, as escrow agent hereunder ("Escrow Agent").

WHEREAS:

A. Buyer, Parent, each shareholder (each a "Seller" and collectively "Sellers") of Klipsch Group, Inc., an Indiana corporation (the "Company") and the Company are parties to that certain Stock Purchase Agreement dated as of February 3, 2011 (the "Purchase Agreement").

B. Pursuant to the Purchase Agreement, Buyer has agreed to purchase, and Sellers have agreed to sell, the Shares (as defined in the Purchase Agreement) for the Purchase Price (as defined in the Purchase Agreement).

C. Pursuant to the Purchase Agreement, on the Closing Date (as defined in the Purchase Agreement), Buyer will deposit the Escrow Funds and NWC Holdback with the Escrow Agent.

D. Pursuant to Section 4.6 of the Purchase Agreement, Fred S. Klipsch has been designated as the initial Sellers' Representative, in part to take actions with respect to the Escrow Account (as defined below).

E. In order to administer the Escrow Account, the parties hereto have entered into this Escrow Agreement.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties hereto, for themselves, their successors and assigns, hereby agree to the foregoing and as follows:

1. Definitions.

(a) All capitalized terms used herein shall have the same meaning as provided for in the Purchase Agreement, unless the capitalized term is expressly defined herein.

(b) "Escrow Account" has the meaning set forth in Section 3(a) of this Escrow Agreement.

(c) "Escrow Earnings" has the meaning set forth in Section 5 of this Escrow Agreement.

(d) "Escrow Funds" means $13,000,000 deposited with the Escrow Agent with respect to indemnification claims under the Purchase Agreement.

(e) "NWC Holdback" means $2,500,000 deposited with the Escrow Agent with respect to the Cash Payment Amount adjustment set forth in Section 1.3 of the Purchase Agreement.

(f) "Sellers' Representative" has the meaning set forth in the first paragraph of this Escrow Agreement.

(g) "Written Direction" shall mean a written notification, signed by Buyer or by Sellers' Representative, substantially in the form attached hereto as Exhibit B.

2. Appointment of and Acceptance by Escrow Agent. Buyer and Sellers' Representative hereby appoint JPMorgan Chase Bank, N.A.. to serve as Escrow Agent hereunder. Escrow Agent hereby accepts such appointment and agrees to hold and disburse all NWC Holdback/Escrow Funds and Escrow Earnings in accordance with this Escrow Agreement.

3. Escrow Account.

(a) Escrow Agent shall establish an escrow account (the "Escrow Account") to receive the NWC Holdback/Escrow Funds.

(b) At the Closing Date, Buyer shall deposit by wire transfer the Escrow Funds and NWC Holdback into the Escrow Account, pursuant to the following wire instructions:

JPMorgan Chase Bank

ABA No. 021000021

Acct Name: Incoming Wire DDA

Account No.: 507198883

Reference: Soundtech/Audiovox Escrow #899573133

Attn: Rory Nowakowski

4. Disbursement of Funds. Subject to Section 10, Escrow Agent shall distribute the NWC Holdback/Escrow Funds only as follows:

(a) Net Working Capital Adjustment. Within three Business Days following the determination of Final Closing Date Net Working Capital, Sellers' Representative will provide a Written Direction to Escrow Agent (with a copy simultaneously delivered to Buyer) identifying the amount, if any, of the NWC Holdback to be paid to Buyer to effectuate the Cash Payment Amount adjustment set forth in Section 1.3 of the Purchase Agreement. Any portion of the NWC Holdback not due to Buyer will be paid to Sellers and allocated among them as set forth on Exhibit C. All payments will be made by wire transfer to one or more accounts designated in the Written Direction. The Escrow Agent will, subject to Section 8 hereof, promptly, and in any event within three Business Days of its receipt of the Written Direction, release and distribute to Buyer or Sellers, or apportion among them, as applicable, all amounts payable under this Section 4(a).

(b) Indemnification Claims. From and after the date of this Escrow Agreement, Buyer may deliver to Sellers' Representative and Escrow Agent a Written Direction for claims subject to indemnification by one or more Sellers pursuant to the Purchase Agreement. If Buyer submits a Written Direction, Escrow Agent will, not sooner than, but promptly after, the date which is 30 calendar days of receipt, distribute such portion of the Escrow Funds set forth in the Written Direction in immediately available funds by wire transfer to one or more accounts designated by Buyer in writing, unless Escrow Agent receives written notice from Sellers' Representative of its objection to such distribution no later than 5:00 PM Chicago time on the 30th calendar day following Escrow Agents' receipt of Buyer's Written Direction (in which case Escrow Agent shall conduct itself in accordance with Section 8 of this Escrow Agreement). Buyer shall deliver to Sellers' Representative a copy of each Written Direction, it submits hereunder on the same date that such Written Direction is provided to Escrow Agent, and Sellers' Representative shall deliver to Buyer and all Sellers a copy of any objection to a distribution specified in a Written Direction on the same date that such objection is provided to Escrow Agent. For the purposes of calculating the foregoing period, the date of receipt shall be counted.

5. Holding of Funds. Escrow Agent shall hold the NWC Holdback/Escrow Funds in the Escrow Account in accordance with the provisions hereof. Escrow Agent shall not be responsible for any loss resulting from investments of the NWC Holdback/Escrow Funds made pursuant to this Agreement. Buyer and Sellers' Representative may from time to time instruct the Escrow Agent in writing, to invest the NWC Holdback/Escrow Funds and investment income earned thereon in any other investment ("Alternative Investment"). If the Escrow Agent has not received written instructions from Buyer and Sellers' Representative at any time an investment decision must be made, the Escrow Agent shall invest the NWC Holdback/Escrow Funds and any investment income earned thereon in the JPMorgan Money Market Deposit Account ("MMDA"). MMDA has rates of compensation that may vary from time to time based upon market conditions. Escrow Agent is authorized to liquidate in accordance with its customary procedures any portion of the NWC Holdback/Escrow Funds consisting of investments to provide for payments required to be made under this Agreement. The Escrow Agent is hereby authorized, in making or disposing of any investment permitted by this Escrow Agreement, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or any such affiliate is acting as agent of the Escrow Agent or for any third

person or dealing as principal for its own account. The Escrow Agent or any of its affiliates may receive compensation with respect to any Alternative Investment directed hereunder including without limitation charging any applicable agency fee in connection with each transaction. Market values, exchange rates and other valuation information (including without limitation, market value, current value or notional value) of any Alternative Investment furnished in any report or statement may be obtained from third party sources and is furnished for the exclusive use of the Parties. The Escrow Agent has no responsibility whatsoever to determine the market or other value of any Alternative Investment and makes no representation or warranty, express or implied, as to the accuracy of any such valuations or that any values necessarily reflect the proceeds that may be received on the sale of an Alternative Investment. Buyer and Sellers' Representative acknowledge that the Escrow Agent is not providing investment supervision, recommendations, or advice. All earnings received from the investment of the NWC Holdback/Escrow Funds and investment income ("Escrow Earnings") shall be paid to Sellers in accordance with the Written Direction provided to Escrow Agent by Sellers' Representative and shall not be (i) deemed at any time to be part of the NWC Holdback/Escrow Funds for purposes of this Agreement or (ii) delivered to Buyer at any time. The portion of the Escrow Earnings earned from the NWC Holdback shall be paid to Sellers at the time the NWC Holdback is distributed. All Escrow Earnings earned from the Escrow Funds shall be paid to Sellers (i) on the annual anniversary of the Closing Date, except that at the 18 month anniversary of the Closing Date, the Escrow Earnings shall be paid to Sellers together with the Escrow Funds payment, and (ii) on the date all Escrow Funds are distributed from the Escrow Account.

6. Certification and Tax Reporting. The Parties have provided the Escrow Agent with their respective fully executed Internal Revenue Service ("IRS") Form W-8, or W-9 and/or other required documentation. All interest or other income earned under this Escrow Agreement shall be allocated to the Sellers and reported, as and to the extent required by law, in accordance with the pro rata percentages in Exhibit C attached hereto, by the Escrow Agent to the IRS, or any other taxing authority, on IRS Form 1099 or 1042S (or other appropriate form) as income earned from the Escrow Account by the Sellers whether or not said income has been distributed during such year. Escrow Agent shall withhold any taxes it deems appropriate in the absence of proper tax documentation or as required by law, and shall remit such taxes to the appropriate authorities. The Parties hereby represent and warrant to the Escrow Agent that (i) there is no sale or transfer of an United States Real Property Interest as defined under IRC Section 897(c) in the underlying transaction giving rise to this Escrow Agreement; and (ii) such underlying transaction does not constitute an installment sale requiring any tax reporting or withholding of imputed interest or original issue discount to the IRS or other taxing authority

7. Resignation and Removal of Escrow Agent. Escrow Agent may resign from the performance of its duties hereunder at any time by giving thirty (30) calendar days prior written notice to Buyer and Sellers' Representative or may be removed, with or without cause, by either Buyer or Sellers' Representative by furnishing thirty (30) calendar days prior written notice to Escrow Agent. Such resignation or removal shall take effect upon the earlier of (i) the appointment of a successor Escrow Agent as provided below, or (ii) thirty (30) calendar days after the written notice delivered by Escrow Agent referenced above is received by Buyer and Sellers' Representative. Upon any such notice of resignation or removal, Buyer and Sellers' Representative shall appoint a successor Escrow Agent hereunder. Upon the acceptance in writing of any appointment as Escrow Agent hereunder by a successor Escrow Agent, such successor Escrow Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Escrow Agent, and the retiring Escrow Agent shall be discharged from its duties and obligations under this Escrow Agreement. The retiring Escrow Agent shall transmit all records pertaining to the Escrow Account and shall pay all NWC Holdback/Escrow Funds and Escrow Earnings to the successor Escrow Agent, after making copies of such records as the retiring Escrow Agent deems advisable. If Buyer and Sellers' Representative fail to designate a successor Escrow Agent within ten (10) Business Days of receiving Escrow Agent's written notice of resignation, Escrow Agent may, at its sole discretion and option, institute an interpleader action in accordance with the terms of this Escrow Agreement.

8. Conflicting Demands or Claims. In the event Escrow Agent receives or becomes aware of conflicting demands or claims with respect to some or all of the NWC Holdback/Escrow Funds or the rights of any of the parties hereto, Escrow Agent may not distribute the portion of the NWC Holdback/Escrow Funds in dispute until such conflict is resolved. Such resolution of a conflict is determined in accordance with and upon receipt of (i) joint written instructions of Buyer and Sellers' Representative or (ii) a final, non-appealable order of a court of competent jurisdiction. Any court order shall be accompanied by a legal opinion by counsel for the presenting party satisfactory

to Escrow Agent to the effect that the order is final and non-appealable. Escrow Agent shall act on such order and legal opinion without further question. Escrow Agent shall have the further right to commence or defend an action or proceeding for the resolution of such conflict. In the event Escrow Agent files a suit in interpleader, it shall thereupon be fully released and discharged from all further obligations to perform any and all duties or obligations imposed upon it by this Escrow Agreement.

9. Interpleader. In the event Escrow Agent receives conflicting instructions regarding the NWC Holdback/Escrow Funds or its obligation hereunder, or the failure of Buyer and Sellers' Representative to appoint a successor Escrow Agent upon the resignation of Escrow Agent, Escrow Agent may commence an interpleader action in any state or federal court located in New Castle County, Delaware. Buyer and Sellers' Representative agree to the jurisdiction of any such court and agree that such venue is a convenient forum for hearing any disputes arising out of this Escrow Agreement, and waive any claim that such courts are not a convenient forum.

10. Termination of Escrow; Payment of Funds. This Escrow Agreement shall terminate upon the distribution of all of the NWC Holdback/Escrow Funds and Escrow Earnings. Upon determination of the Final Closing Date Net Working Capital, the NWC Holdback will be allocated among and paid to Buyer or Sellers, or apportioned among them, as applicable (i.e., as directed by the Written Direction). At the 18 month anniversary of the Closing Date, $6,500,000 of the Escrow Funds will be allocated among and paid to Sellers as set forth on Exhibit C less amounts for which Buyer has submitted a Written Direction. At the 24 month anniversary of the Closing Date, all remaining Escrow Funds and Escrow Earnings will be allocated among and paid to Sellers as set forth on Exhibit C less amounts for which Buyer has submitted a Written Direction.

11. Liability of Escrow Agent. Escrow Agent shall have no duties or responsibilities except those set forth herein, which the parties hereto agree are ministerial in nature, and no implied duties or obligations shall be inferred or otherwise imposed upon or against Escrow Agent. The Escrow Agent shall neither be responsible for, nor chargeable with, knowledge of, nor have any requirements to comply with, the terms and conditions of any other agreement, instrument or document between the Parties **,** in connection herewith, if any, including without limitation the Purchase Agreement (the "Underlying Agreement"), nor shall the Escrow Agent be required to determine if any person or entity has complied with any Underlying Agreement, nor shall any additional obligations of the Escrow Agent be inferred from the terms of any Underlying Agreement, even though reference thereto may be made in this Escrow Agreement. In the event of any conflict between the terms and provisions of this Escrow Agreement, those of the Underlying Agreement, any schedule or exhibit attached to this Escrow Agreement, or any other agreement among the Parties, the terms and conditions of this Escrow Agreement shall control. Escrow Agent shall be protected in acting upon any written notice, request, waiver, consent, certificate, receipt, authorization, power of attorney or other paper or document which Escrow Agent in good faith believes to be genuine and what it purports to be, including, but not limited to, items requesting or authorizing release, disbursement or retainage of the subject matter of this Escrow Agreement and items amending the terms of the Escrow Agreement. It is expressly understood that Escrow Agent is obligated only to receive and hold the NWC Holdback/Escrow Funds as set forth in this Escrow Agreement, and to disburse the same in accordance with Written Direction given under the provisions of this Escrow Agreement. Escrow Agent shall not be liable hereunder or responsible, directly or indirectly, to anyone for any damages, losses or expenses unless the same shall be determined by adjudication to have been caused by the gross negligence or willful misconduct of Escrow Agent. The Escrow Agent shall not be liable to any Party, any beneficiary or other person for refraining from acting upon any instruction setting forth, claiming, containing, objecting to, or related to the transfer or distribution of the Escrow Account, or any portion thereof, unless such instruction shall have been delivered to the Escrow Agent in accordance with Section 12 below and the Escrow Agent has been able to satisfy any applicable security procedures as may be required thereunder. THE ESCROW AGENT SHALL NOT BE LIABLE, DIRECTLY OR INDIRECTLY, FOR ANY special, Indirect or consequential damages or LOSSES OF ANY KIND WHATSOEVER (INCLUDING WITHOUT LIMITATION LOST PROFITS), even if the escrow agent has been advised of the possibility of such LOSSES OR damages AND REGARDLESS OF THE FORM OF ACTION. The parties to this Escrow Agreement agree to and hereby do waive any suit, claim demand or cause of action of any kind which it or they may have or may assert against Escrow Agent arising out of or relating to the execution or performance by Escrow Agent under this Escrow Agreement, unless such suit, claim, demand or cause of action is based upon the breach of this Escrow Agreement or willful neglect or gross negligence of Escrow Agent. Buyer and Sellers' Representative, jointly and severally, agree to indemnify and hold harmless Escrow Agent against and from any and all claims, demands, costs, liabilities and expenses, including counsel fees and expenses, which may be

asserted against it or to which it may be exposed or which it may incur by reason of its execution or performance under this Escrow Agreement, except those which have been finally adjudicated to have resulted from willful misconduct or gross negligence. The Parties agree to pursue any redress or recourse in connection with any dispute without making the Escrow Agent a party to the same unless required by law or the absence of the Escrow Agent would prejudice a Party. The Escrow Agent may execute any of its powers and perform any of its duties hereunder directly or through affiliates or agents. The Escrow Agent may consult with counsel, accountants and other skilled persons to be selected and retained by it . This paragraph shall survive the termination of this Escrow Agreement for any reason and the resignation and removal of the Escrow Agent.

12. Security Procedures**.** Notwithstanding anything to the contrary as set forth in Section 17, any instructions setting forth, claiming, containing, objecting to, or in any way related to the transfer or distribution of the NWC Holdback/Escrow Funds, including but not limited to any such funds transfer instructions that may be set forth in a Written Direction pursuant to Section 4 of this Escrow Agreement, may be given to the Escrow Agent only by confirmed facsimile (with a copy simultaneously delivered to all parties listed in Section 17) and no instruction for or related to the transfer or distribution of the NWC Holdback/Escrow Funds, or any portion thereof, shall be deemed delivered and effective unless the Escrow Agent actually shall have received such instruction by facsimile at the number provided to the Parties by the Escrow Agent in accordance with Section 17 and as further evidenced by a confirmed transmittal to that number.

(a) In the event funds transfer instructions are received by the Escrow Agent by facsimile, the Escrow Agent is authorized to seek confirmation of such instructions by telephone call-back to the person or persons designated on Schedule 1 hereto, and the Escrow Agent may rely upon the confirmation of anyone purporting to be the person or persons so designated. The persons and telephone numbers for call-backs may be changed only in a writing actually received and acknowledged by the Escrow Agent. The Escrow Agent is hereby authorized both to receive written instructions from and seek confirmation of such instructions by telephone call-back to any of the individuals set forth in Schedule 1 with respect to Sellers' Representative or Buyer, as the case may be, as the Escrow Agent may select. The Escrow Agent and the beneficiary's bank in any funds transfer may rely solely upon any account numbers or similar identifying numbers provided by Sellers' Representative or Buyer to identify (i) the beneficiary (ii) the beneficiary's bank or (iii) an intermediary bank. The Escrow Agent may apply any of the NWC Holdback/Escrow Funds for any payment order it executes using any such identifying number, even when its use may result in a person other than the beneficiary being paid, or the transfer of funds to a bank other than the beneficiary's bank or an intermediary bank designated.

(b) Sellers' Representative acknowledges that the Escrow Agent is authorized to use the following funds transfer instructions to disburse any funds due to Sellers' Representative under this Escrow Agreement without a verifying call-back as set forth in Section 12(a) above:

Sellers' Representative's bank account information:

The National Bank of Indianapolis

Indianapolis, Indiana 46204

ABA No. 074006674

Account No.: 1471572

Acct Name: KGI Sellers, LLC

Attn: Linda J. Allen

Buyer acknowledges that the Escrow Agent is authorized to use the following funds transfer instructions to disburse any funds due to Buyer under this Escrow Agreement without a verifying call-back as set forth in Section 12(a) above:

Buyer's bank account information:

Wachovia Bank, N.A.

12 East 49th Street, New York, NY 10017

ABA No. 031201467

Account No. 2000045578553

Acct Name: Audiovox Corporation

(c) The Parties acknowledge that the security procedures set forth in this Section 12 are commercially reasonable.

13. Fees of Escrow Agent. The Escrow Agent shall be entitled to compensation for its services as stated in the fee schedule attached hereto as Exhibit A, which compensation shall be paid out of the Escrow Funds. The fee agreed upon for the services rendered hereunder is intended as full compensation for the Escrow Agent's services as contemplated by this Escrow Agreement; provided, however, that in the event that the conditions for the disbursement of funds under this Escrow Agreement are not fulfilled, or the Escrow Agent renders any service not contemplated in this Escrow Agreement, or there is any assignment of interest in the subject matter of this Escrow Agreement, or any material modification hereof, or if any material controversy arises hereunder, or the Escrow Agent is made a party to any litigation pertaining to this Escrow Agreement or the subject matter hereof, then the Escrow Agent shall be compensated for such extraordinary services and reimbursed for all costs and expenses, including reasonable attorneys' fees and expenses, occasioned by any such delay, controversy, litigation or event. The Escrow Agent shall have, and is hereby granted, a prior lien upon the NWC Holdback/Escrow Funds and Escrow Earnings with respect to its unpaid fees, non-reimbursed expenses and unsatisfied indemnification rights, superior to the interests of any other persons or entities and is hereby granted the right to set off and deduct any unpaid fees, non-reimbursed expenses and unsatisfied indemnification rights first from the Escrow Earnings and then from the NWC Holdback/Escrow Funds.

14. Reports and Accounting. Escrow Agent will provide monthly reports, or upon reasonable request, to Buyer and Sellers' Representative reflecting disbursement activity in the Escrow Account for the period and year to date. Escrow Agent shall further issue a final report and accounting that summarizes the expenses and disbursements associated with the administration of the Escrow Account and such other reports as Buyer and Sellers' Representative may reasonably require from time to time. Information regarding the status of the Escrow Account shall be accessible to Buyer and Sellers' Representative. Escrow Agent will provide the name of the officer who will have principal responsibility for the management of the Escrow Account and who will be Escrow Agent's principal contact.

15. Merger or Consolidation. Any corporation or association into which the Escrow Agent may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer all or substantially all of its escrow business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which the Escrow Agent is a party, shall be and become the successor escrow agent under this Escrow Agreement and shall have and succeed to the rights, powers, duties, immunities and privileges as its predecessor, without the execution or filing of any instrument or paper or the performance of any further act.

16. Attachment of Funds and Escrow Earnings; Compliance with Legal Orders. In the event that any of the NWC Holdback/Escrow Funds and/or Escrow Earnings shall be attached, garnished or levied upon by any court order, or the delivery thereof shall be stayed or enjoined by an order of a court, or any order, judgment or decree shall be made or entered by any court order affecting the NWC Holdback/Escrow Funds and/or Escrow Earnings, the Escrow Agent shall promptly notify Buyer and Sellers' Representative and is hereby expressly authorized, in its sole discretion, to respond as it in good faith deems appropriate or to comply with all writs, orders or decrees so entered or issued, or which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction. In the event that the Escrow Agent obeys or complies with any such writ, order or decree it shall not be liable to any of Buyer, Sellers or to any other person, firm or corporation, should, by reason of such compliance notwithstanding, such writ, order or decree be subsequently reversed, modified, annulled, set aside or vacated.

17. Notices. All notices and other communications hereunder shall be in writing and except for

communications from the Parties setting forth, claiming, containing, objecting to, or in any way related to the transfer or distribution of funds, including but not limited to funds transfer instructions (all of which shall be specifically governed by Section 12 above), shall be deemed to be duly given after it has been received if it is sent or served: (a) by facsimile; (b) by overnight courier; or (c) by prepaid registered mail, return receipt requested to the appropriate notice address set forth below or at such other address as any party hereto may have furnished to the other parties in writing.

If to Sellers' Representative	Fred S. Klipsch 3510 Sedgemoor Circle Carmel, Indiana 46032 Telephone: (317) 860-8211 Facsimile: (317) 860-9128
With a copy (which shall not constitute notice) to:	VantagePoint Venture Partners Attn: General Counsel 1001 Bayhill Road, Suite 300 San Bruno, California 94066 Facsimile: (650) 869-6078 Barnes & Thornburg LLP Attn: Tracy T. Larsen 171 Monroe Avenue N.W. Suite 1000 Grand Rapids, MI 49503 Telephone: (616) 742-3931 Facsimile: (616) 742-3999
If to Buyer:	Audiovox Corporation 150 Marcus Blvd. Hauppauge, NY 11788 Attn: Chief Financial Officer
With a copy (which shall not constitute notice) to:	Levy Stopol & Carmelo, LLP Attn: Robert S. Levy 1425 Reckson Plaza Uniondale NY 11556-1425 Telephone: (516) 802-7007 Facsimile: (516) 802-7008 Duane Morris LLP Attn: Laurence S. Hughes 1540 Broadway New York, NY 10036 Telephone: (212) 692-1004 Facsimile: (212) 202-6315
If to Escrow Agent:	JPMorgan Chase Bank, NA Attn: Rory Nowakowski, Escrow Services 420 W. Van Buren, Mail Code: IL1-0113 Chicago, IL 60606 Telephone: (312) 954-0159 Facsimile: (312) 954-0430

For purposes of this Escrow Agreement, "Business Day" shall mean any day other than a Saturday, Sunday or any other day on which the Escrow Agent located at the notice address set forth above is authorized or required by law or executive order to remain closed.

18. Amendment or Waiver. This Escrow Agreement may be changed, waived, discharged or terminated only by a writing signed by all of the parties to this Escrow Agreement. No delay or omission by any party in exercising any right with respect hereto shall operate as a waiver. A waiver on any one occasion shall not be construed as a bar to, or waiver of, any right or remedy on any future occasion. Escrow Agent agrees to negotiate an amendment of this Escrow Agreement with respect to the treatment, designation, and/or use of the Escrow Account, should such amendment be deemed warranted by Buyer and Sellers' Representative.

19. Governing Law; Venue. The Laws of the State of Delaware shall govern all questions concerning the

construction, validity, interpretation and enforceability of this Escrow Agreement and the exhibits and schedules attached hereto, and the performance of the obligations imposed by this Escrow Agreement, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Delaware. Any controversy, claim or dispute arising out of or relating to this Escrow Agreement shall be resolved as provided in Section 9.13 of the Purchase Agreement. Each Party and the Escrow Agent further hereby waive any right to a trial by jury with respect to any lawsuit or judicial proceeding arising or relating to this Escrow Agreement.

20. Entire Agreement. This Escrow Agreement and the Purchase Agreement constitute the entire agreement between the Parties relating to the holding, investment and disbursement of the NWC Holdback/Escrow Funds and set forth in their entirety the obligations and duties of Escrow Agent with respect to the NWC Holdback/Escrow Funds. However, as it pertains to the Escrow Agent, only the Escrow Agreement shall apply.

21. Binding Effect. All of the terms of this Escrow Agreement, as may be amended from time to time, shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, successors and assigns.

22. Dealings. Nothing herein shall preclude Escrow Agent from acting in any other capacity for any party, person or entity referenced herein.

23. Counterparts. This Escrow Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original, and such counterparts shall together constitute one and the same instrument.

24 Force Majeure. No party to this Escrow Agreement is liable to any other party for losses due to, or if it is unable to perform its obligations under the terms of this Escrow Agreement because of, acts of God, fire, war, terrorism, floods, strikes, electrical outages, equipment or transmission failure, or other causes reasonably beyond its control.

25. Signatures. All signatures of the parties to this Escrow Agreement may be transmitted by facsimile, and such facsimile will, for all purposes, be deemed to be the original signature of such party whose signature it reproduces, and will be binding upon such party.

26. No Third Parties. Except as expressly provided in Section 11 above, nothing in this Escrow Agreement, whether express or implied, shall be construed to give to any person or entity other than the Escrow Agent and the Parties any legal or equitable right, remedy, interest or claim under or in respect of this Escrow Agreement or any funds escrowed hereunder.

(Signature page follows)

IN WITNESS WHEREOF, the parties have caused this Escrow Agreement to be executed as of the date first above written.

BUYER:

SOUNDTECH LLC
By: AUDIOVOX CORPORATION
Its: Sole Member

By: s/Charles M. Stoehr
Charles M. Stoehr
Its: Senior Vice President

PARENT:

AUDIOVOX CORPORATION
By: s/Charles M. Stoehr
Charles M. Stoehr
Its: Senior Vice President

SELLERS' REPRESENTATIVE:
s/Fred S. Klipsch
Fred S. Klipsch

ESCROW AGENT:
JPMORGAN CHASE BANK, N.A.
s/Rory Nowakowski
By: Rory Nowakowski
Its: Vice President

Schedule 1

Telephone Number(s) and authorized signature(s) for

Person(s) Designated to give Funds Transfer Instructions

If from Buyer:

	Name	Telephone Number	Signature
1.	_____		_____
2.	_____		_____
3.	_____		_____

If from Sellers' Representative:

	Name	Telephone Number	Signature
1.	_____		_____
2.	_____		_____
3.	_____		_____

Telephone Number(s) for Call-Backs and

Person(s) Designated to Confirm Funds Transfer Instructions

If from Buyer:

	Name	Telephone Number
1.	_____	_____
2.	_____	_____
3.	_____	_____

If from Sellers' Representative:

	Name	Telephone Number
1.	_____	_____
2.	_____	_____
3.	_____	_____

Exhibit A

Escrow Agent's Compensation:

New Account Acceptance Fee . . . . . . **Waived**

One-time fee payable upon Account Opening

A New Account Acceptance Fee will be charged for the Bank's review of the Escrow Agreement along with any related account documentation.

Annual Administrative Fee **$2,500**

Payable upon Account Opening and in Advance

of each year of service as Escrow Agent

The Annual Administrative Fee will cover the Bank's standard Escrow services including, but not limited to, account setup, safekeeping of assets, investment of funds, collection of income and other receipts, preparation of statements comprising account activity and asset listing, and distribution of assets in accordance with the specific terms of the Escrow Agreement. These fees cover a full year, or any part thereof, and thus are not prorated in the year of termination. The account will be invoiced in the month in which the account is opened and annually thereafter. Payment of the invoice is due 30 days following receipt.

Out-of-Pocket Expenses:

Any reasonable out-of-pocket expenses including attorney's fees will be considered extraordinary services for which related costs, transaction charges, and additional fees will be billed at cost.

Modification of Fees:

Circumstances may arise necessitating a change in the foregoing fee schedule. The Bank will maintain the fees at a level that is fair and reasonable in relation to the responsibilities assumed and the duties performed.

Disclosure & Assumptions:

- The fees quoted in this schedule assume that the escrow deposit will be continuously invested in the JPMorgan Chase Bank Money Market Account.
- Disbursements, receipts, investments or tax reporting exceeding 25 items per year may be treated as extraordinary services thereby incurring additional charges.
- U.S. law permits the parties to make up to six (6) pre-authorized withdrawals from an MMDA per calendar month or statement cycle or similar period. If the MMDA can be accessed by checks, drafts, bills of exchange, notes and other financial instruments (“Items”), then no more than three (3) of these six (6) transfers may be made by an Item. The Escrow Agent is required by U.S. law to reserve the right to require at least seven (7) days notice prior to a withdrawal from an MMDA. The Escrow Agent does not presently exercise this right.

- Section 326 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (“USA PATRIOT Act”) requires the Escrow Agent to implement reasonable procedures to verify the identity of any person that opens a new account with it. Accordingly, the Parties acknowledge that Section 326 of the USA PATRIOT Act and the Escrow Agent's identity verification procedures require the Escrow Agent to obtain information which may be used to confirm the Parties identity including without limitation name, address and organizational documents (“identifying information”). The Parties agree to provide the Escrow Agent with and consent to the Escrow Agent obtaining from third parties any such identifying information required as a condition of opening an account with or using any service provided by the Escrow Agent.

Exhibit B

Written Direction Example

[___]

Account # **[___]**

Reference is made to that certain Escrow Agreement (the "Escrow Agreement") dated as of February ___, 2011, by and among Soundtech LLC, a Delaware limited liability company ("Buyer"), Audiovox Corporation, a Delaware corporation ("Parent"), Fred S. Klipsch, as Sellers' Representative and JP Morgan Chase Bank, N.A., a national banking association, as escrow agent ("Escrow Agent"). All capitalized terms not defined herein shall have the meanings ascribed to such terms in the Escrow Agreement. In accord with the Escrow Agreement and the Purchase Agreement, **[Buyer or Sellers' Representative]** direct Escrow Agent to take the following action with respect to the **[NWC Holdback/Escrow Funds]**:

Escrow Agent shall _____.

DATED: _____, 201__.

[BUYER or SELLERS'

REPRESENTATIVE]:

By: _____

Name:

Its:

Exhibit C

Allocation of the NWC Holdback/Escrow Funds and Escrow Earnings among Sellers

Seller	% Ownership
Vantagepoint Venture Partners III, L.P.	0.897%
Vantagepoint Venture Partners III (Q), L.P.	7.369%
Vantagepoint Venture Partners IV, L.P.	3.169%
Vantagepoint Venture Partners IV (Q), L.P.	31.651%
Vantagepoint Venture Partners IV Principals Fund, L.P.	0.115%
Fred S. Klipsch	13.173%
Judy L. Klipsch Wealth Trust	2.978%
Fred and Judy Klipsch Family Wealth Trust for Michael F. Klipsch	5.872%
Fred and Judy Klipsch Family Wealth Trust for Stephen P. Klipsch	5.872%
Fred and Judy Klipsch Family Wealth Trust for Thomas B. Meyer and Wendy J. Meyer	2.978%
Michael F. Klipsch	3.010%
Stephen P. Klipsch	3.010%
T. Paul Jacobs	2.157%
Frederick L. Farrar	2.278%
Charles F. Lieske	0.908%
Kyle E. Lanham	1.423%
Lisa M. Lanham	1.423%
Charles E. Lanham Family Wealth Trust u/a 9/25/07 for Kyle E. Lanham	1.571%
Charles E. Lanham Family Wealth Trust u/a 9/25/07 for Lisa Lanham	1.571%
Charles Lanham 2007 Annuity Trust u/a 10/31/07	1.806%
David Kelley	1.441%
Nancy Mills	0.271%
Lance E. Jones	0.135%
Oscar Bernardo	0.119%
Thomas Jacoby	3.316%
John Carter	1.484%
TOTAL	100.00%

[Execution]

CREDIT AGREEMENT

by and among

AUDIOVOX ACCESSORIES CORP.

AUDIOVOX ELECTRONICS CORPORATION

AUDIOVOX CONSUMER ELECTRONICS, INC.

AMERICAN RADIO CORP.

CODE SYSTEMS, INC.

INVISION AUTOMOTIVE SYSTEMS, INC.

KLIPSCH GROUP, INC.

BATTERIES.COM, LLC

as Borrowers,

AUDIOVOX CORPORATION

as Parent

THE LENDERS THAT ARE SIGNATORIES HERETO

as the Lenders,

WELLS FARGO CAPITAL FINANCE, LLC

as Administrative Agent

and

WELLS FARGO CAPITAL FINANCE, LLC

as Sole Lead Arranger and Sole Bookrunner

Dated as of March 1, 2011

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "Agreement"), is entered into as of March 1, 2011, by and among the lenders identified on the signature pages hereof (each of such lenders, together with their respective successors and permitted assigns, are referred to hereinafter as a "Lender", as that term is hereinafter further defined), **WELLS FARGO CAPITAL FINANCE, LLC**, a Delaware limited liability company, as agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, " Agent"), **AUDIOVOX ACCESSORIES CORP.**, a Delaware corporation ("ACC"), **AUDIOVOX ELECTRONICS CORPORATION**, a Delaware corporation ("AEC"), **AUDIOVOX CONSUMER ELECTRONICS, INC.**, a Delaware corporation ("ACEI"), **AMERICAN RADIO CORP.**, a Georgia corporation ("ARC"), **CODE SYSTEMS, INC.**, a Delaware corporation ("CSI"), **INVISION AUTOMOTIVE SYSTEMS, INC.**, a Delaware corporation ("IAS"), **BATTERIES.COM, LLC**, an Indiana limited liability company and **KLIPSCH GROUP, INC.**, an Indiana corporation ("Klipsch", together with ACC, AEC, ACEI, ARC, CSI and IAS, are referred to hereinafter each individually as a "Borrower", and individually and collectively, jointly and severally, as the "Borrowers") and **AUDIOVOX CORPORATION**, Delaware corporation ("Parent").

The parties agree as follows:

1. DEFINITIONS AND CONSTRUCTION.

1.1. **Definitions.**

Capitalized terms used in this Agreement shall have the meanings specified therefor on Schedule 1.1.

1.2. **Accounting Terms.**

Any accounting term used in this Agreement shall have, unless otherwise specifically provided herein, the meaning customarily given in accordance with GAAP, and all financial computations hereunder shall be computed unless otherwise specifically provided herein, in accordance with GAAP as consistently applied and using the same method for inventory valuation as used in the preparation of the financial statements of Parent for the quarter ending November 30, 2010. Notwithstanding anything to the contrary contained in GAAP or any interpretations or other pronouncements by the Financial Accounting Standards Board or otherwise, the term "unqualified opinion" as used herein to refer to opinions or reports provided by accountants shall mean an opinion or report that is unqualified and also does not include any explanation, supplemental comment or other comment concerning the ability of the applicable person to continue as a going concern or the scope of the audit. When used herein, the term "financial statements" shall include the notes and schedules thereto. Whenever the term "Parent" or "Borrowers" is used in respect of a financial covenant or a related definition, it shall be understood to mean Parent, Borrowers and their Subsidiaries on a consolidated basis, unless the context clearly requires otherwise.

1.3. **Code.**

Any terms used in this Agreement that are defined in the Code and pertaining to Collateral located in the United States shall be construed and defined as set forth in the Code unless otherwise defined herein and any terms used in this Agreement that are defined in the PPSA and pertaining to Collateral located in Canada shall be construed and defined as set forth in the PPSA unless otherwise defined herein; provided, that, to the extent that the Code is used to define any term herein and such term is defined differently in different Articles of the Code, the definition of such term contained in Article 9 of the Code shall govern.

1.4. **Construction.**

Unless the context of this Agreement or any other Loan Document clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms "includes" and "including" are not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Loan Document, as the case may be. Section, subsection, clause, schedule, and exhibit references herein are to this Agreement unless otherwise specified. Any reference in this Agreement or in any other Loan Document to any agreement, instrument, or document shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions,

joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). The words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts, and contract rights. Any reference herein or in any other Loan Document to the satisfaction, repayment, or payment in full of the Obligations shall mean the repayment in full in cash or immediately available funds (or, (a) in the case of contingent reimbursement obligations with respect to Letters of Credit, providing Letter of Credit Collateralization, and (b) in the case of obligations with respect to Bank Products (other than Hedge Obligations), providing Bank Product Collateralization) of all of the Obligations (including the payment of any termination amount then applicable (or which would or could become applicable as a result of the repayment of the other Obligations) under Hedge Agreements provided by Hedge Providers) other than (i) unasserted contingent indemnification Obligations, (ii) any Bank Product Obligations (other than Hedge Obligations) that, at such time, are allowed by the applicable Bank Product Provider to remain outstanding without being required to be repaid or cash collateralized, and (iii) any Hedge Obligations that, at such time, are allowed by the applicable Hedge Provider to remain outstanding without being required to be repaid. Any reference herein to any Person shall be construed to include such Person's successors and permitted assigns. Any requirement of a writing contained herein or in any other Loan Document shall be satisfied by the transmission of a Record.

1.5. **Schedules and Exhibits.**

All of the schedules and exhibits attached to this Agreement shall be deemed incorporated herein by reference.

2. LOANS AND TERMS OF PAYMENT.

2.1. **Revolver Advances.**

a. Subject to the terms and conditions of this Agreement, and during the term of this Agreement, each Lender agrees (severally, not jointly or jointly and severally) to make revolving loans to Borrowers which in the aggregate at any one time outstanding are not to exceed the lesser of:such Lender's Commitment, or

i. such Lender's Pro Rata Share of an amount equal to the lesser of:

A. the amount equal to (1) the Maximum Credit less (2) the sum of the Letter of Credit Usage at such time plus the principal amount of Swing Loans outstanding at such time, and

B. the amount equal to (1) the Borrowing Base at such time less (2) the sum of the Letter of Credit Usage at such time plus the principal amount of Swing Loans outstanding at such time.

b. The aggregate principal amount of Revolver Usage based on Eligible Inventory consisting of raw materials shall not exceed $10,000,000.

c. The aggregate principal amount of Revolver Usage based on the Eligible Accounts, Eligible Inventory and Eligible In-Transit Inventory of Dutch Guarantor outstanding at any time shall not exceed $10,000,000 and the aggregate principal amount of Revolver Usage based on the Eligible Inventory and Eligible In-Transit Inventory of Dutch Guarantor outstanding at any time shall not exceed $5,000,000.

d. The aggregate principal amount of Revolver Usage based on the Eligible In-Transit Inventory shall not exceed $20,000,000.

e. Amounts borrowed pursuant to this Section 2.1 and Section 2.3(b) may be repaid and, subject to the terms and conditions of this Agreement, reborrowed at any time during the term of this Agreement. The outstanding principal amount of the Advances, together with interest accrued thereon, shall be due and payable on the Maturity Date or, if earlier, on the date on which they are declared due and payable pursuant to the terms of this Agreement.

f. Anything to the contrary in this Section 2.1 notwithstanding, Agent shall have the right (but not the obligation) to establish, increase, reduce, eliminate, or otherwise adjust reserves from time to time against the Borrowing Base or the Maximum Credit in such amounts, and with respect to such matters as Agent in its Permitted Discretion shall deem necessary or appropriate, including (i) reserves in an amount equal to the Bank Product

Reserve Amount, (ii) reserves in the amount of the Dilution Reserve, (iii) reserves with respect to (A) sums that any Borrower is or its Subsidiaries are required to pay under any Section of this Agreement or any other Loan Document (such as taxes, assessments, insurance premiums, or, in the case of leased assets, rents or other amounts payable under such leases) and has failed to pay when due, and (B) amounts owing by any Borrower or its Subsidiaries to any Person to the extent secured by a Lien on, or trust over, any of the Collateral (other than a Permitted Lien which is a permitted purchase money Lien or the interest of a lessor under a Capital Lease), which Lien or trust, in the Permitted Discretion of Agent likely would be pari passu with or have a priority superior to Agent's Liens (such as Liens or trusts in favor of landlords, warehousemen, carriers, mechanics, materialmen, laborers, or suppliers, or Liens or trusts for ad valorem, excise, sales, or other taxes where given priority under applicable law) in and to such item of the Collateral, (iv) returns, discounts, claims, credits and allowances of any nature that are not paid pursuant to the reduction of Accounts, (v) sales, excise or similar taxes included in the amount of any Accounts reported to Agent, (vi) a change in the turnover, age or mix of the categories of Inventory that adversely affects the aggregate value of all Inventory, (vii) amounts due or to become due to owners and lessors of premises where any Collateral is located, other than for those locations where Agent has received a Collateral Access Agreement that Agent has accepted in writing, (viii) amounts due or to become due to owners and licensors of trademarks and other Intellectual Property used by any Borrower, (ix) in respect of any state of facts which Agent determines in good faith constitutes an Event of Default, (x) Priority Payables and any obligations of Borrowers or Guarantors subject to superpriority liens under the BIA and the Wage Earner Protection Program Act (Canada), (xi) reserves for in-transit Inventory, including freight, taxes, duty and other amounts which Agent reasonably estimates must be paid in connection with such Inventory upon arrival and for delivery to one of the locations of a Borrower, a Canadian Guarantor or Dutch Guarantor for Eligible In-Transit Inventory within the United States of America, Canada or the Netherlands, (xii) to reflect Agent's good faith estimate of the amount of any reserve necessary to reflect changes adverse to Lenders in applicable currency exchange rates or currency exchange markets and (xiii) reserves for matters that adversely affect the Collateral, its value or the amount that Agent might receive from the sale or other disposition thereof or the ability of Agent to realize thereon. To the extent that an event, condition or matter as to any Eligible Accounts, Eligible Inventory or Eligible In-Transit Inventory is addressed pursuant to the treatment thereof within the applicable definition of such terms, Agent shall not also establish a reserve to address the same event, condition or matter.

2.2. **Intentionally Deleted.**

2.3. **Borrowing Procedures and Settlements.**

a. **Procedure for Borrowing**. Each Borrowing shall be made by a written request by an Authorized Person delivered to Agent. Such notice must be received by Agent no later than 12:00 noon (Eastern time) on the Business Day that is the requested Funding Date specifying (i) the amount of such Borrowing, and (ii) the requested Funding Date, which shall be a Business Day; provided, that, if Swing Lender is not obligated to make a Swing Loan as to a requested Borrowing, such notice must be received by Agent no later than 10:00 a.m. (Eastern time) on the Business Day prior to the date that is the requested Funding Date. At Borrower Agent's election, instead of delivering such written request, any Authorized Person may give Agent telephonic notice of such request by the required time except on and after such time as Agent shall notify Borrower Agent that written requests will be required. In such circumstances, each Borrower agrees that any such telephonic notice will be confirmed in writing within 24 hours of the giving of such telephonic notice, but the failure to provide such written confirmation shall not affect the validity of the request.

b. **Making of Swing Loans**. In the case of a request for an Advance and so long as after giving effect thereto the aggregate amount of the outstanding Swing Loans would not exceed $20,000,000, Swing Lender shall make an Advance in the amount of such requested Borrowing (any such Advance made solely by Swing Lender pursuant to this Section 2.3(b) being referred to as a "Swing Loan" and such Advances being referred to as "Swing Loans") to Borrowers on the Funding Date applicable thereto by transferring immediately available funds to the Designated Account. Anything contained herein to the contrary notwithstanding, the Swing Lender may, but shall not be obligated to, make Swing Loans at any time that one or more of the Lenders is a Defaulting Lender. Each Swing Loan shall be deemed to be an Advance hereunder and shall be subject to all the terms and conditions (including Section 3) applicable to other Advances, except that all payments on any Swing Loan shall be payable to Swing Lender solely for its own account. Subject to the provisions of Section 2.3(d)(ii), Swing Lender shall not

make, and shall not be obligated to make, any Swing Loan if Swing Lender has actual knowledge that (i) one or more of the applicable conditions precedent set forth in Section 3 will not be satisfied on the requested Funding Date for the applicable Borrowing, or (ii) the requested Borrowing would exceed the Availability on such Funding Date. Swing Lender shall not otherwise be required to determine whether the applicable conditions precedent set forth in Section 3 have been satisfied on the Funding Date applicable thereto prior to making any Swing Loan. The Swing Loans shall be secured by Agent's Liens, constitute Advances and Obligations hereunder, and bear interest at the rate applicable from time to time to Advances that are Base Rate Loans.

c. **Making of Loans**.

i. In the event that Swing Lender is not obligated to make a Swing Loan, then promptly after receipt of a request for a Borrowing pursuant to Section 2.3(a), Agent shall notify the Lenders, not later than 1:00 p.m. (Eastern time) on the Business Day immediately preceding the Funding Date applicable thereto, by telecopy, telephone, or other similar form of transmission, of the requested Borrowing. Each Lender shall make the amount of such Lender's Pro Rata Share of the requested Borrowing available to Agent in immediately available funds, to Agent Payment Account, not later than 10:00 a.m. (Eastern time) on the Funding Date applicable thereto. After Agent's receipt of the proceeds of such Advances, Agent shall make the proceeds thereof available to Borrowers on the applicable Funding Date by transferring immediately available funds equal to such proceeds received by Agent to the Designated Account; provided, that, subject to the provisions of Section 2.3(d)(ii), Agent shall not request any Lender to make, and no Lender shall have the obligation to make, any Advance if (A) one or more of the applicable conditions precedent set forth in Section 3 will not be satisfied on the requested Funding Date for the applicable Borrowing unless such condition has been waived, or (B) the requested Borrowing would exceed the Availability on such Funding Date.

ii. Unless Agent receives notice from a Lender prior to 9:00 a.m. (Eastern time) on the date of a Borrowing, that such Lender will not make available as and when required hereunder to Agent for the account of Borrowers the amount of that Lender's Pro Rata Share of the Borrowing, Agent may assume that each Lender has made or will make such amount available to Agent in immediately available funds on the Funding Date and Agent may (but shall not be so required), in reliance upon such assumption, make available to Borrowers on such date a corresponding amount. If any Lender shall not have made its full amount available to Agent in immediately available funds and if Agent in such circumstances has made available to Borrowers such amount, that Lender shall on the Business Day following such Funding Date make such amount available to Agent, together with interest at the Defaulting Lender Rate for each day during such period. A notice submitted by Agent to any Lender with respect to amounts owing under this Section 2.3(c)(ii) shall be conclusive, absent manifest error. If such amount is so made available, such payment to Agent shall constitute such Lender's Advance on the date of Borrowing for all purposes of this Agreement. If such amount is not made available to Agent on the Business Day following the Funding Date, Agent will notify Borrowers of such failure to fund and, upon demand by Agent, Borrowers shall pay such amount to Agent for Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Advances composing such Borrowing.

d. **Protective Advances and Optional Overadvances** .

i. Any contrary provision of this Agreement or any other Loan Document notwithstanding, but subject to Section 2.3(d)(iv), Agent is hereby authorized by Borrowers and the Lenders, from time to time, at Agent's option (but Agent shall have no obligation or liability if it elects not to), to make Advances to, or for the benefit of, Borrowers on behalf of the Lenders that Agent, in its Permitted Discretion deems necessary or desirable (A) to preserve or protect the Collateral, or any portion thereof, or (B) to enhance the likelihood of repayment of the Obligations (other than the Bank Product Obligations) (any of the Advances described in this Section 2.3(d)(i) shall be referred to as “Protective Advances”) at any time (1) after the occurrence and during the continuance of a Default or an Event of Default, or (2) that any of the other applicable conditions precedent set forth in Section 3 are not satisfied.

ii. Any contrary provision of this Agreement or any other Loan Document notwithstanding, but subject to Section 2.3(d)(iv), the Lenders hereby authorize Agent or Swing Lender, as applicable, and either Agent or Swing Lender, as applicable, may, but is not obligated to, knowingly and intentionally, continue to make Advances (including Swing Loans) to Borrowers notwithstanding that an Overadvance exists or thereby would be

created, so long as after giving effect to such Advances, the outstanding Revolver Usage (except for and excluding amounts charged to the Loan Account for interest, fees, or Lender Group Expenses) does not exceed the Maximum Credit. In the event Agent obtains actual knowledge that the Revolver Usage exceeds the amounts permitted by the immediately foregoing provisions, regardless of the amount of, or reason for, such excess, Agent shall notify the Lenders as soon as practicable (and prior to making any (or any additional) intentional Overadvances (except for and excluding amounts charged to the Loan Account for interest, fees, or Lender Group Expenses) unless Agent determines that prior notice would result in imminent harm to the Collateral or its value, in which case Agent may make such Overadvances and provide notice as promptly as practicable thereafter), and the Lenders thereupon shall, together with Agent, jointly determine the terms of arrangements that shall be implemented with Borrowers intended to reduce, within a reasonable time, the outstanding principal amount of the Advances to Borrowers to an amount permitted by the preceding sentence. In such circumstances, if any Lender objects to the proposed terms of reduction or repayment of any Overadvance, the terms of reduction or repayment thereof shall be according to the determination of the Required Lenders. In any event: (A) if any unintentional Overadvance remains outstanding for more than thirty (30) days, unless otherwise agreed to by the Required Lenders, Borrowers shall immediately repay Advances in an amount sufficient to eliminate all such unintentional Overadvances, and (2) after the date all such Overadvances have been eliminated, there must be at least five (5) consecutive days before intentional Overadvances are made. The foregoing provisions are meant for the benefit of the Lenders and Agent and are not meant for the benefit of Borrowers, which shall continue to be bound by the provisions of Section 2.5. Each Lender shall be obligated to settle with Agent as provided in Section 2.3(e) (or Section 2.3(g), as applicable) for the amount of such Lender's Pro Rata Share of any unintentional Overadvances by Agent reported to such Lender, any intentional Overadvances made as permitted under this Section 2.3(d)(ii), and any Overadvances resulting from the charging to the Loan Account of interest, fees, or Lender Group Expenses.

iii. Each Protective Advance and each Overadvance shall be deemed to be an Advance hereunder, except that no Protective Advance or Overadvance shall be a LIBOR Rate Loan and, prior to Settlement therefor, all payments on the Protective Advances shall be payable to Agent solely for its own account. The Protective Advances and Overadvances shall be repayable on demand and repaid within one (1) Business Day of such demand, secured by Agent's Liens, constitute Obligations hereunder, and bear interest at the rate applicable from time to time to Advances that are Base Rate Loans. The ability of Agent to make Protective Advances is separate and distinct from its ability to make Overadvances and its ability to make Overadvances is separate and distinct from its ability to make Protective Advances. For the avoidance of doubt, the limitations on Agent's ability to make Protective Advances do not apply to Overadvances and the limitations on Agent's ability to make Overadvances do not apply to Protective Advances. The provisions of this Section 2.3(d) are for the exclusive benefit of Agent, Swing Lender, and the Lenders and are not intended to benefit Borrowers in any way.

iv. Notwithstanding anything contained in this Agreement or any other Loan Document to the contrary: (A) no Overadvance or Protective Advance may be made by Agent if such Advance would cause the aggregate principal amount of Overadvances and Protective Advances outstanding to exceed an amount equal to ten (10%) percent of the Maximum Credit; and (B) to the extent any Protective Advance causes the aggregate Revolver Usage to exceed the Maximum Credit, each such Protective Advance shall be for Agent's sole and separate account and not for the account of any Lender and shall be entitled to priority in repayment in accordance with Section 2.4(b).

e. **Settlement**. It is agreed that each Lender's funded portion of the Advances is intended by the Lenders to equal, at all times, such Lender's Pro Rata Share of the outstanding Advances. Such agreement notwithstanding, Agent, Swing Lender, and the other Lenders agree (which agreement shall not be for the benefit of Borrowers) that in order to facilitate the administration of this Agreement and the other Loan Documents, settlement among the Lenders as to the Advances (including the Swing Loans and the Protective Advances) shall take place on a periodic basis in accordance with the following provisions:

i. Agent shall request settlement ("Settlement") with the Lenders on a weekly basis, or on a more frequent basis, upon the reasonable request of Borrower Agent or, otherwise, if so determined by Agent (A) on behalf of Swing Lender, with respect to the outstanding Swing Loans, (B) for itself, with respect to the outstanding Protective Advances, and (C) with respect to Borrowers' or their Subsidiaries' Collections or payments received, as to each by notifying the Lenders by telecopy, telephone, or other similar form of transmission, of such requested

Settlement, no later than 2:00 p.m. (Eastern time) on the Business Day immediately prior to the date of such requested Settlement (the date of such requested Settlement being the "Settlement Date"). Such notice of a Settlement Date shall include a summary statement of the amount of outstanding Advances, Swing Loans, and Protective Advances for the period since the prior Settlement Date. Subject to the terms and conditions contained herein (including Section 2.3(g)): (1) if the amount of the Advances (including Swing Loans and Protective Advances) made by a Lender that is not a Defaulting Lender exceeds such Lender's Pro Rata Share of the Advances (including Swing Loans and Protective Advances) as of a Settlement Date, then Agent shall, by no later than 12:00 p.m. (Eastern time) on the Settlement Date, transfer in immediately available funds to a Deposit Account of such Lender (as such Lender may designate), an amount such that each such Lender shall, upon receipt of such amount, have as of the Settlement Date, its Pro Rata Share of the Advances (including Swing Loans and Protective Advances), and (2) if the amount of the Advances (including Swing Loans and Protective Advances) made by a Lender is less than such Lender's Pro Rata Share of the Advances (including Swing Loans and Protective Advances) as of a Settlement Date, such Lender shall no later than 12:00 p.m. (Eastern time) on the Settlement Date transfer in immediately available funds to Agent Payment Account, an amount such that each such Lender shall, upon transfer of such amount, have as of the Settlement Date, its Pro Rata Share of the Advances (including Swing Loans and Protective Advances). Such amounts made available to Agent under clause (2) of the immediately preceding sentence shall be applied against the amounts of the applicable Swing Loans or Protective Advances and, together with the portion of such Swing Loans or Protective Advances representing Swing Lender's Pro Rata Share thereof, shall constitute Advances of such Lenders. If any such amount is not made available to Agent by any Lender on the Settlement Date applicable thereto to the extent required by the terms hereof, Agent shall be entitled to recover for its account such amount on demand from such Lender together with interest thereon at the Defaulting Lender Rate.

ii. In determining whether a Lender's balance of the Advances (including Swing Loans and Protective Advances) is less than, equal to, or greater than such Lender's Pro Rata Share of the Advances (including Swing Loans and Protective Advances) as of a Settlement Date, Agent shall, as part of the relevant Settlement, apply to such balance the portion of payments actually received in good funds by Agent with respect to principal, interest, fees payable by Borrowers and allocable to the Lenders hereunder, and proceeds of Collateral.

iii. Between Settlement Dates, Agent, to the extent Protective Advances or Swing Loans are outstanding, may pay over to Agent or Swing Lender, as applicable, any Collections or payments received by Agent, that in accordance with the terms of this Agreement would be applied to the reduction of the Advances, for application to the Protective Advances or Swing Loans. Between Settlement Dates, Agent, to the extent no Protective Advances or Swing Loans are outstanding, may pay over to Swing Lender any Collections or payments received by Agent, that in accordance with the terms of this Agreement would be applied to the reduction of the Advances, for application to Swing Lender's Pro Rata Share of the Advances. If, as of any Settlement Date, Collections or payments of Borrowers or their Subsidiaries received since the then immediately preceding Settlement Date have been applied to Swing Lender's Pro Rata Share of the Advances other than to Swing Loans, as provided for in the previous sentence, Swing Lender shall pay to Agent for the accounts of the Lenders, and Agent shall pay to the Lenders (other than a Defaulting Lender if Agent has implemented the provisions of Section 2.3(g)), to be applied to the outstanding Advances of such Lenders, an amount such that each such Lender shall, upon receipt of such amount, have, as of such Settlement Date, its Pro Rata Share of the Advances. During the period between Settlement Dates, Swing Lender with respect to Swing Loans, Agent with respect to Protective Advances, and each Lender (subject to the effect of agreements between Agent and individual Lenders) with respect to the Advances other than Swing Loans and Protective Advances, shall be entitled to interest at the applicable rate or rates payable under this Agreement on the daily amount of funds employed by Swing Lender, Agent, or the Lenders, as applicable.

iv. Anything in this Section 2.3(e) to the contrary notwithstanding, in the event that a Lender is a Defaulting Lender, Agent shall be entitled to refrain from remitting settlement amounts to the Defaulting Lender and, instead, shall be entitled to elect to act in accordance with Section 2.3(g).

f. **Notation**. Agent, as a non-fiduciary agent for Borrowers, shall maintain a register showing the principal amount of the Advances owing to each Lender, including the Swing Loans owing to Swing Lender, and Protective Advances owing to Agent, and the interests therein of each Lender, from time to time and such register shall, absent manifest error, conclusively be presumed to be correct and accurate.

g. **Defaulting Lenders**. Agent shall not be obligated to transfer to a Defaulting Lender any payments made by any Borrower to Agent for the Defaulting Lender's benefit or any Collections or proceeds of Collateral that would otherwise be remitted hereunder to the Defaulting Lender, and, in the absence of such transfer to the Defaulting Lender, Agent shall transfer any such payments (A) first, to Swing Lender to the extent of any Swing Loans that were made by Swing Lender and that were required to be, but were not, repaid by the Defaulting Lender, (B) second, to the Issuing Lender, to the extent of the portion of a Letter of Credit Disbursement that was required to be, but was not, repaid by the Defaulting Lender, (C) third, to each non-Defaulting Lender ratably in accordance with their Commitments (but, in each case, only to the extent that such Defaulting Lender's portion of an Advance (or other funding obligation) was funded by such other non-Defaulting Lender), (D) to a suspense account maintained by Agent, the proceeds of which shall be retained by Agent and may be made available to be re-advanced to or for the benefit of Borrowers as if such Defaulting Lender had made its portion of Advances (or other funding obligations) hereunder, and (E) from and after the date on which all other Obligations have been paid in full, to such Defaulting Lender in accordance with clause (L) of Section 2.4(b)(ii). Subject to the foregoing, Agent may hold and, in its Permitted Discretion, re-lend to Borrowers for the account of such Defaulting Lender the amount of all such payments received and retained by Agent for the account of such Defaulting Lender. Solely for the purposes of voting or consenting to matters with respect to the Loan Documents (including the calculation of Pro Rata Share in connection therewith) and for the purpose of calculating the fee payable under Section 2.10(b), such Defaulting Lender shall be deemed not to be a "Lender" and such Lender's Commitment shall be deemed to be zero; provided, that, the foregoing shall not apply to any of the matters governed by Section 14.1(a)(i) through (iii). The provisions of this Section 2.3(g) shall remain effective with respect to such Defaulting Lender until the earlier of (1) the date on which the non-Defaulting Lenders, Agent, and Borrowers shall have waived, in writing, the application of this Section 2.3(g) to such Defaulting Lender, or (2) the date on which such Defaulting Lender makes payment of all amounts that it was obligated to fund hereunder, pays to Agent all amounts owing by Defaulting Lender in respect of the amounts that it was obligated to fund hereunder, and, if requested by Agent, provides adequate assurance of its ability to perform its future obligations hereunder. The operation of this Section 2.3(g) shall not be construed to increase or otherwise affect the Commitment of any Lender, to relieve or excuse the performance by such Defaulting Lender or any other Lender of its duties and obligations hereunder, or to relieve or excuse the performance by Borrowers of their duties and obligations hereunder to Agent or to the Lenders other than such Defaulting Lender. Any failure by a Defaulting Lender to fund amounts that it was obligated to fund hereunder shall constitute a material breach by such Defaulting Lender of this Agreement and shall entitle Borrowers, at their option, upon written notice to Agent, to arrange for a substitute Lender to assume the Commitment of such Defaulting Lender, such substitute Lender to be reasonably acceptable to Agent. In connection with the arrangement of such a substitute Lender, the Defaulting Lender shall have no right to refuse to be replaced hereunder, and agrees to execute and deliver a completed form of Assignment and Acceptance in favor of the substitute Lender (and agrees that it shall be deemed to have executed and delivered such document if it fails to do so) subject only to being repaid its share of the outstanding Obligations (other than Bank Product Obligations, but including (1) all interest, fees, and other amounts that may be due and payable in respect thereof, and (2) an assumption of its Pro Rata Share of the Letters of Credit); provided, that, any such assumption of the Commitment of such Defaulting Lender shall not be deemed to constitute a waiver of any of the Lender Groups' or any Borrower's rights or remedies against any such Defaulting Lender arising out of or in relation to such failure to fund. In the event of a direct conflict between the priority provisions of this Section 2.3(g) and any other provision contained in this Agreement or any other Loan Document, it is the intention of the parties hereto that such provisions be read together and construed, to the fullest extent possible, to be in concert with each other. In the event of any actual, irreconcilable conflict that cannot be resolved as aforesaid, the terms and provisions of this Section 2.3(g) shall control and govern.

h. **Independent Obligations**. All Advances (other than Swing Loans and Protective Advances) shall be made by the Lenders contemporaneously and in accordance with their Pro Rata Shares. It is understood that (i) no Lender shall be responsible for any failure by any other Lender to perform its obligation to make any Advance (or other extension of credit) hereunder, nor shall any Commitment of any Lender be increased or decreased as a result of any failure by any other Lender to perform its obligations hereunder, and (ii) no failure by any Lender to perform its obligations hereunder shall excuse any other Lender from its obligations hereunder.

2.4. **Payments; Reductions of Commitments; Prepayments.**

a. **Payments by Borrowers**.

i. Except as otherwise expressly provided herein, all payments by any Borrower or Guarantor shall be made to Agent Payment Account for the account of the Lender Group and shall be made in immediately available funds, no later than 12:00 noon (Eastern time) on the date specified herein. Any payment received by Agent later than 12:00 noon (Eastern time) shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue until such following Business Day.

ii. Unless Agent receives notice from Borrower Agent prior to the date on which any payment is due to the Lenders that Borrowers will not make such payment in full as and when required, Agent may assume that Borrowers have made (or will make) such payment in full to Agent on such date in immediately available funds and Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent Borrowers do not make such payment in full to Agent on the date when due, each Lender severally shall repay to Agent on demand such amount distributed to such Lender, together with interest thereon at the Defaulting Lender Rate for each day from the date such amount is distributed to such Lender until the date repaid.

b. **Apportionment and Application**.

i. So long as no Application Event has occurred and is continuing and except as otherwise provided herein with respect to Defaulting Lenders, all principal and interest payments received by Agent shall be apportioned ratably among the Lenders (according to the unpaid principal balance of the Obligations to which such payments relate held by each Lender) and all payments of fees and expenses received by Agent (other than fees or expenses that are for Agent's separate account or for the separate account of the Issuing Lender) shall be apportioned ratably among the Lenders having a Pro Rata Share of the type of Commitment or Obligation to which a particular fee or expense relates. All payments to be made hereunder by Borrowers shall be remitted to Agent and all (subject to Section 2.4(b)(iv), Section 2.4(d), and Section 2.4(e)) such payments, and all proceeds of Collateral received by Agent, shall be applied, so long as no Application Event has occurred and is continuing, to reduce the balance of the Advances outstanding and, thereafter, to Borrowers (to be wired to the Designated Account) or such other Person entitled thereto under applicable law.

ii. At any time that an Application Event has occurred and is continuing and except as otherwise provided herein with respect to Defaulting Lenders, all payments remitted to Agent and all proceeds of Collateral received by Agent shall be applied as follows:

A. first, to pay any Lender Group Expenses (including cost or expense reimbursements) or indemnities then due to Agent under the Loan Documents, until paid in full,

B. second, to pay any fees then due to Agent under the Loan Documents until paid in full,

C. third, to pay interest due in respect of all Protective Advances until paid in full,

D. fourth, to pay the principal of all Protective Advances until paid in full,

E. fifth, ratably, to pay any Lender Group Expenses (including cost or expense reimbursements) or indemnities then due to any of the Lenders under the Loan Documents, until paid in full,

F. sixth, ratably, to pay any fees then due to any of the Lenders under the Loan Documents until paid in full,

G. seventh, to pay interest accrued in respect of the Swing Loans until paid in full,

H. eighth, to pay the principal of all Swing Loans until paid in full,

I. ninth, ratably, to pay interest accrued in respect of the Advances (other than Protective Advances and Swing Loans) until paid in full,

J. tenth, ratably (i) to Agent (for the account of Lenders), to pay the principal of all Advances until paid in full, (ii) to Agent, to be held by Agent, for the benefit of Issuing Lender (and for the ratable benefit of each of the Lenders that have an obligation to pay to Agent, for the account of the Issuing Lender, a share of each Letter of Credit Disbursement), as cash collateral in an amount up to one hundred five (105%) percent of the Letter

of Credit Usage (to the extent permitted by applicable law, such cash collateral shall be applied to the reimbursement of any Letter of Credit Disbursement as and when such disbursement occurs and, if a Letter of Credit expires undrawn, the cash collateral held by Agent in respect of such Letter of Credit shall, to the extent permitted by applicable law, be reapplied pursuant to this Section 2.4(b)(ii), beginning with clause (A) hereof), and (iii) ratably, to the Bank Product Providers based upon amounts then certified by the applicable Bank Product Provider to Agent (in form and substance satisfactory to Agent) to be due and payable to such Bank Product Providers on account of Bank Product Obligations but only to the extent of the then Bank Product Reserve Amount then in effect with respect to such Bank Product Obligations,

K. eleventh, ratably, to the Bank Product Providers based upon amounts certified by the applicable Bank Product Provider to Agent (in form and substance satisfactory to Agent) to be due and payable on account of Bank Product Obligations (other than Bank Product Obligations paid pursuant to clause (J) above),

L. twelfth, to pay any other Obligations other than Obligations owed to Defaulting Lenders,

M. thirteenth, ratably to pay any Obligations owed to Defaulting Lenders; and

N. fourteenth, to Borrowers (to be wired to the Designated Account) or such other Person entitled thereto under applicable law.

iii. Agent promptly shall distribute to each Lender, pursuant to the applicable wire instructions received from each Lender in writing, such funds as it may be entitled to receive, subject to a Settlement delay as provided in Section 2.3(e).

iv. In each instance, so long as no Application Event has occurred and is continuing, Section 2.4(b)(ii) shall not apply to any payment made by any Borrower to Agent and specified by such Borrower to be for the payment of specific Obligations then due and payable (or prepayable) under any provision of this Agreement or any other Loan Document.

v. For purposes of Section 2.4(b)(ii), "paid in full" of a type of Obligation means payment in cash or immediately available funds of all amounts owing on account of such type of Obligation, including interest accrued after the commencement of any Insolvency Proceeding, default interest, interest on interest, and expense reimbursements, irrespective of whether any of the foregoing would be or is allowed or disallowed in whole or in part in any Insolvency Proceeding.

vi. In the event of a direct conflict between the priority provisions of this Section 2.4 and any other provision contained in this Agreement or any other Loan Document, it is the intention of the parties hereto that such provisions be read together and construed, to the fullest extent possible, to be in concert with each other. In the event of any actual, irreconcilable conflict that cannot be resolved as aforesaid, if the conflict relates to the provisions of Section 2.3(g) and this Section 2.4, then the provisions of Section 2.3(g) shall control and govern, and if otherwise, then the terms and provisions of this Section 2.4 shall control and govern.

c. **Reduction of Commitments**. The Commitments shall terminate on the Maturity Date. Borrowers may reduce the Commitments, without premium or penalty, to an amount not less than the greater of (i) the sum of (A) the Revolver Usage as of such date, plus (B) the principal amount of all Advances not yet made as to which a request has been given by Borrowers under Section 2.3(a), plus (C) the amount of all Letters of Credit not yet issued as to which a request has been given by Borrowers pursuant to Section 2.11(a) and (ii) $150,000,000. Each such reduction shall be in an amount which is not less than $5,000,000, shall be made by providing not less than ten (10) Business Days prior written notice to Agent and shall be irrevocable. Once reduced, the Commitments may not be increased. Each such reduction of the Commitments shall reduce the Commitment of each Lender proportionately in accordance with its Pro Rata Share thereof.

d. **Optional Prepayments**. Borrowers may prepay the principal of any Advance at any time in whole or in part, without premium or penalty.

e. **Mandatory Prepayments**.

i. **Borrowing Base**. If, at any time, the Revolver Usage on such date exceeds the lesser of the Borrowing Base or the Maximum Credit (any such excess being referred to as the "Overadvance"), then Borrowers shall, within one (1) Business Day, prepay the Obligations in accordance with Section 2.4(f) in an

aggregate amount equal to any such excess, as applicable, except as otherwise provided with respect to any Protective Advance or Overadvance by Agent made in accordance with Section 2.3(d). Notwithstanding anything to the contrary set forth in this Agreement or any of the other Loan Documents, Borrower Agent and the other Borrowers shall not request, and Agent and Lenders shall not be required to make or provide, Advances or Letters of Credit, at any time that there exists an Overadvance.

ii. **Dispositions**. Within one (1) Business Day of the date of receipt by any Loan Party of the Net Cash Proceeds of any voluntary or involuntary sale or disposition by any Loan Party of assets (including casualty losses or condemnations but excluding sales or dispositions which qualify as Permitted Dispositions under clauses (a), (b), (c), or (d) of the definition of Permitted Dispositions), such Borrower shall prepay the outstanding principal amount of the Obligations in accordance with Section 2.4(f) in an amount equal to one hundred (100%) percent of such Net Cash Proceeds (including condemnation awards and payments in lieu thereof) received by such Person in connection with such sales or dispositions. Nothing contained in this Section 2.4(e)(ii) shall permit any Loan Party to sell or otherwise dispose of any assets other than in accordance with Section 6.4.

iii. **Extraordinary Receipts**. At any time during a Cash Dominion Event, within one (1) Business Day of the date of receipt by any Loan Party of any Extraordinary Receipts, Borrowers shall prepay the outstanding principal amount of the Obligations in accordance with Section 2.4(f) in an amount equal to one hundred (100%) percent of such Extraordinary Receipts, net of any reasonable expenses incurred in collecting such Extraordinary Receipts.

iv. **Indebtedness**. At any time during a Cash Dominion Event, within one (1) Business Day of the date of incurrence by any Loan Party of any Indebtedness (other than Capital Lease Obligations), Borrowers shall prepay the outstanding principal amount of the Obligations in accordance with Section 2.4(f) in an amount equal to one hundred (100%) percent of the Net Cash Proceeds received by such Person in connection with such incurrence. The provisions of this Section 2.4(e)(iv) shall not be deemed to be consent to any such incurrence otherwise prohibited by the terms and conditions of this Agreement.

v. **Equity**. At any time during a Cash Dominion Event, within (1) Business Day of the date of the issuance by any Loan Party of any shares of its or their Stock or of the receipt by any Loan Party of any capital contribution, such Borrower shall prepay the outstanding principal amount of the Obligations in accordance with Section 2.4(f) in an amount equal to one hundred (100%) percent of the Net Cash Proceeds received by such Person in connection with such issuance or such capital contribution (other than (A) in the event that such Borrower or any its Subsidiaries forms any Subsidiary in accordance with the terms hereof, the issuance by such Subsidiary of Stock to such Borrowers or any of its Subsidiaries, as applicable, (B) the issuance of Stock of Parent to directors, officers and employees of Parent pursuant to employee stock option plans (or other employee incentive plans or other compensation arrangements) approved by the Board of Directors, and (C) the issuance of Stock of Parent in order to finance the purchase consideration (or a portion thereof) in connection with a Permitted Acquisition). The provisions of this Section 2.4(e)(v) shall not be deemed to be implied consent to any such issuance or capital contribution otherwise prohibited by the terms and conditions of this Agreement.

f. **Application of Payments**.

Each prepayment pursuant to Section 2.4(e)(i) shall, (i) so long as no Application Event shall have occurred and be continuing, be applied, first, to the outstanding principal amount of the Advances until paid in full, and second, to cash collateralize the Letters of Credit in an amount equal to one hundred five (105%) percent of the then outstanding Letter of Credit Usage and (ii) if an Application Event shall have occurred and be continuing, be applied in the manner set forth in Section 2.4(b)(ii).

2.5. **Intentionally Omitted.**

2.6. **Interest Rates and Letter of Credit Fee: Rates, Payments, and Calculations.**

a. **Interest Rates**. Except as provided in Section 2.6(c), all Obligations (except for undrawn Letters of Credit) that have been charged to the Loan Account pursuant to the terms hereof shall bear interest on the Daily Balance thereof as follows:

i. if the relevant Obligation is a LIBOR Rate Loan, at a per annum rate equal to the LIBOR Rate plus the Applicable Margin for LIBOR Rate Loans, and

ii. otherwise, at a per annum rate equal to the Base Rate plus the Applicable Margin for Base Rate Loans.

b. **Letter of Credit Fee**. Borrowers shall pay Agent (for the ratable benefit of the Lenders, subject to any agreements between Agent and individual Lenders), a Letter of Credit fee (in addition to the charges, commissions, fees, and costs set forth in Section 2.11(e)) which shall accrue at a per annum rate equal to the Applicable Margin for LIBOR Rate Loans times the Daily Balance of the undrawn amount of all outstanding Letters of Credit.

c. **Default Rate**. Upon the occurrence and during the continuation of an Event of Default,

i. all Obligations (except for undrawn Letters of Credit) that have been charged to the Loan Account pursuant to the terms hereof shall, upon two (2) Business Days' prior written notice by Agent to Borrower Agent, bear interest on the Daily Balance thereof at a per annum rate equal to two (2) percentage points above the per annum rate otherwise applicable thereunder, and

ii. the Letter of Credit fee provided for in Section 2.6(b) shall, upon two (2) Business Days' prior written notice by Agent to Borrower Agent, be increased to 2 percentage points above the per annum rate otherwise applicable hereunder.

d. **Payment**. Except to the extent provided to the contrary in Section 2.10 or Section 2.12(a), all interest, all Letter of Credit fees, all usage charges, all other fees payable hereunder or under any of the other Loan Documents, and all costs, expenses, and Lender Group Expenses payable hereunder or under any of the other Loan Documents shall be due and payable, in arrears, on the first day of each month at any time that Obligations or Commitments are outstanding. Each Borrower hereby authorizes Agent, from time to time without prior notice to such Borrower, to charge all interest, Letter of Credit fees, and all other fees payable hereunder or under any of the other Loan Documents (in each case, as and when due and payable), all costs, expenses, and Lender Group Expenses payable hereunder or under any of the other Loan Documents (in each case, as and when incurred), all charges, commissions, fees, and costs provided for in Section 2.11(g) (as and when accrued or incurred and due and payable), all fees and costs provided for in Section 2.10 (as and when accrued or incurred and due and payable), and all other payments as and when due and payable under any Loan Document or any Bank Product Agreement (including any amounts due and payable to the Bank Product Providers in respect of Bank Products) to the Loan Account, which amounts thereafter shall constitute Advances hereunder and shall accrue interest at the rate then applicable to Advances that are Base Rate Loans. Any interest, fees, costs, expenses, Lender Group Expenses, or other amounts payable hereunder or under any other Loan Document or under any Bank Product Agreement that are charged to the Loan Account shall thereafter constitute Advances hereunder and shall initially accrue interest at the rate then applicable to Advances that are Base Rate Loans (unless and until converted into LIBOR Rate Loans in accordance with the terms of this Agreement).

e. **Computation**. All interest and fees chargeable under the Loan Documents shall be computed on the basis of a three hundred sixty (360) day year (or three hundred sixty-five (365) or three hundred sixty-six (366) days, in the case of Advances for which the Base Rate is used), in each case, for the actual number of days elapsed in the period during which the interest or fees accrue. In the event the Base Rate is changed from time to time hereafter, the rates of interest hereunder based upon the Base Rate automatically and immediately shall be increased or decreased by an amount equal to such change in the Base Rate.

f. **Intent to Limit Charges to Maximum Lawful Rate** . In no event shall the interest rate or rates payable under this Agreement, plus any other amounts paid in connection herewith, exceed the highest rate permissible under any law that a court of competent jurisdiction shall, in a final determination, deem applicable. Each Borrower and the Lender Group, in executing and delivering this Agreement, intend legally to agree upon the rate or rates of interest and manner of payment stated within it; provided, that, anything contained herein to the contrary notwithstanding, if said rate or rates of interest or manner of payment exceeds the maximum allowable under applicable law, then, *ipso facto*, as of the date of this Agreement, Borrowers are and shall be liable only for the payment of such maximum as allowed by law, and payment received from Borrowers in excess of such legal maximum, whenever received, shall be applied to reduce the principal balance of the Obligations to the extent of such excess.

2.7. **Crediting Payments.**

The receipt of any payment item by Agent shall not be considered a payment on account unless such payment item is a wire transfer of immediately available federal funds made to the Agent Payment Account or unless and until such payment item is honored when presented for payment. Should any payment item not be honored when presented for payment, then Borrowers shall be deemed not to have made such payment and interest shall be calculated accordingly. Anything to the contrary contained herein notwithstanding, any payment item shall be deemed received by Agent only if it is received into the Agent Payment Account on a Business Day on or before 12:00 noon (Eastern time). If any payment item is received into the Agent Payment Account on a non-Business Day or after 12:00 noon (Eastern time) on a Business Day, it shall be deemed to have been received by Agent as of the opening of business on the immediately following Business Day.

2.8. **Designated Account.**

Agent is authorized to make the Advances, and Issuing Lender is authorized to issue the Letters of Credit, under this Agreement based upon telephonic or other instructions received from anyone purporting to be an Authorized Person or, without instructions, if pursuant to Section 2.6(d). Borrowers agree to establish and maintain the Designated Account with the Designated Account Bank for the purpose of receiving the proceeds of the Advances requested by Borrowers and made by Agent or the Lenders hereunder. Unless otherwise agreed by Agent and Borrowers, any Advance or Swing Loan requested by Borrowers and made by Agent or the Lenders hereunder shall be made to the Designated Account.

2.9. **Maintenance of Loan Account; Statements of Obligations.**

Agent shall maintain an account on its books in the name of Borrowers (the " Loan Account") on which Borrowers will be charged with all Advances (including Protective Advances and Swing Loans) made by Agent, Swing Lender, or the Lenders to Borrowers or for Borrowers' account, the Letters of Credit issued or arranged by Issuing Lender for Borrowers' account, and with all other payment Obligations hereunder or under the other Loan Documents, including, accrued interest, fees and expenses, and Lender Group Expenses. In accordance with Section 2.7, the Loan Account will be credited with all payments received by Agent from Borrowers or for any Borrower's account. Agent shall render monthly statements regarding the Loan Account to Borrowers, including principal, interest, fees, and including an itemization of all charges and expenses constituting Lender Group Expenses owing, and such statements, absent manifest error, shall be conclusively presumed to be correct and accurate and constitute an account stated between Borrowers and the Lender Group unless, within thirty (30) days after receipt thereof by Borrowers, Borrowers shall deliver to Agent written objection thereto describing the error or errors contained in any such statements.

2.10. **Fees.**

a. Borrowers shall pay to Agent, for the account of Agent, as and when due and payable under the terms of the Fee Letter, the fees set forth in the Fee Letter.

b. Borrowers shall pay to Agent, for the account of Lenders, a monthly unused line fee payable in arrears on the first day of each month from and after the Closing Date up to the first day of the month prior to the Payoff Date and on the Payoff Date, in an amount equal to, commencing on the Closing Date and ending on May 31, 2011, one-half of one (0.50%) percent per annum times the result of (i) the aggregate amount of the Commitments, less (ii) the average Daily Balance of the Revolver Usage during the immediately preceding month (or portion thereof), which rate shall be adjusted thereafter as of the first day of every three month period to an amount equal to (A) one half of one (0.50%) percent per annum if the average Daily Balance of the Revolver Usage in any month during the immediately preceding three (3) month period was less than fifty (50%) percent of the Maximum Credit and (ii) three hundred and seventy-five one-thousandths of one (0.375%) percent per annum if the average Daily Balance of the Revolver Usage in any month during the immediately preceding three (3) month period was greater than fifty (50%) percent of the Maximum Credit.

2.11. **Letters of Credit.**

a. Subject to the terms and conditions of this Agreement, upon the request of Borrower Agent made in accordance herewith, the Issuing Lender agrees to issue, or to cause an Underlying Issuer (including, as Issuing Lender's agent) to issue, a requested Letter of Credit. Issuing Lender shall not, and shall be under no obligation to, issue or cause to be issued any Letter of Credit if any of the conditions set forth in Section 3.2 herein will not be

satisfied immediately prior to, or immediately after giving effect to, the issuance of such Letter of Credit. If Issuing Lender, at its option, elects to cause an Underlying Issuer to issue a requested Letter of Credit, then Issuing Lender agrees that it will enter into arrangements relative to the reimbursement of such Underlying Issuer (which may include, among, other means, by becoming an applicant with respect to such Letter of Credit or entering into undertakings which provide for reimbursements of such Underlying Issuer with respect to such Letter of Credit; each such obligation or undertaking, irrespective of whether in writing, a "Reimbursement Undertaking") with respect to Letters of Credit issued by such Underlying Issuer. By submitting a request to Issuing Lender for the issuance of a Letter of Credit, Borrowers shall be deemed to have requested that Issuing Lender issue or that an Underlying Issuer issue the requested Letter of Credit and to have requested Issuing Lender to issue a Reimbursement Undertaking with respect to such requested Letter of Credit if it is to be issued by an Underlying Issuer (it being expressly acknowledged and agreed by each Borrower that Borrowers are and shall be deemed to be applicants (within the meaning of Section 5-102(a)(2) of the Code) with respect to each Underlying Letter of Credit). Each request for the issuance of a Letter of Credit, or the amendment, renewal, or extension of any outstanding Letter of Credit, shall be made in writing by an Authorized Person and delivered to the Issuing Lender via hand delivery, telefacsimile, or other electronic method of transmission reasonably in advance of the requested date of issuance, amendment, renewal, or extension. Each such request shall be in form and substance reasonably satisfactory to the Issuing Lender and shall specify (i) the amount of such Letter of Credit, (ii) the date of issuance, amendment, renewal, or extension of such Letter of Credit, (iii) the expiration date of such Letter of Credit, (iv) the name and address of the beneficiary of the Letter of Credit, and (v) such other information (including, in the case of an amendment, renewal, or extension, identification of the Letter of Credit to be so amended, renewed, or extended) as shall be necessary to prepare, amend, renew, or extend such Letter of Credit. Anything contained herein to the contrary notwithstanding, the Issuing Lender may, but shall not be obligated to, issue or cause the issuance of a Letter of Credit or to issue a Reimbursement Undertaking in respect of an Underlying Letter of Credit, in either case, that supports the obligations of a Loan Party (A) in respect of a lease of Real Property or an employment contract, (1) in the case of a Letter of Credit in connection with such a lease, with a face amount in excess of the amount equal to (x) the amount of rent under such lease, without acceleration, for the greater of one year or fifteen (15%) percent, not to exceed three (3) years, of the remaining term of such lease minus (y) the amount of any cash or other collateral to secure the obligations of a Loan Party in respect of such lease and (2) in the case of a Letter of Credit in connection with an employment contract, with a face amount in excess of the compensation provided by such contract, without acceleration, for a one year period, or (B) at any time that one or more of the Lenders is a Defaulting Lender.

b. The Issuing Lender shall have no obligation to issue a Letter of Credit or a Reimbursement Undertaking in respect of an Underlying Letter of Credit, in either case, if any of the following would result after giving effect to the requested issuance:

i. the Letter of Credit Usage (including Swing Loans) would exceed the Borrowing Base less the outstanding amount of Advances (including Swing Loans), or

ii. the Letter of Credit Usage would exceed $25,000,000, or

iii. the Letter of Credit Usage would exceed the Maximum Credit less the outstanding amount of Advances (including Swing Loans).

c. Borrowers and the Lender Group hereby acknowledge and agree that all Existing Letters of Credit shall constitute Letters of Credit under this Agreement on and after the Closing Date with the same effect as if such Existing Letters of Credit were issued by Issuing Lender or an Underlying Issuer at the request of Borrowers on the Closing Date. Each Letter of Credit shall be in form and substance reasonably acceptable to the Issuing Lender, including the requirement that the amounts payable thereunder must be payable in Dollars. If Issuing Lender makes a payment under a Letter of Credit or an Underlying Issuer makes a payment under an Underlying Letter of Credit, Borrowers shall pay to Agent an amount equal to the applicable Letter of Credit Disbursement on the date such Letter of Credit Disbursement is made and, in the absence of such payment, the amount of the Letter of Credit Disbursement immediately and automatically shall be deemed to be an Advance hereunder and, initially, shall bear interest at the rate then applicable to Advances that are Base Rate Loans. If a Letter of Credit Disbursement is deemed to be an Advance hereunder, Borrowers' obligation to pay the amount of such Letter of Credit Disbursement to Issuing Lender shall be discharged and replaced by the resulting Advance. Promptly following

receipt by Agent of any payment from Borrowers pursuant to this paragraph, Agent shall distribute such payment to the Issuing Lender or, to the extent that Lenders have made payments pursuant to Section 2.11(d) to reimburse the Issuing Lender, then to such Lenders and the Issuing Lender as their interests may appear.

d. Promptly following receipt of a notice of a Letter of Credit Disbursement pursuant to Section 2.11(a), each Lender agrees to fund its Pro Rata Share of any Advance deemed made pursuant to Section 2.11(a) on the same terms and conditions as if Borrowers had requested the amount thereof as an Advance and Agent shall promptly pay to Issuing Lender the amounts so received by it from the Lenders. By the issuance of a Letter of Credit or a Reimbursement Undertaking (or an amendment to a Letter of Credit or a Reimbursement Undertaking increasing the amount thereof) and without any further action on the part of the Issuing Lender or the Lenders, the Issuing Lender shall be deemed to have granted to each Lender, and each Lender shall be deemed to have purchased, a participation in each Letter of Credit issued by Issuing Lender and each Reimbursement Undertaking, in an amount equal to its Pro Rata Share of such Letter of Credit or Reimbursement Undertaking, and each such Lender agrees to pay to Agent, for the account of the Issuing Lender, such Lender's Pro Rata Share of any Letter of Credit Disbursement made by Issuing Lender or an Underlying Issuer under the applicable Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to Agent, for the account of the Issuing Lender, such Lender's Pro Rata Share of each Letter of Credit Disbursement made by Issuing Lender or an Underlying Issuer and not reimbursed by Borrowers on the date due as provided in Section 2.11(a), or of any reimbursement payment required to be refunded to Borrowers for any reason. Each Lender acknowledges and agrees that its obligation to deliver to Agent, for the account of the Issuing Lender, an amount equal to its respective Pro Rata Share of each Letter of Credit Disbursement pursuant to this Section 2.11(d) shall be absolute and unconditional and such remittance shall be made notwithstanding the occurrence or continuation of an Event of Default or Default or the failure to satisfy any condition set forth in Section 3. If any such Lender fails to make available to Agent the amount of such Lender's Pro Rata Share of a Letter of Credit Disbursement as provided in this Section, such Lender shall be deemed to be a Defaulting Lender and Agent (for the account of the Issuing Lender) shall be entitled to recover such amount on demand from such Lender together with interest thereon at the Defaulting Lender Rate until paid in full.

e. Each Borrower hereby agrees to indemnify, save, defend, and hold the Lender Group and each Underlying Issuer harmless from any damage, loss, cost, expense, or liability (other than Taxes, which shall be governed by Section 16), and reasonable attorneys fees incurred by Issuing Lender, any other member of the Lender Group, or any Underlying Issuer arising out of or in connection with any Reimbursement Undertaking or any Letter of Credit; provided, that, no Borrower shall be obligated hereunder to indemnify for any loss, cost, expense, or liability that a court of competent jurisdiction finally determines to have resulted from the gross negligence or willful misconduct of the Issuing Lender, any other member of the Lender Group, or any Underlying Issuer. Each Borrower agrees to be bound by the Underlying Issuer's regulations and interpretations of any Letter of Credit or by Issuing Lender's interpretations of any Reimbursement Undertaking even though this interpretation may be different from such Borrower's own, and each Borrower understands and agrees that none of the Issuing Lender, the Lender Group, or any Underlying Issuer shall be liable for any error, negligence, or mistake, whether of omission or commission (except to the extent caused by the gross negligence or willful misconduct of the Issuing Lender, any other member of the Lender Group or any Underlying Issuer as determined pursuant to a final, non-appealable order of a court of competent jurisdiction), in following any Borrower's instructions or those contained in the Letter of Credit or any modifications, amendments, or supplements thereto. Each Borrower understands that the Reimbursement Undertakings may require Issuing Lender to indemnify the Underlying Issuer for certain costs or liabilities arising out of claims by a Borrower against such Underlying Issuer. Each Borrower hereby agrees to indemnify, save, defend, and hold Issuing Lender and the other members of the Lender Group harmless with respect to any loss, cost, expense (including reasonable attorneys fees), or liability (other than Taxes, which shall be governed by Section 16) incurred by them as a result of the Issuing Lender's indemnification of an Underlying Issuer; provided, that, no Borrower shall be obligated hereunder to indemnify for any such loss, cost, expense, or liability to the extent that it is caused by the gross negligence or willful misconduct of the Issuing Lender or any other member of the Lender Group as determined pursuant to a final, non-appealable order of a court of competent jurisdiction. Each Borrower hereby acknowledges and agrees that none of the Issuing Lender, any other member of the Lender Group, or any Underlying Issuer shall be responsible for delays, errors, or omissions resulting from the malfunction of equipment in connection with any Letter of Credit.

f. Each Borrower hereby authorizes and directs any Underlying Issuer to deliver to the Issuing Lender all instruments, documents, and other writings and property received by such Underlying Issuer pursuant to such Underlying Letter of Credit and to accept and rely upon the Issuing Lender's instructions with respect to all matters arising in connection with such Underlying Letter of Credit and the related application.

g. Any and all customary issuance charges, commissions, fees, and costs incurred by the Issuing Lender relating to Underlying Letters of Credit shall be Lender Group Expenses for purposes of this Agreement and shall be reimbursable immediately (but, in any event, paid by Borrowers not later than within one (1) Business Day of the incurrence of such Lender Group Expenses) by Borrowers to Agent for the account of the Issuing Lender. The parties hereto acknowledge and agree that the usage charge imposed by the Underlying Issuer is twenty-five one-hundredths (.25%) percent per annum times the undrawn amount of each Underlying Letter of Credit (payable in accordance with Section 2.6(d) hereof) and that the Underlying Issuer also imposes a schedule of charges for amendments, extensions, drawings, and renewals.

h. If by reason of (i) any change after the Closing Date in any applicable law, treaty, rule, or regulation or any change in the interpretation or application thereof by any Governmental Authority, or (ii) compliance by the Issuing Lender, any other member of the Lender Group, or Underlying Issuer with any direction, request, or requirement (irrespective of whether having the force of law) of any Governmental Authority or monetary authority after the Closing Date including, Regulation D of the Federal Reserve Board as from time to time in effect (and any successor thereto):

i. any reserve, deposit, or similar requirement is or shall be imposed or modified in respect of any Letter of Credit issued or caused to be issued hereunder or hereby, or

ii. there shall be imposed on the Issuing Lender, any other member of the Lender Group, or Underlying Issuer any other condition regarding any Letter of Credit or Reimbursement Undertaking,

and the result of the foregoing is to increase, directly or indirectly, the cost to the Issuing Lender, any other member of the Lender Group, or an Underlying Issuer of issuing, making, guaranteeing, or maintaining any Reimbursement Undertaking or Letter of Credit or to reduce the amount receivable in respect thereof, then, and in any such case, Agent may, at any time within a reasonable period after the additional cost is incurred or the amount received is reduced, notify Borrower Agent, and Borrowers shall pay within thirty (30) days after demand therefor, such amounts as Agent may specify to be necessary to compensate the Issuing Lender, any other member of the Lender Group, or an Underlying Issuer for such additional cost or reduced receipt, together with interest on such amount from the date of such demand until payment in full thereof at the rate then applicable to Base Rate Loans hereunder; provided, that, (A) no Borrower shall be required to provide any compensation pursuant to this Section 2.11(h) for any such amounts incurred more than one hundred eighty (180) days prior to the date on which the demand for payment of such amounts is first made to Borrowers and (B) if an event or circumstance giving rise to such amounts is retroactive, then the one hundred eighty (180) day period referred to above shall be extended to include the period of retroactive effect thereof. The determination by Agent of any amount due pursuant to this Section 2.11(f), as set forth in a certificate setting forth the calculation thereof in reasonable detail, shall, in the absence of manifest or demonstrable error, be final and conclusive and binding on all of the parties hereto.

2.12. **LIBOR Option.**

a. **Interest and Interest Payment Dates**. In lieu of having interest charged at the rate based upon the Base Rate, Borrowers shall have the option, subject to Section 2.12(b) below (the "LIBOR Option") to have interest on all or a portion of the Advances be charged (whether at the time when made (unless otherwise provided herein), upon conversion from a Base Rate Loan to a LIBOR Rate Loan, or upon continuation of a LIBOR Rate Loan as a LIBOR Rate Loan) at a rate of interest based upon the LIBOR Rate. Interest on LIBOR Rate Loans shall be payable on the earliest of (i) the last day of the Interest Period applicable thereto; (ii) the date on which all or any portion of the Obligations are accelerated pursuant to the terms hereof, or (iii) the date on which this Agreement is terminated pursuant to the terms hereof. On the last day of each applicable Interest Period, unless Borrowers have properly exercised the LIBOR Option with respect thereto, the interest rate applicable to such LIBOR Rate Loan automatically shall convert to the rate of interest then applicable to Base Rate Loans of the same type hereunder. At any time that an Event of Default has occurred and is continuing, Borrowers no longer shall have the option to request that Advances bear interest at a rate based upon the LIBOR Rate.

b. **LIBOR Election**.

i. Borrowers may, at any time and from time to time, so long as Borrower Agent has not received a notice from Agent, after the occurrence and during the continuance of an Event of Default, of the election of the Required Lenders to terminate the right of Borrowers to exercise the LIBOR Option during the continuance of such Event of Default, elect to exercise the LIBOR Option by notifying Agent prior to 11:00 a.m. (Eastern time) at least three (3) Business Days prior to the commencement of the proposed Interest Period (the " LIBOR Deadline"). Notice of Borrowers' election of the LIBOR Option for a permitted portion of the Advances and an Interest Period pursuant to this Section shall be made by delivery to Agent of a LIBOR Notice received by Agent before the LIBOR Deadline, or by telephonic notice received by Agent before the LIBOR Deadline (to be confirmed by delivery to Agent of a LIBOR Notice received by Agent prior to 5:00 p.m. (Eastern time) on the same day). Promptly upon its receipt of each such LIBOR Notice, Agent shall provide a copy thereof to each of the affected Lenders.

ii. Each LIBOR Notice shall be irrevocable and binding on each Borrower. In connection with each LIBOR Rate Loan, each Borrower shall indemnify, defend, and hold Agent and the Lenders harmless against any loss, cost, or expense actually incurred by Agent or any Lender as a result of (A) the payment of any principal of any LIBOR Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (B) the conversion of any LIBOR Rate Loan other than on the last day of the Interest Period applicable thereto, or (C) the failure to borrow, convert, continue or prepay any LIBOR Rate Loan on the date specified in any LIBOR Notice delivered pursuant hereto (such losses, costs, or expenses, "Funding Losses"); provided, that, two (2) times in any calendar year, to the extent any of such events described in clauses (A), (B) or (C) shall occur, Borrowers shall not be required to indemnify Agent and Lenders for any loss, cost or expense as a result thereof. A certificate of Agent or a Lender delivered to Borrowers setting forth in reasonable detail any amount or amounts that Agent or such Lender is entitled to receive pursuant to this Section 2.12 shall be conclusive absent manifest error. Borrowers shall pay such amount to Agent or the Lender, as applicable, within thirty (30) days of the date of its receipt of such certificate. If a payment of a LIBOR Rate Loan on a day other than the last day of the applicable Interest Period would result in a Funding Loss, Agent may, in its discretion at the request of Borrowers, hold the amount of such payment as cash collateral in support of the Obligations until the last day of such Interest Period and apply such amounts to the payment of the applicable LIBOR Rate Loan on such last day, it being agreed that Agent has no obligation to so defer the application of payments to any LIBOR Rate Loan and that, in the event that Agent does not defer such application, Borrowers shall be obligated to pay any resulting Funding Losses.

iii. Borrowers shall have not more than seven (7) LIBOR Rate Loans in effect at any given time. Borrowers only may exercise the LIBOR Option for proposed LIBOR Rate Loans of at least $1,000,000.

c. **Conversion**. Borrowers may convert LIBOR Rate Loans to Base Rate Loans at any time; provided, that, in the event that LIBOR Rate Loans are converted or prepaid on any date that is not the last day of the Interest Period applicable thereto, including as a result of any automatic prepayment through the required application by Agent of proceeds of Borrowers' and their Subsidiaries' Collections in accordance with Section 2.4(b) or for any other reason, including early termination of the term of this Agreement or acceleration of all or any portion of the Obligations pursuant to the terms hereof, each Borrower shall indemnify, defend, and hold Agent and the Lenders and their Participants harmless against any and all Funding Losses subject to and in accordance with Section 2.12 (b)(ii).

d. **Special Provisions Applicable to LIBOR Rate**.

i. The LIBOR Rate may be adjusted by Agent with respect to any Lender on a prospective basis to take into account any additional or increased costs to such Lender of maintaining or obtaining any eurodollar deposits or increased costs, in each case, due to changes in applicable law (other than changes in laws relative to Taxes, which shall be governed by Section 16) occurring subsequent to the commencement of the then applicable Interest Period, including changes in tax laws (except changes of general applicability in corporate income tax laws and changes in laws relative to Taxes, which shall be governed by Section 16) and changes in the reserve requirements after the Closing Date imposed by the Board of Governors of the Federal Reserve System (or any successor), which additional or increased costs would increase the cost of funding or maintaining loans bearing interest at the LIBOR Rate. In any such event, the affected Lender shall give Borrowers and Agent notice of such a

determination and adjustment and Agent promptly shall transmit the notice to each other Lender and, upon its receipt of the notice from the affected Lender, Borrowers may, by notice to such affected Lender (A) require such Lender to furnish to Borrowers a statement setting forth the basis for adjusting such LIBOR Rate and the method for determining the amount of such adjustment, or (B) repay the LIBOR Rate Loans with respect to which such adjustment is made (together with any amounts due under Section 2.12(b)(ii)).

ii. In the event that any change after the Closing Date in market conditions or any law, regulation, treaty, or directive, or any change therein or in the interpretation or application thereof, shall at any time after the date hereof, in the reasonable opinion of any Lender, make it unlawful or impractical for such Lender to fund or maintain LIBOR Rate Loans or to continue such funding or maintaining, or to determine or charge interest rates at the LIBOR Rate, such Lender shall give notice of such changed circumstances to Agent and Borrowers and Agent promptly shall transmit the notice to each other Lender and (A) in the case of any LIBOR Rate Loans of such Lender that are outstanding, the date specified in such Lender's notice shall be deemed to be the last day of the Interest Period of such LIBOR Rate Loans, and interest upon the LIBOR Rate Loans of such Lender thereafter shall accrue interest at the rate then applicable to Base Rate Loans, and (B) Borrowers shall not be entitled to elect the LIBOR Option until such Lender determines that it would no longer be unlawful or impractical to do so.

iii. For purposes of this Section 2.12(d), the Dodd-Frank Wall Street Reform and Consumer Protection Act and all rules, regulations, orders, requests, guidelines or directives in connection therewith are deemed to have been enacted and become effective after the Closing Date.

e. **No Requirement of Matched Funding**. Anything to the contrary contained herein notwithstanding, neither Agent, nor any Lender, nor any of their Participants, is required actually to acquire eurodollar deposits to fund or otherwise match fund any Obligation as to which interest accrues at the LIBOR Rate.

2.13. **Capital Requirements.**

a. If, after the date hereof, any Lender determines that (i) the adoption of or change in any law, rule, regulation or guideline regarding capital or reserve requirements for banks or bank holding companies, or any change, after the Closing Date, in the interpretation, implementation, or application thereof by any Governmental Authority charged with the administration thereof, or (ii) compliance by such Lender or its parent bank holding company with any guideline, request or directive of any such entity after the Closing Date regarding capital adequacy (whether or not having the force of law), has the effect of reducing the return on such Lender's or such holding company's capital as a consequence of such Lender's Commitments hereunder to a level below that which such Lender or such holding company could have achieved but for such adoption, change, or compliance (taking into consideration such Lender's or such holding company's then existing policies with respect to capital adequacy and assuming the full utilization of such entity's capital) by any amount deemed by such Lender to be material, then such Lender may notify Borrower Agent and Agent thereof. Following receipt of such notice, Borrowers agree to pay such Lender on demand the amount of such reduction of return of capital as and when such reduction is determined, payable within thirty (30) days after presentation by such Lender of a statement in the amount and setting forth in reasonable detail such Lender's calculation thereof and the assumptions upon which such calculation was based (which statement shall be deemed true and correct absent manifest error). In determining such amount, such Lender may use any reasonable averaging and attribution methods. Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided, that, (A) no Borrower shall be required to compensate a Lender pursuant to this Section for any reductions in return incurred more than one hundred eighty (180) days prior to the date that such Lender notifies Borrowers of such law, rule, regulation or guideline giving rise to such reductions and of such Lender's intention to claim compensation therefore and (B) that if such claim arises by reason of the adoption of or change in any law, rule, regulation or guideline that is retroactive, then the one hundred eighty (180) day period referred to above shall be extended to include the period of retroactive effect thereof. For purposes of this Section 2.13(a), the Dodd-Frank Wall Street Reform and Consumer Protection Act and all rules, regulations, orders, requests, guidelines or directives in connection therewith are deemed to have been enacted and become effective after the Closing Date.

b. If any Lender requests additional or increased costs referred to in Section 2.12(d)(i) or amounts under Section 2.13(a) or sends a notice under Section 2.12(d)(ii) relative to changed circumstances (any such Lender, an " Affected Lender"), then such Affected Lender shall use reasonable efforts to promptly designate a

different one of its lending offices or to assign its rights and obligations hereunder to another of its offices or branches, if (i) in the reasonable judgment of such Affected Lender, such designation or assignment would eliminate or reduce amounts payable pursuant to Section 2.12(d)(i) or Section 2.13(a), as applicable, or would eliminate the illegality or impracticality of funding or maintaining LIBOR Rate Loans and (ii) in the reasonable judgment of such Affected Lender, such designation or assignment would not subject it to any material unreimbursed cost or expense and would not otherwise be materially disadvantageous to it. Borrowers agree to pay all reasonable out-of-pocket costs and expenses incurred by such Affected Lender in connection with any such designation or assignment. If, after such reasonable efforts, such Affected Lender does not so designate a different one of its lending offices or assign its rights to another of its offices or branches so as to eliminate Borrowers' obligation to pay any future amounts to such Affected Lender pursuant to Section 2.12(d)(i) or Section 2.13(a), as applicable, or to enable Borrowers to obtain LIBOR Rate Loans, then Borrowers (without prejudice to any amounts then due to such Affected Lender under Section 2.12(d)(i) or Section 2.13(a), as applicable) may, unless prior to the effective date of any such assignment the Affected Lender withdraws its request for such additional amounts under Section 2.12(d)(i) or Section 2.13(a), as applicable, or indicates that it is no longer unlawful or impractical to fund or maintain LIBOR Rate Loans, may seek a substitute Lender for such Lender reasonably acceptable to Agent to purchase the Obligations owed to such Affected Lender and such Affected Lender's Commitments hereunder (a "Replacement Lender"), and if such Replacement Lender agrees to such purchase, such Affected Lender shall assign to the Replacement Lender its Obligations and Commitments, pursuant to an Assignment and Acceptance Agreement, and upon such purchase by the Replacement Lender, such Replacement Lender shall be deemed to be a "Lender" for purposes of this Agreement and such Affected Lender shall cease to be a "Lender" for purposes of this Agreement.

2.14. **Increase in Maximum Credit.**

a. Borrower Agent may, at any time, deliver a written request to Agent to increase the Maximum Credit. Any such written request shall specify the amount of the increase in the Maximum Credit that Borrowers are requesting, provided, that, (i) in no event shall the aggregate amount of any such increase cause the Maximum Credit to exceed $200,000,000, (ii) such request shall be for an increase of not less than $5,000,000, (iii) any such request shall be irrevocable, (iv) in no event shall there be more than one such increase in any calendar quarter, (v) in no event shall there be more than three such increases during the term of this Agreement, (vi) no Default or Event of Default shall exist or have occurred and be continuing and (vii) in no event shall there be any such increase after the date on which the Commitments have been reduced pursuant to Section 2.4(c) of this Agreement.

b. Upon the receipt by Agent of any such written request, Agent shall notify each of the Lenders of such request and each Lender shall have the option (but not the obligation) to increase the amount of its Commitment by an amount up to its Pro Rata Share of the amount of the increase thereof requested by Borrower Agent as set forth in the notice from Agent to such Lender. Each Lender shall notify Agent within fifteen (15) days after the receipt of such notice from Agent whether it is willing to so increase its Commitment, and if so, the amount of such increase; provided, that, (i) the minimum increase in the Commitments of each such Lender providing the additional Commitments shall equal or exceed $250,000, and (ii) no Lender shall be obligated to provide such increase in its Commitment and the determination to increase the Commitment of a Lender shall be within the sole and absolute discretion of such Lender. If the aggregate amount of the increases in the Commitments received from the Lenders does not equal or exceed the amount of the increase in the Maximum Credit requested by Borrowers, Agent shall seek additional increases from Lenders or Commitments from such Eligible Transferees as it may determine, after consultation with Borrower. In the event Lenders (or Lenders and any such Eligible Transferees, as the case may be) have committed in writing to provide increases in their Commitments or new Commitments in an aggregate amount in excess of the increase in the Maximum Credit requested by Borrower or permitted hereunder, Agent shall then have the right to allocate such commitments, first to Lenders and then to Eligible Transferees, in such amounts and manner as Agent may determine, after consultation with Borrowers. Notwithstanding anything to the contrary contained in this Agreement, if, in connection with arranging for such additional Commitments, Borrowers agree to pay to any such Lender or Eligible Transferee interest on such additional Commitments at rate that is greater than that paid to the other Lenders, such higher interest rate shall apply to all Lenders on all Commitments.

c. The Maximum Credit shall be increased by the amount of the increase in the applicable Commitments from Lenders or new Commitments from Eligible Transferees, in each case selected in accordance

with Section 2.14(b) above, for which Agent has received Assignment and Acceptances thirty (30) days after the date of the request by Borrowers for the increase or such earlier date as Agent and Borrowers may agree (but subject to the satisfaction of the conditions set forth below), whether or not the aggregate amount of the increase in Commitments and new Commitments, as the case may be, equal or exceed the amount of the increase in the Maximum Credit requested by Borrower Agent in accordance with the terms hereof, effective on the date that each of the following conditions have been satisfied:

i. Agent shall have received from each Lender or Eligible Transferee that is providing an additional Commitment as part of the increase in the Maximum Credit, an Assignment and Acceptance duly executed by such Lender or Eligible Transferee and Borrower, provided, that, the aggregate Commitments set forth in such Assignment and Acceptance(s) shall be not less than $1,000,000;

ii. the conditions precedent to the making of Advances set forth in Section 3.2 shall be satisfied as of the date of the increase in the Maximum Credit, both before and after giving effect to such increase;

iii. such increase in the Maximum Credit, on the date of the effectiveness thereof, shall not violate any applicable law, regulation or order or decree of any court or other Governmental Authority and shall not be enjoined, temporarily, preliminarily or permanently;

iv. there shall have been paid to each Lender and Eligible Transferee providing an additional Commitment in connection with such increase in the Maximum Credit all fees and expenses due and payable to such Person on or before the effectiveness of such increase; and

v. there shall have been paid to Agent, for the account of the Agent and Lenders (in accordance with any agreement among them) all fees and expenses (including reasonable fees and expenses of counsel) due and payable pursuant to any of the Loan Documents on or before the effectiveness of such increase.

d. As of the effective date of any such increase in the Maximum Credit, each reference to the term Commitments and Maximum Credit herein, as applicable, and in any of the other Loan Documents shall be deemed amended to mean the amount of the Commitments and Maximum Credit specified in the most recent written notice from Agent to Borrower Agent of the increase in the Commitments and Maximum Credit, as applicable.

e. Effective on the date of each increase in the Maximum Credit pursuant to this Section 2.14, each reference in this Agreement to an amount of Excess Availability shall, automatically and without any further action, be deemed to be increased so that the ratio of each amount of Excess Availability to the amount of the Maximum Credit after such increase in the Maximum Credit remains the same as the ratio of such the amount of Excess Availability to the amount of the Maximum Credit prior to such increase in the Maximum Credit.

2.15. **Joint and Several Liability of Borrowers.**

a. Each Borrower is accepting joint and several liability hereunder and under the other Loan Documents in consideration of the financial accommodations to be provided by the Lender Group under this Agreement, for the mutual benefit, directly and indirectly, of each Borrower and in consideration of the undertakings of the other Borrowers to accept joint and several liability for the Obligations.

b. Each Borrower, jointly and severally, hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Borrowers, with respect to the payment and performance of all of the Obligations (including any Obligations arising under this Section 2.15), it being the intention of the parties hereto that all the Obligations shall be the joint and several obligations of each Borrower without preferences or distinction among them.

c. If and to the extent that any Borrower shall fail to make any payment with respect to any of the Obligations as and when due or to perform any of the Obligations in accordance with the terms thereof, then in each such event the other Borrowers will make such payment with respect to, or perform, such Obligation until such time as all of the Obligations are paid in full.

d. The Obligations of each Borrower under the provisions of this Section 2.15 constitute the absolute and unconditional, full recourse Obligations of each Borrower enforceable against each Borrower to the full extent of its properties and assets, irrespective of the validity, regularity or enforceability of the provisions of this Agreement (other than this Section 2.15(d)) or any other circumstances whatsoever.

e. Except as otherwise expressly provided in this Agreement, each Borrower hereby waives notice of acceptance of its joint and several liability, notice of any Advances or Letters of Credit issued under or pursuant to this Agreement, notice of the occurrence of any Default, Event of Default, or of any demand for any payment under this Agreement, notice of any action at any time taken or omitted by Agent or Lenders under or in respect of any of the Obligations, any requirement of diligence or to mitigate damages and, generally, to the extent permitted by applicable law, all demands, notices and other formalities of every kind in connection with this Agreement (except as otherwise provided in this Agreement). Except as otherwise expressly provided in this Agreement, each Borrower hereby assents to, and waives notice of, any extension or postponement of the time for the payment of any of the Obligations, the acceptance of any payment of any of the Obligations, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by Agent or Lenders at any time or times in respect of any default by any Borrower in the performance or satisfaction of any term, covenant, condition or provision of this Agreement, any and all other indulgences whatsoever by Agent or Lenders in respect of any of the Obligations, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of the Obligations or the addition, substitution or release, in whole or in part, of any Borrower. Without limiting the generality of the foregoing, except as otherwise expressly provided in this Agreement, each Borrower assents to any other action or delay in acting or failure to act on the part of any Agent or Lender with respect to the failure by any Borrower to comply with any of its respective Obligations, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder, which might, but for the provisions of this Section 2.15 afford grounds for terminating, discharging or relieving any Borrower, in whole or in part, from any of its Obligations under this Section 2.15, it being the intention of each Borrower that, so long as any of the Obligations hereunder remain unsatisfied, the Obligations of each Borrower under this Section 2.15 shall not be discharged except by performance and then only to the extent of such performance. The Obligations of each Borrower under this Section 2.15 shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, reconstruction or similar proceeding with respect to any other Borrower or any Agent or Lender.

f. Each Borrower represents and warrants to Agent and Lenders that such Borrower is currently informed of the financial condition of Borrowers and of all other circumstances which a diligent inquiry would reveal and which bear upon the risk of nonpayment of the Obligations. Each Borrower further represents and warrants to Agent and Lenders that such Borrower has read and understands the terms and conditions of the Loan Documents. Each Borrower hereby covenants that such Borrower will continue to keep informed of Borrowers' financial condition and of all other circumstances which bear upon the risk of nonpayment or nonperformance of the Obligations.

g. The provisions of this Section 2.15 are made for the benefit of Agent, each member of the Lender Group, each Bank Product Provider, and their respective successors and assigns, and, subject to Section 9 herein may be enforced by it or them from time to time against any or all Borrowers as often as occasion therefor may arise and without requirement on the part of Agent, any member of the Lender Group, any Bank Product Provider, or any of their successors or assigns first to marshal any of its or their claims or to exercise any of its or their rights against any Borrower or to exhaust any remedies available to it or them against any Borrower or to resort to any other source or means of obtaining payment of any of the Obligations hereunder or to elect any other remedy. The provisions of this Section 2.15 shall remain in effect until all of the Obligations shall have been paid in full or otherwise fully satisfied. If at any time, any payment, or any part thereof, made in respect of any of the Obligations, is rescinded or must otherwise be restored or returned by Agent or any Lender upon the insolvency, bankruptcy or reorganization of any Borrower, or otherwise, the provisions of this Section 2.15 will forthwith be reinstated in effect, as though such payment had not been made.

h. Each Borrower hereby agrees that it will not enforce any of its rights of contribution or subrogation against any other Borrower with respect to any liability incurred by it hereunder or under any of the other Loan Documents, any payments made by it to Agent or Lenders with respect to any of the Obligations or any collateral security therefor until such time as all of the Obligations have been paid in full in cash. Any claim which any Borrower may have against any other Borrower with respect to any payments to any Agent or any member of the Lender Group hereunder or under any of the Bank Product Agreements are hereby expressly made subordinate and junior in right of payment, without limitation as to any increases in the Obligations arising hereunder or thereunder, to the prior payment in full in cash of the Obligations and, in the event of any insolvency, bankruptcy, receivership,

liquidation, reorganization or other similar proceeding under the laws of any jurisdiction relating to any Borrower, its debts or its assets, whether voluntary or involuntary, all such Obligations shall be paid in full in cash before any payment or distribution of any character, whether in cash, securities or other property, shall be made to any other Borrower therefor.

i. Each Borrower hereby agrees that after the occurrence and during the continuance of any Default or Event of Default, such Borrower will not demand, sue for or otherwise attempt to collect any Indebtedness of any other Borrower owing to such Borrower until the Obligations shall have been paid in full in cash or otherwise with the consent of Agent. If, notwithstanding the foregoing sentence, such Borrower shall collect, enforce or receive any amounts in respect of such indebtedness, such amounts shall be collected, enforced and received by such Borrower as trustee for Agent, and such Borrower shall deliver any such amounts to Agent for application to the Obligations in accordance with Section 2.4(b).

3. CONDITIONS; TERM OF AGREEMENT.

3.1. Conditions Precedent to the Initial Extension of Credit.

The obligation of each Lender to make its initial extension of credit provided for hereunder is subject to the fulfillment, to the satisfaction of Agent and each Lender, of each of the conditions precedent set forth on Schedule 3.1 (the making of such initial extension of credit by a Lender being conclusively deemed to be its satisfaction or waiver of the conditions precedent).

3.2. Conditions Precedent to all Extensions of Credit.

The obligation of the Lender Group (or any member thereof) to make any Advances hereunder (or to extend any other credit hereunder) at any time shall be subject to the following conditions precedent:

a. the representations and warranties of the Loan Parties contained in this Agreement or in the other Loan Documents shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date of such extension of credit, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date); and

b. no Default or Event of Default shall have occurred and be continuing on the date of such extension of credit, nor shall either result from the making thereof.

3.3. Maturity.

This Agreement shall continue in full force and effect for a term ending on March 1, 2016 (the " Maturity Date"). The foregoing notwithstanding, the Lender Group, upon the election of the Required Lenders, shall have the right to terminate its obligations under this Agreement immediately and without notice to Borrower Agent or any other Loan Party upon the occurrence and during the continuation of an Event of Default.

3.4. Effect of Maturity.

On the Maturity Date, all commitments of the Lender Group to provide additional credit hereunder shall automatically be terminated and all of the Obligations immediately shall become due and payable without notice or demand and Borrowers shall be required to repay all of the Obligations in full. No termination of the obligations of the Lender Group (other than payment in full of the Obligations and termination of the Commitments) shall relieve or discharge any Loan Party of its duties, obligations, or covenants hereunder or under any other Loan Document and Agent's Liens in the Collateral shall continue to secure the Obligations and shall remain in effect until all Obligations have been paid in full and the Commitments have been terminated. When all of the Obligations have been paid in full and the Lender Group's obligations to provide additional credit under the Loan Documents have been terminated irrevocably, Agent will, at Borrowers' sole expense, execute and deliver any termination statements, lien releases, discharges of security interests, and other similar discharge or release documents (and, if applicable, in recordable form) as are reasonably necessary to release, as of record, Agent's Liens and all notices of security interests and liens previously filed by Agent and Loan Parties shall execute and deliver to Agent a general release of Agent and Lenders in form and substance reasonably satisfactory to Agent.

3.5. Early Termination by Borrowers.

Borrowers have the option, at any time upon five (5) Business Days prior written notice to Agent, to terminate this Agreement and terminate the Commitments hereunder by repaying to Agent all of the Obligations in full in cash.

4. REPRESENTATIONS AND WARRANTIES.

In order to induce the Lender Group to enter into this Agreement, each Borrower makes the following representations and warranties to the Lender Group for itself and each of the other Loan Parties which shall be true, correct, and complete, in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof), as of the Closing Date, and shall be true, correct, and complete, in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof), as of the date of the making of each Advance (or other extension of credit) made thereafter, as though made on and as of the date of such Advance (or other extension of credit) (except to the extent that such representations and warranties relate solely to an earlier date) and such representations and warranties shall survive the execution and delivery of this Agreement:

4.1. Due Organization and Qualification; Subsidiaries.

Each Loan Party (i) is duly organized and existing and in good standing under the laws of the jurisdiction of its organization, (ii) is qualified to do business in any state where the failure to be so qualified could reasonably be expected to result in a Material Adverse Change, and (iii) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into the Loan Documents to which it is a party and to carry out the transactions contemplated thereby.

a. Set forth on Schedule 4.1(b) is a complete and accurate description of the authorized capital Stock of each Borrower, by class, and, as of the Closing Date, a description of the number of shares of each such class that are issued and outstanding. Other than as described on Schedule 4.1(b), there are no subscriptions, options, warrants, or calls relating to any shares of any Borrower's capital Stock, including any right of conversion or exchange under any outstanding security or other instrument. No Borrower is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its capital Stock or any security convertible into or exchangeable for any of its capital Stock.

b. Set forth on Schedule 4.1(c) (as such Schedule may be updated from time to time to reflect changes resulting from transactions permitted under this Agreement), is a complete and accurate list of the Loan Parties' direct and indirect Subsidiaries, showing: (i) the number of shares of each class of common and preferred Stock authorized for each of such Subsidiaries, and (ii) the number and the percentage of the outstanding shares of each such class owned directly or indirectly by such Borrower. All of the outstanding capital Stock of each such Subsidiary has been validly issued and is fully paid and non-assessable.

c. Except as set forth on Schedule 4.1(c), there are no subscriptions, options, warrants, or calls relating to any shares of Parent's Subsidiaries' capital Stock, including any right of conversion or exchange under any outstanding security or other instrument. Neither Parent nor any of its Subsidiaries are subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of Parent's Subsidiaries' capital Stock or any security convertible into or exchangeable for any such capital Stock.

4.2. Due Authorization; No Conflict.

a. As to each Loan Party, the execution, delivery, and performance by such Loan Party of the Loan Documents to which it is a party have been duly authorized by all necessary action on the part of such Loan Party.

b. As to each Loan Party, the execution, delivery, and performance by such Loan Party of the Loan Documents to which it is a party do not and will not (i) violate any material provision of any material federal, state, or local law or regulation applicable to any Loan Party or its Subsidiaries, the Governing Documents of any Loan Party or its Subsidiaries, or any order, judgment, or decree of any court or other Governmental Authority binding on any Loan Party or its Subsidiaries, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any Material Contract of any Loan Party or its Subsidiaries except to the extent that any such conflict, breach or default could not individually or in the aggregate reasonably be expected to have a Material Adverse Change, (iii) result in or require the creation or imposition of any Lien of any nature whatsoever upon any assets of any Loan Party, other than Permitted Liens, or (iv) require any approval of any holders of any

Stock of any Loan Party or any approval or consent of any Person under any Material Contract of any Loan Party, other than consents or approvals that have been obtained and that are still in force and effect and except, in the case of Material Contracts, for consents or approvals, the failure to obtain could not individually or in the aggregate reasonably be expected to cause a Material Adverse Change.

4.3. **Governmental Consents.**

The execution, delivery, and performance by each Loan Party of the Loan Documents to which such Loan Party is a party and the consummation of the transactions contemplated by the Loan Documents do not and will not require any registration with, consent, or approval of, or notice to, or other action with or by, any Governmental Authority, other than registrations, consents, approvals, notices, or other actions that have been obtained and that are still in force and effect and except for filings and recordings with respect to the Collateral to be made, or otherwise delivered to Agent for filing or recordation, as of the Closing Date.

4.4. **Binding Obligations; Perfected Liens.**

a. Each Loan Document has been duly executed and delivered by each Loan Party that is a party thereto and is the legally valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.

b. Agent's Liens are validly created, perfected (other than (i) in respect of motor vehicles that are subject to a certificate of title and as to which Agent has not caused its Lien to be noted on the applicable certificate of title, and (ii) any Deposit Accounts and Securities Accounts not subject to a Control Agreement as permitted by Section 6.11, and subject only to the filing of financing statements and the recordation of the Copyright Security Agreement, in each case, in the appropriate filing offices), and first priority Liens, subject only to Permitted Liens which are either permitted purchase money Liens or the interests of lessors under Capital Leases.

4.5. **Title to Assets; No Encumbrances.**

Each of the Loan Parties has (a) good, sufficient and legal title to (in the case of fee interests in Real Property), (b) valid leasehold interests in (in the case of leasehold interests in real or personal property), and (c) good and marketable title to (in the case of all other personal property), all of their respective assets reflected in their most recent financial statements delivered pursuant to Section 5.1, in each case except for assets disposed of since the date of such financial statements to the extent permitted hereby. All of such assets are free and clear of Liens except for Permitted Liens.

4.6. **Jurisdiction of Organization; Location of Chief Executive Office; Organizational Identification Number; Commercial Tort Claims.**

a. The name of (within the meaning of Section 9-503 of the Code or within the PPSA, as applicable) and jurisdiction of organization of each Loan Party and each of its Subsidiaries is set forth on Schedule 4.6(a) (as such Schedule may be updated from time to time to reflect changes resulting from transactions permitted under this Agreement).

b. The chief executive office of each Loan Party and each of its Subsidiaries is located at the address indicated on Schedule 4.6(b) (as such Schedule may be updated from time to time to reflect changes resulting from transactions permitted under this Agreement).

c. Each Loan Party's and each of its Subsidiaries' tax identification numbers and organizational identification numbers, if any, are identified on Schedule 4.6(c) (as such Schedule may be updated from time to time to reflect changes resulting from transactions permitted under this Agreement).

d. As of the Closing Date, no Loan Party holds any commercial tort claims that exceed $1,000,000 in amount, except as set forth on Schedule 4.6(d).

4.7. **Litigation.**

a. Except as set forth on Schedule 4.7(a), there are no actions, suits, or proceedings pending or, to the knowledge of Borrowers, after due inquiry, threatened in writing against a Loan Party or any of its Subsidiaries that

either individually or in the aggregate could reasonably be expected to result in a Material Adverse Change.

b. Schedule 4.7(b) sets forth a complete and accurate description, with respect to each of the actions, suits, or proceedings with asserted liabilities in excess of, or that could reasonably be expected to result in liabilities in excess of $2,500,000 that, as of the Closing Date, is pending or, to the knowledge of Borrowers, after due inquiry, threatened against a Loan Party or any of its Subsidiaries, of (i) the parties to such actions, suits, or proceedings, (ii) the nature of the dispute that is the subject of such actions, suits, or proceedings, (iii) the status, as of the Closing Date, with respect to such actions, suits, or proceedings, and (iv) whether any liability of the Loan Parties' and their Subsidiaries in connection with such actions, suits, or proceedings is covered by insurance.

4.8. **Compliance with Laws.**

No Loan Party nor any of its Subsidiaries (a) is in violation of any applicable laws, rules, regulations, executive orders, or codes (including Environmental Laws) that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Change, or (b) is subject to or in default with respect to any final judgments, writs, injunctions, decrees, rules or regulations of any court or any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Change.

4.9. **No Material Adverse Change.**

All historical financial statements relating to the Loan Parties and their Subsidiaries that have been delivered by any Loan Party to Agent have been prepared in accordance with GAAP (except, in the case of unaudited financial statements, for the lack of footnotes and being subject to year-end audit adjustments) and present fairly in all material respects, the Loan Parties' and their Subsidiaries' consolidated financial condition as of the date thereof and results of operations for the period then ended. Since August 31, 2010, no event, circumstance, or change has occurred that has or could reasonably be expected to result in a Material Adverse Change with respect to the Loan Parties and their Subsidiaries.

4.10. **Fraudulent Transfer.**

a. Each Loan Party is Solvent and, after the execution and delivery of the Loan Documents and the consummation of the transactions contemplated thereby (including the Klipsch Acquisition), will be Solvent.

b. No transfer of property is being made by any Loan Party and no obligation is being incurred by any Loan Party in connection with the transactions contemplated by this Agreement or the other Loan Documents with the intent to hinder, delay, or defraud either present or future creditors of such Loan Party.

4.11. **Employee Benefits.**

No Loan Party, none of their Subsidiaries, nor any of their ERISA Affiliates maintains or contributes to any Benefit Plan.

4.12. **Environmental Condition.**

Except as set forth on Schedule 4.12, (a) to Borrowers' knowledge, no Loan Party's nor any of its Subsidiaries' properties or assets has ever been used by a Loan Party, its Subsidiaries, or by previous owners or operators in the disposal of, or to produce, store, handle, treat, release, or transport, any Hazardous Materials, where such disposal, production, storage, handling, treatment, release or transport was in violation, in any material respect, of any applicable Environmental Law, (b) to Borrowers' knowledge, after due inquiry, no Loan Party's nor any of its Subsidiaries' properties or assets has ever been designated or identified in any manner pursuant to any environmental protection statute as a Hazardous Materials disposal site, (c) no Loan Party nor any of its Subsidiaries has received notice that a Lien arising under any Environmental Law has attached to any revenues or to any Real Property owned or operated by a Loan Party or its Subsidiaries, and (d) no Loan Party nor any of its Subsidiaries nor any of their respective facilities or operations is subject to any outstanding written order, consent decree, or settlement agreement with any Person relating to any Environmental Law or Environmental Liability that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Change.

4.13. **Intellectual Property.**

Each Loan Party owns, or holds licenses in, all trademarks, trade names, copyrights, patents, and licenses that are

necessary to the conduct of its business as currently conducted, and attached hereto as Schedule 4.13 (as updated from time to time) is a true, correct, and complete listing of all material trademarks, trade names, copyrights, patents, and licenses as to which any Loan Party is the owner or is an exclusive licensee; provided, that, any Borrower may amend Schedule 4.13 to add additional intellectual property so long as such amendment occurs by written notice to Agent at the time that such Borrower provides its Compliance Certificate pursuant to Section 5.1.

4.14. **Leases.**

Each Loan Party enjoy peaceful and undisturbed possession under all leases material to their business and to which they are parties or under which they are operating, and, subject to Permitted Protests, all of such material leases are valid and subsisting and no material default by the applicable Loan Party exists under any of them.

4.15. **Deposit Accounts and Securities Accounts.**

Set forth on Schedule 4.15 (as updated pursuant to the provisions of the Security Agreement from time to time) is a listing of all of the Loan Parties' and their Subsidiaries' Deposit Accounts and Securities Accounts, including, with respect to each bank or securities intermediary (a) the name and address of such Person, and (b) the account numbers of the Deposit Accounts or Securities Accounts maintained with such Person.

4.16. **Complete Disclosure.**

All factual information taken as a whole (other than forward-looking information and projections and information of a general economic nature and general information about Borrowers' industry) furnished by or on behalf of a Loan Party or its Subsidiaries in writing to Agent or any Lender (including all information contained in the Schedules hereto or in the other Loan Documents) for purposes of or in connection with this Agreement or the other Loan Documents, and all other such factual information taken as a whole (other than forward-looking information and projections and information of a general economic nature and general information about Borrowers' industry) hereafter furnished by or on behalf of a Loan Party or its Subsidiaries in writing to Agent or any Lender will be, true and accurate, in all material respects, on the date as of which such information is dated or certified and not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading in any material respect at such time in light of the circumstances under which such information was provided. The Projections delivered to Agent on February 22, 2011 represent, and as of the date on which any other Projections are delivered to Agent, such additional Projections represent, Borrowers' good faith estimate, on the date such Projections are delivered, of the Loan Parties' and their Subsidiaries' future performance for the periods covered thereby based upon assumptions believed by Borrowers to be reasonable at the time of the delivery thereof to Agent (it being understood that such Projections are subject to uncertainties and contingencies, many of which are beyond the control of the Loan Parties and their Subsidiaries, that no assurances can be given that such Projections will be realized, and that actual results may differ in a material manner from such Projections).

4.17. **Material Contracts.**

Set forth on Schedule 4.17 (as such Schedule may be updated from time to time in accordance herewith) is a reasonably detailed description of the Material Contracts of each Loan Party as of the most recent date on which Borrowers provided their Compliance Certificate pursuant to Section 5.1; provided, that, any Borrower may amend Schedule 4.17 to add additional Material Contracts so long as such amendment occurs by written notice to Agent on the date that such Borrower provides its Compliance Certificate. Except for matters which, either individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Change, each Material Contract (other than those that have expired at the end of their normal terms) (a) is in full force and effect and is binding upon and enforceable against the applicable Loan Party and, to Borrowers' knowledge, after due inquiry, each other Person that is a party thereto in accordance with its terms, (b) has not been otherwise amended or modified (other than amendments or modifications permitted by Section 6.7(b)), and (c) is not in default due to the action or inaction of the applicable Loan Party.

4.18. **Patriot Act.**

To the extent applicable, each Loan Party is in compliance, in all material respects, with the (a) Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (b) Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept

and Obstruct Terrorism (USA Patriot Act of 2001) (the "Patriot Act"). No part of the proceeds of the loans made hereunder will be used by any Loan Party or any of their Affiliates, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

4.19. **Indebtedness.**

Set forth on Schedule 4.19 is a true and complete list of all Indebtedness of each Loan Party and each of its Subsidiaries outstanding immediately prior to the Closing Date that is to remain outstanding immediately after giving effect to the closing hereunder on the Closing Date and such Schedule accurately sets forth the aggregate principal amount of such Indebtedness as of the Closing Date.

4.20. **Payment of Taxes.**

Except as set forth on Schedule 4.20 and as otherwise permitted under Section 5.5, all tax returns and reports of each Loan Party and its Subsidiaries required to be filed by any of them have been timely filed, and all taxes shown on such tax returns to be due and payable and all assessments, fees and other governmental charges upon a Loan Party and its Subsidiaries and upon their respective assets, income, businesses and franchises that are due and payable have been paid when due and payable. Except as set forth on Schedule 4.20, each Loan Party and each of its Subsidiaries have made adequate provision in accordance with GAAP for all taxes not yet due and payable. No Borrower knows of any proposed tax assessment against a Loan Party or any of its Subsidiaries that is not being actively contested by such Loan Party or such Subsidiary diligently, in good faith, and by appropriate proceedings; provided such reserves or other appropriate provisions, if any, as shall be required in conformity with GAAP shall have been made or provided therefor.

4.21. **Margin Stock.**

No Loan Party nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. No part of the proceeds of the loans made to Borrowers will be used to purchase or carry any such Margin Stock or to extend credit to others for the purpose of purchasing or carrying any such Margin Stock or for any purpose that violates the provisions of Regulation T, U or X of the Board of Governors of the United States Federal Reserve.

4.22. **Governmental Regulation.**

No Loan Party is subject to regulation under the Federal Power Act or the Investment Company Act of 1940 or under any other federal or state statute or regulation which may limit its ability to incur Indebtedness or which may otherwise render all or any portion of the Obligations unenforceable. No Loan Party nor any of its Subsidiaries is a "registered investment company" or a company "controlled" by a "registered investment company" or a "principal underwriter" of a "registered investment company" as such terms are defined in the Investment Company Act of 1940.

4.23. **OFAC.**

No Loan Party nor any of its Subsidiaries is in violation of any of the country or list based economic and trade sanctions administered and enforced by OFAC. No Loan Party nor any of its Subsidiaries (a) is a Sanctioned Person or a Sanctioned Entity, (b) has its assets located in Sanctioned Entities, or (c) derives revenues from investments in, or transactions with Sanctioned Persons or Sanctioned Entities. No proceeds of any loan made hereunder will be used to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or a Sanctioned Entity.

4.24. **Employee and Labor Matters.**

There is (i) no unfair labor practice complaint pending or, to the knowledge of Borrowers, threatened against any Loan Party before any Governmental Authority and no grievance or arbitration proceeding pending or threatened against any Loan Party which arises out of or under any collective bargaining agreement and that could reasonably be expected to result in a material liability, (ii) no strike, labor dispute, slowdown, stoppage or similar action or grievance pending or threatened in writing against any Loan Party or its Subsidiaries that could reasonably be expected to result in a material liability, or (iii) except as set forth on Schedule 4.24, to the knowledge of Borrowers,

after due inquiry, no union representation question existing with respect to the employees of any Loan Party and no union organizing activity taking place with respect to any of the employees of any Loan Party. No Borrowers and no Subsidiary of any Borrower has incurred any liability or obligation under the Worker Adjustment and Retraining Notification Act or similar state law, which remains unpaid or unsatisfied. The hours worked and payments made to employees of each Loan Party have not been in violation of the Fair Labor Standards Act or any other applicable legal requirements, except to the extent such violations could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change. All material payments due from any Borrower or its Subsidiaries on account of wages and employee health and welfare insurance and other benefits have been paid or accrued as a liability on the books of any Borrower, except where the failure to do so could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change.

4.25. **Intentionally Deleted.**

4.26. **Klipsch Acquisition.**

a. Borrowers have delivered to Agent complete and correct copies of the Klipsch Acquisition Documents, including all schedules and exhibits thereto. The execution, delivery and performance of each of the Klipsch Acquisition Documents has been duly authorized by all necessary action on the part of Borrowers. Each Klipsch Acquisition Document is the legal, valid and binding obligation of each Borrower, enforceable against each Borrower in accordance with its terms, in each case, except (i) as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting generally the enforcement of creditors' rights and (ii) the availability of the remedy of specific performance or injunctive or other equitable relief is subject to the discretion of the court before which any proceeding therefor may be brought. Parent and Soundtech LLC are not in default in the performance or compliance with any provisions thereof. All representations and warranties made by Borrowers (other than Klipsch in its capacity as a party to the Klipsch Acquisition Agreement) in the Klipsch Acquisition Documents and in the certificates delivered in connection therewith are true and correct in all material respects. To Borrowers' (other than Klipsch in its capacity as a party to the Klipsch Acquisition Agreement) knowledge, none of the Seller's representations or warranties in the Klipsch Acquisition Documents contain any untrue statement of a material fact or omit any fact necessary to make the statements therein not misleading, in any case that could reasonably be expected to result in a Material Adverse Change.

b. As of the Closing Date, the Klipsch Acquisition has been consummated in all material respects, in accordance with all applicable laws. As of the Closing Date, all requisite approvals by Governmental Authorities having jurisdiction over any Loan Party and, to each Borrower's knowledge, the Seller, with respect to the Klipsch Acquisition, have been obtained (including filings or approvals required under the Hart-Scott-Rodino Antitrust Improvements Act), to the extent the failure to obtain such approvals could reasonably be expected to be adverse to the interests of the Lenders in any material respect. As of the Closing Date, after giving effect to the transactions contemplated by the Klipsch Acquisition Documents, Borrowers will have good title to the assets acquired pursuant to the Klipsch Acquisition Agreement, free and clear of all Liens other than Permitted Liens.

4.27. **Eligible Accounts.**

As to each Account (other than respect to Accounts in a *de minimis* amount relative to the aggregate amount of all Eligible Accounts at any time) that is identified by any Borrower as an Eligible Account in a Borrowing Base Certificate submitted to Agent, such Account is (a) a bona fide existing payment obligation of the applicable Account Debtor created by the sale and delivery of Inventory or the rendition of services to such Account Debtor in the ordinary course of Borrowers' business, (b) owed to one or more of the Borrowers, and (c) to the extent that any officer of any Loan Party has knowledge or reasonably should have had knowledge, not excluded as ineligible by virtue of one or more of the excluding criteria (other than Agent-discretionary criteria) set forth in the definition of Eligible Accounts.

4.28. **Eligible Inventory.**

As to each item of Inventory (other than Inventory having a *de minimis* Value relative to the aggregate Value of all Eligible Inventory at any time) that is identified by any Borrower as Eligible Inventory or Eligible In-Transit

Inventory in a Borrowing Base Certificate submitted to Agent, such Inventory is (a) of good and merchantable quality, free from known defects, and (b) to the extent that any officer of any Loan Party has knowledge or reasonably should have had knowledge, not excluded as ineligible by virtue of one or more of the excluding criteria (other than Agent-discretionary criteria) set forth in the definition of Eligible Inventory and Eligible In-Transit Inventory.

4.29. **Locations of Inventory and Equipment.**

The Inventory and Equipment (other than vehicles or Equipment out for repair) of the Loan Parties are not stored with a bailee, warehouseman, or similar party other than those identified on Schedule 4.29(a) and are otherwise located only at, or in-transit between or to, the locations identified on Schedule 4.29(b) (as such Schedules may be updated pursuant to Section 5.15).

4.30. **Inventory Records.**

Each Loan Party keeps correct and accurate records itemizing and describing the type, quality, and quantity of its and its Subsidiaries' Inventory and the book value thereof.

5. AFFIRMATIVE COVENANTS.

Each Borrower covenants and agrees that, until termination of all of the Commitments and payment in full of the Obligations, the Loan Parties shall comply with each of the following:

5.1. **Financial Statements, Reports, Certificates.**

Deliver to Agent, with copies to each Lender, each of the financial statements, reports, and other items set forth on Schedule 5.1 no later than the times specified therein. In addition, each Borrower agrees that no Subsidiary of a Loan Party will have a fiscal year different from that of Borrowers. In addition, each Borrower agrees to maintain a system of accounting that enables such Borrower to produce financial statements in accordance with GAAP. Each Loan Party shall also (a) keep a reporting system that shows all additions, sales, claims, returns, and allowances with respect to its sales, and (b) maintain its billing systems/practices substantially as in effect as of the Closing Date and shall only make material modifications thereto with notice to, and with the consent of, Agent.

5.2. **Collateral Reporting.**

Provide Agent (and if so requested by Agent, with copies for each Lender) with each of the reports set forth on Schedule 5.2 at the times specified therein. In addition, each Borrower agrees to use commercially reasonable efforts in cooperation with Agent to facilitate and implement a system of electronic collateral reporting in order to provide electronic reporting of each of the items set forth on such Schedule.

5.3. **Existence.**

Except as otherwise permitted under Section 6.3 or Section 6.4, at all times maintain and preserve in full force and effect its existence (including being in good standing in its jurisdiction of organization) and all rights and franchises, licenses and permits material to its business.

5.4. **Maintenance of Properties.**

Maintain and preserve all of its assets (other than assets having a *de minimis* value) that are necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear, tear, and casualty excepted and Permitted Dispositions excepted, and comply with the material provisions of all material leases to which it is a party as lessee, so as to prevent the loss or forfeiture thereof, unless such provisions are the subject of a Permitted Protest.

5.5. **Taxes.**

Cause all assessments and taxes imposed, levied, or assessed against any Loan Party or its Subsidiaries, or any of their respective assets or in respect of any of its income, businesses, or franchises to be paid in full, before delinquency or before the expiration of any extension period, except to the extent that the validity of such assessment or tax shall be the subject of a Permitted Protest and so long as, in the case of an assessment or tax that has or may become a Lien against any of the Collateral, such contest proceedings conclusively operate to stay the sale of any portion of the Collateral to satisfy such assessment or tax. Each Borrower will and will cause each of its

Subsidiaries to make timely payment or deposit of all tax payments and withholding taxes required of it and them by applicable laws, including those laws concerning F.I.C.A., F.U.T.A., state disability, and local, state, and federal income taxes, and will, upon request, furnish Agent with proof reasonably satisfactory to Agent indicating that each Borrower and its Subsidiaries have made such payments or deposits.

5.6. **Insurance.**

a. At Borrowers' expense, maintain insurance respecting each of the Loan Parties' and their Subsidiaries' assets wherever located, covering loss or damage by fire, theft, explosion, and all other hazards and risks as ordinarily are insured against by other Persons engaged in the same or similar businesses. Borrowers also shall maintain (with respect to each of the Loan Parties and their Subsidiaries) workers' compensation, business interruption (only to the extent the Loan Parties begin maintaining business interruption insurance after the Closing Date), general liability, product liability insurance, director's and officer's liability insurance, fiduciary liability insurance, and employment practices liability insurance, as well as insurance against larceny, embezzlement, and criminal misappropriation. All such policies of insurance shall be with responsible and reputable insurance companies acceptable to Agent and in such amounts as is carried generally in accordance with sound business practice by companies in similar businesses similarly situated and located and in any event in amount, adequacy and scope reasonably satisfactory to Agent. All property insurance policies covering the Collateral are to be made payable to Agent for the benefit of Agent and the Lenders, as their interests may appear, in case of loss, pursuant to a standard loss payable endorsement with a standard non contributory “lender” or “secured party” clause and are to contain such other provisions as Agent may reasonably require to fully protect the Lenders' interest in the Collateral and to any payments to be made under such policies. All certificates of property and general liability insurance are to be delivered to Agent, with the loss payable (but only in respect of Collateral) and additional insured endorsements in favor of Agent, which endorsements shall provide for not less than thirty (30) days (ten (10) days in the case of non-payment) prior written notice to Agent of the exercise of any right of cancellation. If any Borrower fails to maintain such insurance, Agent may arrange for such insurance, but at such Borrower's expense and without any responsibility on Agent's part for obtaining the insurance, the solvency of the insurance companies, the adequacy of the coverage, or the collection of claims. Borrowers shall give Agent prompt notice of any loss exceeding $1,000,000 covered by its casualty or business interruption insurance (only to the extent the Loan Parties begin maintaining business interruption insurance after the Closing Date). Upon the occurrence and during the continuance of an Event of Default, Agent shall have the sole right to file claims under any property and general liability insurance policies in respect of the Collateral, to receive, receipt and give acquittance for any payments that may be payable thereunder, and to execute any and all endorsements, receipts, releases, assignments, reassignments or other documents that may be necessary to effect the collection, compromise or settlement of any claims under any such insurance policies. Unless and until the occurrence and continuance of an Event of Default, Borrowers shall solely have such rights (including to receive payments) set forth in the immediately preceding sentence.

(b) If any portion of any Collateral is at any time located in an area identified by the Federal Emergency Management Agency (or any successor agency) as a “flood hazard area” with respect to which flood insurance has been made available under any of the Flood Insurance Laws, then Borrowers shall (i) with respect to such Collateral maintain with responsible and reputable insurance companies acceptable to Agent, flood insurance in an amount and otherwise sufficient to comply with all applicable rules and regulations promulgated pursuant to the Flood Insurance Laws and (ii) deliver to Agent evidence of such compliance in form and substance reasonably acceptable to Agent. All premiums on any of the insurance referred to in this Section 5.6(b) shall be paid when due by Borrowers and if requested by Agent, summaries of the policies shall be provided to Agent annually or as it may otherwise request. Without limiting the rights of Agent provided for above, if Borrowers fail to obtain or maintain any insurance required under the Flood Insurance Laws, Agent may obtain it at Borrower's expense. By purchasing any of the insurance referred to in this Section 5.6(b), Agent shall not be deemed to have waived any Default or Event of Default arising from Borrower's failure to maintain such insurance or pay any such premiums in respect thereof.

5.7. **Inspection.**

Permit Agent and each of its duly authorized representatives or agents to visit any of its properties and inspect any of its assets or books and records, to conduct appraisals and valuations, to examine and make copies of its books and records, and to discuss its affairs, finances, and accounts with, and to be advised as to the same by, its officers

and employees at such reasonable times and intervals as Agent may designate and, so long as no Default or Event of Default exists, with reasonable prior notice to Borrower Agent, all at such times and intervals as the Agent may reasonably request, all at the Borrower's expense; provided, that, (a) as to field examinations, (i) no more than two (2) field examinations in any twelve (12) month period at the expense of Borrowers so long as Excess Availability at any time during such twelve (12) month period is not less than twelve and one-half (12.5%) percent of the Maximum Credit, (ii) no more than three (3) field examinations in any twelve (12) month period at the expense of Borrowers if at any time Excess Availability during such twelve (12) months is less than twelve and one-half (12.5%) percent of the Maximum Credit, and (iii) such other field examinations as Agent may request at any time a Default or an Event of Default exists or has occurred and is continuing at the expense of Borrowers or otherwise at any other times at the expense of Agent and Lenders and (b) as to appraisals, (i) no more than two (2) appraisals of Inventory in any twelve (12) month period at the expense of Borrowers so long as Excess Availability at any time during such twelve (12) month period is not less than twelve and one-half (12.5%) percent of the Maximum Credit, (ii) no more than three (3) appraisals of Inventory in any twelve (12) month period at the expense of Borrowers if at any time Excess Availability during such twelve (12) month period is less than twelve and one-half (12.5%) percent of the Maximum Credit, and (iii) such other appraisals of Inventory as Agent may request at any time a Default or an Event of Default exists or has occurred and is continuing at the expense of Borrowers or otherwise at any other times at the expense of Agent and Lenders.

5.8. **Compliance with Laws.**

Comply with the requirements of all applicable laws, rules, regulations, and orders of any Governmental Authority, other than laws, rules, regulations, and orders the non-compliance with which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Change.

5.9. **Environmental.**

Keep any property either owned or operated by Borrowers or their Subsidiaries free of any Environmental Liens or post bonds or other financial assurances sufficient to satisfy the obligations or liability evidenced by such Environmental Liens,

a. Comply, in all material respects, with Environmental Laws and provide to Agent documentation of such compliance which Agent reasonably requests,

b. Promptly notify Agent of any release of which any Borrower has knowledge of a Hazardous Material in any reportable quantity from or onto property owned or operated by any Borrower or its Subsidiaries and take any Remedial Actions required to abate said release or otherwise to come into compliance, in all material respects, with applicable Environmental Law, and

c. Promptly, but in any event within five (5) Business Days of its receipt thereof, provide Agent with written notice of any of the following: (i) notice that an Environmental Lien has been filed against any of the real or personal property of any Borrower or its Subsidiaries, (ii) commencement of any Environmental Action or written notice that an Environmental Action will be filed against any Borrower or its Subsidiaries, and (iii) written notice of a violation, citation, or other administrative order from a Governmental Authority.

5.10. **Disclosure Updates.**

Promptly and in no event later than five (5) Business Days after obtaining knowledge thereof, notify Agent if any written information, exhibit, or report furnished to Agent or the Lenders contained, at the time it was furnished, any untrue statement of a material fact or omitted to state any material fact necessary to make the statements contained therein not misleading in light of the circumstances in which made. The foregoing to the contrary notwithstanding, any notification pursuant to the foregoing provision will not cure or remedy the effect of the prior untrue statement of a material fact or omission of any material fact nor shall any such notification have the effect of amending or modifying this Agreement or any of the Schedules hereto. Should any representation herein become inaccurate or misleading in any material respect as a result of changes after the Closing Date, the Borrowers shall promptly, and in no event later than five (5) Business Days thereafter, advise the Agent in writing of such revisions or updates as may be necessary or appropriate to update or correct the same. From time to time as may be reasonably requested by the Agent, Borrowers shall supplement each Schedule hereto and to the other Loan Documents, or any representation herein or in any other Loan Document, with respect to any matter arising after the Closing Date that,

if existing or occurring on the Closing Date, would have been required to be set forth or described in such Schedule or as an exception to such representation or that is necessary to correct any information in such Schedule or representation which has been rendered inaccurate thereby (and, in the case of any supplements to any Schedule, such Schedule shall be appropriately marked to show the changes made therein). Notwithstanding the foregoing, no supplement or revision to any Schedule or representation shall be deemed the Lender Group's consent to the matters reflected in such updated Schedules or revised representations nor permit the Loan Parties to undertake any actions otherwise prohibited hereunder or fail to undertake any action required hereunder from the restrictions and requirements in existence prior to the delivery of such updated Schedules or such revision of a representation; nor shall any such supplement or revision to any Schedule or representation be deemed the Lender Group's waiver of any Default or Event of Default resulting from the matters disclosed therein.

5.11. **Formation of Subsidiaries.**

At the time that any Loan Party forms any direct or indirect Subsidiary or acquires any direct or indirect Subsidiary after the Closing Date, such Loan Party shall (a) within ten (10) days of such formation or acquisition (or such later date as permitted by Agent in its sole discretion) cause any such new Subsidiary to provide to Agent a joinder to the Guaranty and the Security Agreement, together with such other security documents (including mortgages with respect to any Real Property owned in fee of such new Subsidiary with a fair market value of at least $2,500,000), as well as appropriate financing statements (and with respect to all property subject to a mortgage, fixture filings), all in form and substance reasonably satisfactory to Agent (including being sufficient to grant Agent a first priority Lien (subject to Permitted Liens) in and to the assets of such newly formed or acquired Subsidiary); provided, that (i) the Guaranty, the Security Agreement, and such other security documents shall not be required to be provided to Agent with respect to any Subsidiary of Borrowers that is a controlled foreign corporation (or with respect to any new domestic Subsidiary that does not have assets with a value in excess of $1,000,000 or operations other than the Stock of a controlled foreign corporation) if providing such documents would result in material adverse tax consequences, (b) within ten (10) days of such formation or acquisition (or such later date as permitted by Agent in its sole discretion), provide to Agent a pledge agreement (or an addendum to the Security Agreement) and appropriate certificates and powers or financing statements, pledging all of the direct or beneficial ownership interest in such new Subsidiary reasonably satisfactory to Agent; provided, that, only sixty-five (65%) percent of the total outstanding voting Stock of any Subsidiary of any Borrower that is a controlled foreign corporation (and none of the Stock of any Subsidiary of such controlled foreign corporation) shall be required to be pledged if pledging a greater amount would result in adverse tax consequences or the costs to the Loan Parties of providing such pledge or perfecting the security interests created thereby are unreasonably excessive (as determined by Agent in consultation with Borrowers) in relation to the benefits of Agent and the Lenders of the security or guarantee afforded thereby (which pledge, if reasonably requested by Agent, shall be governed by the laws of the jurisdiction of such Subsidiary), and (c) within ten (10) days of such formation or acquisition (or such later date as permitted by Agent in its sole discretion) provide to Agent all other documentation, including one or more opinions of counsel reasonably satisfactory to Agent, which in its opinion is appropriate with respect to the execution and delivery of the applicable documentation referred to above (including policies of title insurance or other documentation with respect to all Real Property owned in fee and subject to a mortgage). Any document, agreement, or instrument executed or issued pursuant to this Section 5.11 shall be a Loan Document.

5.12. **Further Assurances.**

At any time upon the reasonable request of Agent, execute or deliver to Agent any and all financing statements, fixture filings, security agreements, pledges, assignments, endorsements of certificates of title, mortgages (other than with respect to the Real Property owned as of the Closing Date located in Hope, Arkansas), deeds of trust, opinions of counsel, and all other documents (the " Additional Documents") that Agent may reasonably request in form and substance reasonably satisfactory to Agent, to create, perfect, and continue perfected or to better perfect Agent's Liens in all of the assets of each Loan Party (whether now owned or hereafter arising or acquired, tangible or intangible, real or personal), to create and perfect Liens in favor of Agent in any Real Property acquired by any Loan Party after the Closing Date with a fair market value in excess of $2,500,000, and in order to fully consummate all of the transactions contemplated hereby and under the other Loan Documents; provided, that, the foregoing shall not apply to any Subsidiary of Borrowers that is a controlled foreign corporation if providing such documents would result in material adverse tax consequences. To the maximum extent permitted by applicable law,

if any Borrower refuses or fails to execute or deliver any reasonably requested Additional Documents within a reasonable period of time following the request to do so, such Borrower hereby authorizes Agent to execute any such Additional Documents in the applicable Loan Party's or its Subsidiary's name, as applicable, and authorizes Agent to file such executed Additional Documents in any appropriate filing office. In furtherance and not in limitation of the foregoing, each Loan Party shall take such actions as Agent may reasonably request from time to time to ensure that the Obligations are guarantied by the Guarantors and are secured by substantially all of the assets of the Loan Parties and all of the outstanding capital Stock of Loan Parties (subject to exceptions and limitations contained in the Loan Documents with respect to a controlled foreign corporation).

5.13. **Lender Meetings.**

Within ninety (90) days after the close of each fiscal year of Parent, at the request of Agent or of the Required Lenders and upon reasonable prior notice, hold a meeting (at a mutually agreeable location and time or, at the option of Agent, by conference call) with all Lenders who choose to attend such meeting at which meeting shall be reviewed the financial results of the previous fiscal year and the financial condition of Parent and its Subsidiaries and the projections presented for the current fiscal year of Parent.

5.14. **Material Contracts.**

Contemporaneously with the delivery of each Compliance Certificate pursuant to Section 5.1, provide Agent with copies of (a) each Material Contract entered into since the delivery of the previous Compliance Certificate, and (b) each material amendment or modification of any Material Contract entered into since the delivery of the previous Compliance Certificate.

5.15. **Location of Inventory and Equipment.**

Keep each Loan Parties' Inventory and Equipment (other than vehicles and Equipment out for repair) only at the locations identified on Schedule 4.29(a) and Schedule 4.29(b) and their chief executive offices only at the locations identified on Schedule 4.6(b); provided, that, any Borrower may amend Schedule 4.29(a), Schedule 4.29(b) or Schedule 4.6(b) so long as such amendment occurs by written notice to Agent not less than ten (10) days prior to the date on which such Inventory or Equipment is moved to such new location or such chief executive office is relocated and so long as such new location is within the continental United States, and so long as, at the time of such written notification, such Borrower provides Agent a Collateral Access Agreement with respect thereto.

5.16. **Bills of Lading and Other Documents of Title.**

a. On and after the date hereof, each Borrower shall cause all bills of lading or other documents of title relating to goods purchased by such Borrower which are outside the United States of America, Canada or the Netherlands and in transit to the premises of such Borrower or the premises of a Freight Forwarder in the United States of America, Canada or the Netherlands (i) to be issued in a form so as to constitute negotiable documents as such term is defined in the Uniform Commercial Code (except as Agent may otherwise specifically agree) and (ii) other than those relating to goods being purchased pursuant to a Letter of Credit, except as otherwise permitted by clause (b)(ii)(B) of the definition of Eligible In-Transit Inventory, to be issued either to the order of Agent or such other person as the Agent may from time to time designate for such purpose as consignee or such Borrower as consignee, as Agent may specify.

b. There shall be no more than three (3) originals of any bills of lading and other documents of title relating to goods being purchased by any Borrower which are outside the United States of America, Canada or the Netherlands and in transit to the premises of such Borrower or the premises of a Freight Forwarder in the United States of America, Canada or the Netherlands. As to any such bills of lading or other documents of title, unless and until Agent shall direct otherwise, (i) two (2) originals of each of such bill of lading or other document of title shall be delivered to such Freight Forwarder as such Borrower may specify and that is party to a Collateral Access Agreement by not later than thirty (30) days after the Closing Date, and (ii) one (1) original of each such bill of lading or other document of title shall be delivered to Agent or Agent's agent. To the extent that the terms of this Section have not been satisfied as to any Inventory, such Inventory shall not constitute Eligible Inventory, except as Agent may otherwise agree.

5.17. **Assignable Material Contracts.**

Use commercially reasonable efforts to ensure that any Material Contract entered into after the Closing Date by any

Loan Party that generates or, by its terms, will generate revenue, permits the assignment of such agreement (and all rights of such Loan Party, as applicable, thereunder) to such Loan Party's lenders or an agent for any lenders (and any transferees of such lenders or such agent, as applicable).

5.18. **Applications under Insolvency Statutes.**

Each Borrower and Guarantor acknowledges that its business and financial relationships with Agent and Lenders are unique from its relationship with any other of its creditors, and agrees that it shall not file any plan of arrangement under the CCAA or make any proposal under the BIA which provides for, or would permit directly or indirectly, Agent or any Lender to be classified with any other creditor as an "affected" creditor for purposes of such plan or proposal or otherwise.

5.19. **Cash Management System.**

Borrowers shall (a) on or prior to June 1, 2011, establish its principal deposit accounts at Wells Fargo Bank, National Association (other than with respect to depository accounts required by Borrowers to be maintained in locations where Wells Fargo does not have a branch within a reasonable distance) and (b) on or prior to June 1, 2011, deliver to Agent evidence satisfactory to Agent that all of Borrowers' deposit accounts maintained at JPMorgan Chase Bank or its affiliates (or any other bank other than Wells Fargo Bank) have been closed other than the deposit accounts set forth on Schedule 5.19.

6. NEGATIVE COVENANTS.

Each Borrower covenants and agrees that, until termination of all of the Commitments and payment in full of the Obligations, the Loan Parties will not and will not permit any of their Subsidiaries which are not Loan Parties (with respect to such Subsidiaries, other than in connection with Sections 6.1, 6.2, 6.4, 6.7, 6.8, 6.10, 6.11 and 6.16 below) to do any of the following:

6.1. **Indebtedness.**

Create, incur, assume, suffer to exist, guarantee, or otherwise become or remain, directly or indirectly, liable with respect to any Indebtedness, except for Permitted Indebtedness.

6.2. **Liens.**

Create, incur, assume, or suffer to exist, directly or indirectly, any Lien on or with respect to any of its assets, of any kind, whether now owned or hereafter acquired, or any income or profits therefrom, except for Permitted Liens.

6.3. **Restrictions on Fundamental Changes.**

a. Enter into any amalgamation, merger, consolidation, reorganization, or recapitalization, or reclassify its Stock, other than in order to consummate a Permitted Acquisition, except for (i) any amalgamation, merger or consolidation between Loan Parties; provided, that, Parent (if applicable) or such other Borrower must be the surviving entity of any such amalgamation, merger or consolidation to which it is a party, (ii) any amalgamation, merger or consolidation between a Loan Party and Subsidiaries of such Loan Party that are not Loan Parties, so long as such Loan Party is the surviving entity of any such amalgamation, merger or consolidation, and (iii) any amalgamation, merger or consolidation between Subsidiaries of Borrowers, which Subsidiaries are not Loan Parties,

b. Liquidate, wind up, or dissolve itself (or suffer any liquidation or dissolution), except for (i) the liquidation or dissolution of non-operating Subsidiaries of Parent with nominal assets and nominal liabilities, (ii) the liquidation or dissolution of a Loan Party (other than Borrowers) or any of Borrowers' wholly-owned Subsidiaries so long as all of the net assets (including any interest in any Stock) of such liquidating or dissolving Loan Party or Subsidiary are transferred to a Loan Party that is not liquidating or dissolving, or (iii) the liquidation or dissolution of a Subsidiary of Borrowers that is not a Loan Party (other than any such Subsidiary the Stock of which (or any portion thereof) is subject to a Lien in favor of Agent) so long as all of the net assets of such liquidating or dissolving Subsidiary are transferred to a Subsidiary of Borrowers that is not liquidating or dissolving, or

c. Suspend or go out of a substantial portion of its or their business, except as permitted pursuant to clauses (a) or (b) above or in connection with the transactions permitted pursuant to Section 6.4.

6.4. **Disposal of Assets.**

Convey, sell, lease, license, assign, transfer, or otherwise dispose of (or enter into an agreement to convey, sell, lease, license, assign, transfer, or otherwise dispose of) any Loan Party's assets, except for Permitted Dispositions or transactions expressly permitted by Sections 6.3 or 6.11.

6.5. **Change Name.**

Change its name, organizational identification number, state or province of organization or organizational identity; provided, that, any Borrower or its Subsidiaries may change its name upon at least ten (10) days prior written notice to Agent of such change.

6.6. **Nature of Business.**

Make any material change in the nature of its or their business as described in Schedule 6.6 or acquire any properties or assets that are not reasonably related to the conduct of such business activities; provided, that, the foregoing shall not prevent any Borrower and its Subsidiaries from engaging in any business that is reasonably related or ancillary to its or their business.

6.7. **Prepayments and Amendments.**

a. Except in connection with Refinancing Indebtedness permitted by Section 6.1,

i. optionally prepay, redeem, defease, purchase, or otherwise acquire any Indebtedness of any Borrower and its Subsidiaries, other than (A) the Obligations in accordance with this Agreement, and (B) Permitted Intercompany Advances, or

ii. make any payment on account of Indebtedness that has been contractually subordinated in right of payment to the Obligations if such payment is not permitted at such time under the subordination terms and conditions, or

b. Directly or indirectly, amend, modify, or change any of the terms or provisions of

i. any agreement, instrument, document, indenture, or other writing evidencing or concerning Permitted Indebtedness other than (A) the Obligations in accordance with this Agreement, (B) Permitted Intercompany Advances, (C) Indebtedness permitted under clauses (c), (h), (j) and (k) of the definition of Permitted Indebtedness, and (D) until the occurrence of a Default or an Event of Default, any other Permitted Indebtedness except to the extent that such amendment, modification, or change (1) could not, individually or in the aggregate, reasonably be expected to be adverse to the interests of the Lenders in any material respect or (2) is otherwise expressly prohibited within the definition of Permitted Indebtedness,

ii. any Material Contract except to the extent that such amendment, modification, or change could not, individually or in the aggregate, reasonably be expected to be adverse to the interests of the Lenders in any material respect, or

iii. the Governing Documents of any Loan Party or any of its Subsidiaries if the effect thereof, either individually or in the aggregate, could reasonably be expected to be adverse to the interests of the Lenders in any material respect.

6.8. **Change of Control.**

Cause, permit, or suffer, directly or indirectly, any Change of Control.

6.9. **Restricted Junior Payments.**

Make any Restricted Junior Payment; provided, that, so long as it is permitted by law, and so long as no Default or Event of Default shall have occurred and be continuing or would result therefrom,

a. Parent may make distributions to former employees, officers, or directors of Parent (or any spouses, ex-spouses, or estates of any of the foregoing) on account of redemptions of Stock of Parent held by such Persons, provided, that, the aggregate amount of such redemptions made by Parent during the term of this Agreement plus the amount of Indebtedness outstanding under clause (l) of the definition of Permitted Indebtedness, does not exceed $1,000,000 in the aggregate,

b. Parent may make distributions to former employees, officers, or directors of Parent (or any spouses, ex-spouses, or estates of any of the foregoing), solely in the form of forgiveness of Indebtedness of such Persons owing to Parent on account of repurchases of the Stock of Parent held by such Persons; provided, that, such Indebtedness was incurred by such Persons solely to acquire Stock of Parent, and

c. any Borrower or Guarantor (other than Parent) may pay cash dividends to its direct parent that is a Loan Party; provided, that, each of the following conditions is satisfied, (i) such dividends shall be paid with funds legally available therefore and (ii) such dividends shall not violate any law or regulation or the terms of any indenture, agreement or undertaking to which such Borrower or Guarantor is a party or by which such Borrower or Guarantor or its or their property are bound.

6.10. **Accounting Methods.**

Modify or change its fiscal year (currently March 1 through February 28 or February 29, as applicable) or its method of accounting (other than as may be required to conform to GAAP).

6.11. **Investments; Controlled Investments .**

a. Directly or indirectly, make or acquire any Investment or incur any liabilities (including contingent obligations) for or in connection with any Investment, except for Permitted Investments.

b. Make, acquire, or permit to exist Permitted Investments consisting of cash, Cash Equivalents, or amounts credited to Deposit Accounts or Securities Accounts unless such Loan Party and the applicable bank or securities intermediary have entered into Control Agreements with Agent governing such Permitted Investments in order to perfect (and further establish) Agent's Liens in such Permitted Investments, other than (i) an aggregate amount of not more than $500,000 at any one time, in the case of Borrowers and their Subsidiaries (other than Foreign Subsidiaries), (ii) amounts deposited into Deposit Accounts specially and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for Borrowers' or their Subsidiaries' employees, and (iii) an aggregate amount of not more than $500,000 (calculated at current exchange rates) at any one time, in the case of Foreign Subsidiaries). Except as provided in Section 6.11(b)(i), (ii) , and (iii), no Loan Party shall establish or maintain any Deposit Account or Securities Account unless Agent shall have received a Control Agreement in respect of such Deposit Account or Securities Account.

6.12. **Transactions with Affiliates.**

Directly or indirectly enter into or permit to exist any transaction with any Affiliate of any Borrower or any of its Subsidiaries except for:

a. transactions (other than the payment of management, consulting, monitoring, or advisory fees) between any Loan Party and any other Loan Party or other Affiliate of Parent, so long as such transactions (i) are fully disclosed to Agent prior to the consummation thereof, if they involve one or more transactions (including payments by Parent or such Subsidiary) involving amounts, or assets having a value, in excess of $5,000,000 for any single transaction or series of related transactions and such amounts or assets are transferred from any Borrower, any Canadian Guarantor or Dutch Guarantor to any other Loan Party (other than any Borrower, any Canadian Guarantor or Dutch Guarantor), and (ii) are in the ordinary course of business of such Loan Party and are no less favorable, taken as a whole, to such Loan Party than would be obtained in an arm's length transaction with a non-Affiliate; provided, that, the amount of payments owing by Venezuelan Guarantor to the other Loan Parties arising from transactions between any of them shall not exceed $10,000,000 at any one time outstanding,

b. any indemnity provided for the benefit of directors (or comparable managers) of Parent or such Subsidiary so long as it has been approved by Parent's or such Subsidiary's board of directors (or comparable governing body) in accordance with applicable law,

c. the payment of reasonable compensation, severance, or employee benefit arrangements to employees, officers, and outside directors of Parent and its Subsidiaries in the ordinary course of business and consistent with industry practice so long as it has been approved by Parent's or such Subsidiary's board of directors (or comparable governing body) in accordance with applicable law, and

d. transactions permitted by Section 6.3 or Section 6.9, by any Permitted Intercompany Advance or by any other Permitted Investment between the Loan Parties.

6.13. **Use of Proceeds.**

Use the proceeds of any loan made hereunder for any purpose other than (a) on the Closing Date, (i) to repay, in full, the outstanding principal, accrued interest, and accrued fees and expenses owing under or in connection with the Existing Credit Agreement, (ii) to pay a portion of the consideration payable in connection with the consummation of the Klipsch Acquisition, after the application of the proceeds of certain cash of Parent as set forth in the information received by Agent prior to the date hereof, and (iii) to pay transactional fees, costs, and expenses incurred in connection with this Agreement, the other Loan Documents, the Klipsch Acquisition and the transactions contemplated hereby and thereby, and (b) thereafter, consistent with the terms and conditions hereof, for all lawful purposes (including that no part of the proceeds of the loans made to Borrowers will be used to purchase or carry any such Margin Stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock or for any purpose that violates the provisions of Regulation T, U or X of the Board of Governors of the United States Federal Reserve).

6.14. **Limitation on Issuance of Stock.**

Except for the issuance or sale of common stock or Permitted Preferred Stock by Parent, issue or sell or enter into any agreement or arrangement for the issuance and sale of any of its Stock; provided, that, Parent shall provide Agent prior written notice of the issuance or sale of any of its Stock.

6.15. **Intentionally Deleted.**

6.16. **Consignments.**

Consign any of its or their Inventory to Ozburn-Hessey Logistics, the Value of which at any one time exceeds $1,000,000 or, to all other Persons, the Value of which at any one time exceeds $750,000, or sell any of its or their Inventory on bill and hold, sale or return, sale on approval, or other conditional terms of sale.

7. FINANCIAL COVENANTS.

Each Borrower covenants and agrees that, until termination of all of the Commitments and payment in full in cash of the Obligations, such Borrower will comply with the following financial covenant:

7.1. **Fixed Charge Coverage Ratio.**

At any time that Excess Availability is less than an amount equal to twelve and one-half (12.5%) percent of the Maximum Credit and at all times thereafter until such time that Excess Availability is greater than such amount for a period of thirty (30) consecutive days, the Fixed Charge Coverage Ratio of Parent and its Subsidiaries (on a consolidated basis) for each respective period set forth below most recently ended for which Agent has received financial statements shall be not less than the ratio set forth below opposite such period:

Period	Fixed Charge Coverage Ratio
for the three (3) consecutive month period ending May 31, 2011	1.00:1.00
for the four (4) consecutive month period ending June 30, 2011	1.00:1.00
for the five (5) consecutive month period ending July 31, 2011	1.00:1.00
for the six (6) consecutive month period ending August 31, 2011	1.00:1.00
for the seven (7) consecutive month period ending September 30, 2011	1.00:1.00
for the eight (8) consecutive month period ending October 31, 2011	1.00:1.00
for the nine (9) consecutive month period ending November 30, 2011	1.00:1.00
for the ten (10) consecutive month period ending December 31, 2011	1.00:1.00
for the eleven (11) consecutive month period ending January 31, 2012	1.00:1.00
for the twelve (12) consecutive month period ending February 28, 2012 and for each twelve month period ending on the last day of each month thereafter	1.00:1.00

8. EVENTS OF DEFAULT.

Any one or more of the following events shall constitute an event of default (each, an "Event of Default") under this Agreement:

8.1. If Borrowers fail to pay when due and payable, or when declared due and payable, (a) all or any portion of the Obligations consisting of interest, fees, or charges due the Lender Group, reimbursement of Lender Group Expenses, or other amounts (other than any portion thereof constituting principal) constituting Obligations (including any portion thereof that accrues after the commencement of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding), and such failure continues for a period of three (3) Business Days, or (b) all or any portion of the principal of the Obligations;

8.2. If any Loan Party or any of its Subsidiaries:

(a) fails to perform or observe any covenant or other agreement contained in any of (i) Sections 5.1, 5.2, 5.3 (solely if any Borrower is not in good standing in its jurisdiction of organization), 5.6, 5.7 (solely if any Borrower refuses to allow Agent or its representatives or agents to visit such Borrower's properties, inspect its assets or books or records, examine and make copies of its books and records, or discuss such Borrower's affairs, finances, and accounts with officers and employees of such Borrower), 5.10, 5.11, 5.13, 5.14, or 5.15 of this Agreement, (ii) Sections 6.1 through 6.16 of this Agreement, (iii) Section 7 of this Agreement, or (iv) Section 6 of the Security Agreement;

(b) fails to perform or observe any covenant or other agreement contained in any of Sections 5.3 (other than if any Borrower is not in good standing in its jurisdiction of organization), 5.4, 5.5, 5.8, and 5.12 of this Agreement and such failure continues for a period of fifteen (15) days after the earlier of (i) the date on which such failure shall first become known to any executive officer of any Borrower or (ii) the date on which written notice thereof is given to Borrower Agent by Agent; or

(c) fails to perform or observe any covenant or other agreement contained in this Agreement, or in any of the other Loan Documents, in each case, other than any such covenant or agreement that is the subject of another provision of this Section 8 (in which event such other provision of this Section 8 shall govern), and such

failure continues for a period of thirty (30) days after the earlier of (i) the date on which such failure shall first become known to any executive officer of any Borrower or (ii) the date on which written notice thereof is given to Borrower Agent by Agent;

8.3. If one or more judgments, orders, or awards for the payment of money involving an aggregate amount of $5,000,000, or more (except to the extent fully covered (other than to the extent of customary deductibles) by insurance) is entered or filed against a Loan Party or any of its Subsidiaries, or with respect to any of their respective assets, and either (a) there is a period of thirty (30) consecutive days at any time after the entry of any such judgment, order, or award during which (i) the same is not discharged, satisfied, vacated, or bonded pending appeal, or (ii) a stay of enforcement thereof is not in effect, or (b) enforcement proceedings are commenced upon such judgment, order, or award;

8.4. If an Insolvency Proceeding is commenced by a Loan Party;

8.5. If an Insolvency Proceeding is commenced against a Loan Party and any of the following events occur: (a) such Loan Party consents to the institution of such Insolvency Proceeding against it, (b) the petition commencing the Insolvency Proceeding is not timely controverted, (c) the petition commencing the Insolvency Proceeding is not dismissed within sixty (60) calendar days of the date of the filing thereof, (d) an interim trustee is appointed to take possession of all or any substantial portion of the properties or assets of, or to operate all or any substantial portion of the business of, such Loan Party or its Subsidiary, or (e) an order for relief shall have been issued or entered therein;

8.6. If a Loan Party is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of the business affairs of Loan Parties, taken as a whole;

8.7. If there is a default in one or more agreements to which a Loan Party is a party with one or more third Persons relative to a Loan Party's Indebtedness involving an aggregate amount of $5,000,000 or more, and such default (a) occurs at the final maturity of the obligations thereunder, or (b) results in a right by such third Person, irrespective of whether exercised, to accelerate the maturity of such Loan Party's obligations thereunder;

8.8. If any warranty, representation, certificate, statement, or Record made herein or in any other Loan Document or delivered in writing to Agent or any Lender in connection with this Agreement or any other Loan Document proves to be untrue in any material respect (except that such materiality qualifier shall not be applicable to any representations and warranties to the extent qualified or modified by materiality in the text thereof) as of the date of issuance or making or deemed making thereof;

8.9. If the obligation of any Guarantor under the Guaranty is limited or terminated by operation of law or by such Guarantor (other than in accordance with the terms of this Agreement);

8.10. If the Security Agreement or any other Loan Document that purports to create a Lien, shall, for any reason, fail or cease to create a valid and perfected and, except to the extent of Permitted Liens which are permitted purchase money Liens or the interests of lessors under Capital Leases, first priority Lien on the Collateral covered thereby, except (a) as a result of a disposition of the applicable Collateral in a transaction permitted under this Agreement, (b) with respect to Collateral the aggregate value of which, for all such Collateral, does not exceed at any time, $1,000,000, or (c) as the result of an action or failure to act on the part of Agent;

8.11. The validity or enforceability of any Loan Document shall at any time for any reason (other than solely as the result of an action or failure to act on the part of Agent) be declared to be null and void, or a proceeding shall be commenced by a Loan Party, or by any Governmental Authority having jurisdiction over a Loan Party, seeking to establish the invalidity or unenforceability thereof, or a Loan Party shall deny that such Loan Party has any liability or obligation purported to be created under any Loan Document (other than by reason of such obligation or liability being duly paid by such Loan Party in accordance with the terms of the Loan Documents); or

8.12. Any Loan Party shall become a Sanctioned Person or a Sanctioned Entity.

9. RIGHTS AND REMEDIES.

9.1. **Rights and Remedies.**

Upon the occurrence and during the continuation of an Event of Default, Agent may, and, at the instruction of the

Required Lenders, shall (in each case under clauses (a) or (b) by written notice to Borrower Agent), in addition to any other rights or remedies provided for hereunder or under any other Loan Document or by applicable law, do any one or more of the following:

a. declare the Obligations (other than the Bank Product Obligations), whether evidenced by this Agreement or by any of the other Loan Documents immediately due and payable, whereupon the same shall become and be immediately due and payable and Borrowers shall be obligated to repay all of such Obligations in full, without presentment, demand, protest, or further notice or other requirements of any kind, all of which are hereby expressly waived by each Borrower;

b. declare the Commitments terminated, whereupon the Commitments shall immediately be terminated together with (i) any obligation of any Lender hereunder to make Advances, (ii) the obligation of the Swing Lender to make Swing Loans, and (iii) the obligation of the Issuing Lender to issue Letters of Credit; and

c. exercise all other rights and remedies available to Agent or the Lenders under the Loan Documents or applicable law.

The foregoing to the contrary notwithstanding, upon the occurrence of any Event of Default described in Section 8.4 or Section 8.5, in addition to the remedies set forth above, without any notice to any Borrower or any other Person or any act by the Lender Group, the Commitments shall automatically terminate and the Obligations (other than the Bank Product Obligations), inclusive of all accrued and unpaid interest thereon and all fees and all other amounts owing under this Agreement or under any of the other Loan Documents, shall automatically and immediately become due and payable and Borrowers shall be obligated to repay all of such Obligations in full, without presentment, demand, protest, or notice of any kind, all of which are expressly waived by each Borrower.

9.2. **Remedies Cumulative.**

The rights and remedies of the Lender Group under this Agreement, the other Loan Documents, and all other agreements shall be cumulative. The Lender Group shall have all other rights and remedies not inconsistent herewith as provided under the Code, the PPSA, by law, or in equity. No exercise by the Lender Group of one right or remedy shall be deemed an election, and no waiver by the Lender Group of any Event of Default shall be deemed a continuing waiver. No delay by the Lender Group shall constitute a waiver, election, or acquiescence by it.

9.3. **Appointment of a Receiver.**

Agent may seek the appointment of a receiver, manager or receiver and manager (a "Receiver") under the laws of Canada or any province thereof to take possession of all or any portion of the Collateral of any Loan Party or to operate same and, to the maximum extent permitted by law, may seek the appointment of such a Receiver without the requirement of prior notice or a hearing. Any such Receiver shall, to the extent permitted by law, so far as concerns responsibility for his/her acts, be deemed agent of such Loan Party and not Agent and the Lenders, and Agent and the Lenders shall not be in any way responsible for any misconduct, negligence or non-feasance on the part of any such Receiver, his/her servants or employees, absent the gross negligence or willful misconduct of the Agent or the Lenders as determined pursuant to a final, non-appealable order of a court of competent jurisdiction. Subject to the provisions of the instrument appointing him/her, any such Receiver shall have power to take possession of Collateral of any Loan Party, to preserve Collateral of such Loan Party or its value, to carry on or concur in carrying on all or any part of the business of such Loan Party and to sell, lease, license or otherwise dispose of or concur in selling, leasing, licensing or otherwise disposing of Collateral of such Loan Party. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others, including a Loan Party, enter upon, use and occupy all premises owned or occupied by a Loan Party wherein Collateral of such Loan Party may be situated, maintain Collateral of a Loan Party upon such premises, borrow money on a secured or unsecured basis and use Collateral of a Loan Party directly in carrying on such Loan Party's business or as security for loans or advances to enable the Receiver to carry on such Loan Party's business or otherwise, as such Receiver shall, in its discretion, determine. Except as may be otherwise directed by Agent, all money received from time to time by such Receiver in carrying out his/her appointment shall be received in trust for and paid over to Agent. Every such Receiver may, in the discretion of Agent, be vested with all or any of the rights and powers of Agent and the Lenders. Agent may, either directly or through its nominees, exercise any or all powers and rights given to a Receiver by virtue of the foregoing provisions of this paragraph.

10. WAIVERS; INDEMNIFICATION.

10.1. **Demand; Protest; etc.**

Each Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, nonpayment at maturity, release, compromise, settlement, extension, or renewal of documents, instruments, chattel paper, and guarantees at any time held by the Lender Group on which such Borrower may in any way be liable.

10.2. **The Lender Group's Liability for Collateral.**

Each Borrower hereby agrees that: (a) so long as Agent complies with its obligations, if any, under the Code, the PPSA and this Agreement to the extent specifically applicable to the matters set forth in this Section 10.2, the Lender Group shall not in any way or manner be liable or responsible for: (i) the safekeeping of the Collateral, (ii) any loss or damage thereto occurring or arising in any manner or fashion from any cause, (iii) any diminution in the value thereof, or (iv) any act or default of any carrier, warehouseman, bailee, forwarding agency, or other Person, and (b) other than to the extent set forth in clause (a) above, all risk of loss, damage, or destruction of the Collateral shall be borne by Borrowers.

10.3. **Indemnification.**

Borrowers shall pay, indemnify, defend, and hold the Agent-Related Persons, the Lender-Related Persons, and each Participant (each, an "Indemnified Person") harmless (to the fullest extent permitted by law) from and against any and all claims, demands, suits, actions, investigations, proceedings, liabilities, fines, costs, penalties, and damages, and all reasonable fees and disbursements of attorneys, experts, or consultants and all other costs and expenses actually incurred in connection therewith or in connection with the enforcement of this indemnification (as and when they are incurred and irrespective of whether suit is brought), at any time asserted against, imposed upon, or incurred by any of them (a) in connection with or as a result of or related to the execution and delivery (provided that Borrowers shall not be liable for costs and expenses (including attorneys fees) of any Lender (other than WFCF) incurred in advising, structuring, drafting, reviewing, administering or syndicating the Loan Documents), enforcement, performance, or administration (including any restructuring or workout with respect hereto) of this Agreement, any of the other Loan Documents, or the transactions contemplated hereby or thereby or the monitoring of Borrowers' compliance with the terms of the Loan Documents (provided, that, the indemnification in this clause (a) shall not extend to (i) disputes solely between or among the Lenders or (ii) disputes solely between or among the Lenders and their respective Affiliates; it being understood and agreed that the indemnification in this clause (a) shall extend to Agent (but not the Lenders) relative to disputes between or among Agent on the one hand, and one or more Lenders, or one or more of their Affiliates, on the other hand, or (iii) any Taxes or any costs attributable to Taxes, which shall governed by Section 16), (b) with respect to any investigation, litigation, or proceeding related to this Agreement, any other Loan Document, or the use of the proceeds of the credit provided hereunder (irrespective of whether any Indemnified Person is a party thereto), or any act, omission, event, or circumstance in any manner related thereto, and (c) in connection with or arising out of any presence or release of Hazardous Materials at, on, under, to or from any assets or properties owned, leased or operated by any Borrower or any of its Subsidiaries or any Environmental Actions, Environmental Liabilities or Remedial Actions related in any way to any such assets or properties of any Borrower or any of its Subsidiaries (each and all of the foregoing, the " Indemnified Liabilities"). The foregoing to the contrary notwithstanding, no Borrower or Guarantor shall have any obligation to any Indemnified Person under this Section 10.3 with respect to any Indemnified Liability that a court of competent jurisdiction finally determines to have resulted from the gross negligence or willful misconduct of such Indemnified Person or its officers, directors, employees, attorneys, or agents. This provision shall survive the termination of this Agreement and the repayment of the Obligations. If any Indemnified Person makes any payment to any other Indemnified Person with respect to an Indemnified Liability as to which any Borrower was required to indemnify the Indemnified Person receiving such payment, the Indemnified Person making such payment is entitled to be indemnified and reimbursed by Borrowers with respect thereto. **WITHOUT LIMITATION, THE FOREGOING INDEMNITY SHALL APPLY TO EACH INDEMNIFIED PERSON WITH RESPECT TO INDEMNIFIED LIABILITIES WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF ANY NEGLIGENT ACT OR OMISSION OF SUCH INDEMNIFIED PERSON OR OF ANY OTHER PERSON**.

11. NOTICES.

Unless otherwise provided in this Agreement, all notices or demands relating to this Agreement or any other

Loan Document shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by registered or certified mail (postage prepaid, return receipt requested), overnight courier, electronic mail (at such email addresses as a party may designate in accordance herewith), or telefacsimile. In the case of notices or demands to Borrowers or Agent, as the case may be, they shall be sent to the respective address set forth below:

If to Borrowers:	Audiovox Corporation 180 Marcus Boulevard Hauppauge, New York 11788 Attn: Mr. Mike Stoehr Fax No. 631-231-1370
with copies to:	Duane Morris LLP 1540 Broadway New York, New York 10036 Attn: Laurence S. Hughes, Esq. Fax No.: 212-202-6315
	-and-
	Levy, Stopol & Carmelo, LLP 1425 RXR Plaza Uniondale, New York 11556 Attn: Robert Levy, Esq. Fax No.: 516-802-7008
If to Agent:	Wells Fargo Capital Finance, LLC 12 East 49th Street New York, New York 10017 Attn: Portfolio Manager Fax No.: 212-545-4283

Any party hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other party. All notices or demands sent in accordance with this Section 11, shall be deemed received on the earlier of the date of actual receipt or three (3) Business Days after the deposit thereof in the mail; provided, that (a) notices sent by overnight courier service shall be deemed to have been given when received, (b) notices by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient) and (c) notices by electronic mail shall be deemed received upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return email or other written acknowledgment).

12. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER.

(a) **THE VALIDITY OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (UNLESS EXPRESSLY PROVIDED TO THE CONTRARY IN ANOTHER LOAN DOCUMENT IN RESPECT OF SUCH OTHER LOAN DOCUMENT), THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF AND THEREOF, AND THE RIGHTS OF THE PARTIES HERETO AND THERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.**

(b) **THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, FEDERAL COURTS LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK; PROVIDED, THAT, ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE AGENT ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. EACH BORROWER AND EACH MEMBER OF THE LENDER GROUP WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 12(b).**

(c) **TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH BORROWER AND EACH MEMBER OF THE LENDER GROUP HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS.EACH BORROWER AND EACH MEMBER OF THE LENDER GROUP REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT**.

13. ASSIGNMENTS AND PARTICIPATIONS; SUCCESSORS.

13.1. **Assignments and Participations.**

a. With the prior written consent of Borrower Agent, which consent of Borrower Agent shall not be unreasonably withheld, delayed or conditioned, and shall not be required (i) if a Default or an Event of Default has occurred and is continuing, or (ii) in connection with an assignment to a Person that is a Lender, or an Affiliate (other than individuals) of a Lender or an Related Fund and with the prior written consent of Agent, which consent of Agent shall not be unreasonably withheld, delayed or conditioned, and shall not be required in connection with an assignment to a Person that is a Lender, an Affiliate (other than individuals) of a Lender or an Related Fund, any Lender may assign and delegate to one or more assignees so long as such prospective assignee is an Eligible Transferee (each, an " Assignee"; provided, that, no Loan Party, Affiliate of a Loan Party or holder of any Indebtedness (other than the Obligations) of a Loan Party shall be permitted to become an Assignee) all or any portion of the Obligations, the Commitments and the other rights and obligations of such Lender hereunder and under the other Loan Documents, in a minimum amount (unless waived by Agent) of $5,000,000 (except such minimum amount shall not apply to (x) an assignment or delegation by any Lender to any other Lender, an Affiliate of any Lender or an Related Fund or (y) a group of new Lenders, each of which is an Affiliate of each other or a Related Fund of such new Lender to the extent that the aggregate amount to be assigned to all such new Lenders is at least $5,000,000); provided, that, Borrowers and Agent may continue to deal solely and directly with such Lender in connection with the interest so assigned to an Assignee until (A) written notice of such assignment, together with payment instructions, addresses, and related information with respect to the Assignee, have been given to Borrower Agent and Agent by such Lender and the Assignee, (B) such Lender and its Assignee have delivered to Borrower Agent and Agent an Assignment and Acceptance and Agent has notified the assigning Lender of its receipt thereof in accordance with Section 13.1(b), and (C) unless waived by Agent, the assigning Lender or Assignee has paid to Agent for Agent's separate account a processing fee in the amount of $3,500.

b. From and after the date that Agent notifies the assigning Lender (with a copy to Borrowers) that it has received an executed Assignment and Acceptance and, if applicable, payment of the required processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall be a "Lender" and shall have the rights and obligations of a Lender under the Loan Documents, and (ii) the assigning Lender shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (except with respect to Section 10.3) and be released from any future

obligations under this Agreement (and in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement and the other Loan Documents, such Lender shall cease to be a party hereto and thereto); provided, that, nothing contained herein shall release any assigning Lender from obligations that survive the termination of this Agreement, including such assigning Lender's obligations under Section 15 and Section 17.9(a).

c. By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the Assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document furnished pursuant hereto, (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under this Agreement or any other Loan Document furnished pursuant hereto, (iii) such Assignee confirms that it has received a copy of this Agreement, together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance, (iv) such Assignee will, independently and without reliance upon Agent, such assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement, (v) such Assignee appoints and authorizes Agent to take such actions and to exercise such powers under this Agreement and the other Loan Documents as are delegated to Agent, by the terms hereof and thereof, together with such powers as are reasonably incidental thereto, and (vi) such Assignee agrees that it will perform all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

d. Immediately upon Agent's receipt of the required processing fee, if applicable, and delivery of notice to the assigning Lender pursuant to Section 13.1(b), this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Commitments arising therefrom. The Commitment allocated to each Assignee shall reduce such Commitments of the assigning Lender *pro tanto*.

e. Any Lender may at any time sell to one or more commercial banks, financial institutions, or other Persons (a " Participant") participating interests in all or any portion of its Obligations, its Commitment, and the other rights and interests of that Lender (the " Originating Lender") hereunder and under the other Loan Documents; provided, that, (i) the Originating Lender shall remain a "Lender" for all purposes of this Agreement and the other Loan Documents and the Participant receiving the participating interest in the Obligations, the Commitments, and the other rights and interests of the Originating Lender hereunder shall not constitute a "Lender" hereunder or under the other Loan Documents and the Originating Lender's obligations under this Agreement shall remain unchanged, (ii) the Originating Lender shall remain solely responsible for the performance of such obligations, (iii) Borrowers, Agent, and the Lenders shall continue to deal solely and directly with the Originating Lender in connection with the Originating Lender's rights and obligations under this Agreement and the other Loan Documents, (iv) no Lender shall transfer or grant any participating interest under which the Participant has the right to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment to, or consent or waiver with respect to this Agreement or of any other Loan Document would (A) extend the final maturity date of the Obligations hereunder in which such Participant is participating, (B) reduce the interest rate applicable to the Obligations hereunder in which such Participant is participating, (C) release all or substantially all of the Collateral or guaranties (except to the extent expressly provided herein or in any of the Loan Documents) supporting the Obligations hereunder in which such Participant is participating, (D) postpone the payment of, or reduce the amount of, the interest or fees payable to such Participant through such Lender (other than a waiver of default interest), or (E) decreases the amount or postpones the due dates of scheduled principal repayments or prepayments or premiums payable to such Participant through such Lender, and (v) all amounts payable by Borrowers hereunder shall be determined as if such Lender had not sold such participation, except that, if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement. The rights of any

Participant only shall be derivative through the Originating Lender with whom such Participant participates and no Participant shall have any rights under this Agreement or the other Loan Documents or any direct rights as to the other Lenders, Agent, Borrowers, the Collections of Borrowers or their Subsidiaries, the Collateral, or otherwise in respect of the Obligations. No Participant shall have the right to participate directly in the making of decisions by the Lenders among themselves.

f. In connection with any such assignment or participation or proposed assignment or participation or any grant of a security interest in, or pledge of, its rights under and interest in this Agreement, a Lender may, subject to the provisions of Section 17.9, disclose all documents and information which it now or hereafter may have relating to any Borrower and its Subsidiaries and their respective businesses.

g. Any other provision in this Agreement notwithstanding, any Lender may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement in favor of any Federal Reserve Bank in accordance with Regulation A of the Federal Reserve Bank or U.S. Treasury Regulation 31 CFR §203.24, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

h. Agent (as a non-fiduciary agent on behalf of Borrowers) shall maintain, or cause to be maintained, a register (the " Register") on which it enters the name and address of each Lender as the registered owner of the Advances (and the principal amount thereof and stated interest thereon) held by such Lender (each, a "Registered Loan"). Other than in connection with an assignment by a Lender of all or any portion of its portion of the Advances to an Affiliate of such Lender or a Related Fund of such Lender (i) a Registered Loan (and the registered note, if any, evidencing the same) may be assigned or sold in whole or in part only by registration of such assignment or sale on the Register (and each registered note shall expressly so provide) and (ii) any assignment or sale of all or part of such Registered Loan (and the registered note, if any, evidencing the same) may be effected only by registration of such assignment or sale on the Register, together with the surrender of the registered note, if any, evidencing the same duly endorsed by (or accompanied by a written instrument of assignment or sale duly executed by) the holder of such registered note, whereupon, at the request of the designated assignee(s) or transferee(s), one or more new registered notes in the same aggregate principal amount shall be issued to the designated assignee(s) or transferee(s). Prior to the registration of assignment or sale of any Registered Loan (and the registered note, if any evidencing the same), Borrowers shall treat the Person in whose name such Registered Loan (and the registered note, if any, evidencing the same) is registered as the owner thereof for the purpose of receiving all payments thereon and for all other purposes, notwithstanding notice to the contrary. In the case of any assignment by a Lender of all or any portion of its Advances to an Affiliate of such Lender or a Related Fund of such Lender, and which assignment is not recorded in the Register, the assigning Lender, on behalf of Borrowers, shall maintain a register comparable to the Register.

i. In the event that a Lender sells participations in the Registered Loan, such Lender, as a non-fiduciary agent on behalf of Borrowers, shall maintain (or cause to be maintained) a register on which it enters the name of all participants in the Registered Loans held by it (and the principal amount (and stated interest thereon) of the portion of such Registered Loans that is subject to such participations) (the " Participant Register"). A Registered Loan (and the Registered Note, if any, evidencing the same) may be participated in whole or in part only by registration of such participation on the Participant Register (and each registered note shall expressly so provide). Any participation of such Registered Loan (and the registered note, if any, evidencing the same) may be effected only by the registration of such participation on the Participant Register.

j. Agent shall make a copy of the Register (and each Lender shall make a copy of its Participant Register in the extent it has one) available for review by Borrowers from time to time as Borrowers may reasonably request.

13.2. **Successors.**

This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided, that, no Borrower may assign this Agreement or any rights or duties hereunder without the Lenders' prior written consent and any prohibited assignment shall be absolutely void *ab initio*. No consent to assignment by the Lenders shall release any Borrower from its Obligations. A Lender may assign this Agreement and the other Loan Documents and its rights and duties hereunder and thereunder pursuant to Section 13.1 and, except as expressly

required pursuant to Section 13.1, no consent or approval by any Borrower is required in connection with any such assignment.

14. AMENDMENTS; WAIVERS.

14.1. Amendments and Waivers.

a. No amendment, waiver or other modification of any provision of this Agreement or any other Loan Document (other than Bank Product Agreements or the Fee Letter), and no consent with respect to any departure by any Borrower therefrom, shall be effective unless the same shall be in writing and signed by the Required Lenders (or by Agent at the written request of the Required Lenders) and the Loan Parties that are party thereto and then any such waiver or consent shall be effective, but only in the specific instance and for the specific purpose for which given; provided, that, no such waiver, amendment, or consent shall, unless in writing and signed by all of the Lenders directly affected thereby and all of the Loan Parties that are party thereto, do any of the following:

i. increase the amount of or extend the expiration date of any Commitment of any Lender or amend, modify, or eliminate the last sentence of Section 2.4(c),

ii. postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees, or other amounts due hereunder or under any other Loan Document,

iii. reduce the principal of, or the rate of interest on, any loan or other extension of credit hereunder, or reduce any fees or other amounts payable hereunder or under any other Loan Document (except (y) in connection with the waiver of applicability of Section 2.6(c) (which waiver shall be effective with the written consent of the Required Lenders), and (z) that any amendment or modification of defined terms used in the financial covenants in this Agreement shall not constitute a reduction in the rate of interest or a reduction of fees for purposes of this clause (iii)),

iv. amend, modify, or eliminate this Section or any provision of this Agreement providing for consent or other action by all Lenders,

v. other than as permitted by Section 15.11, release Agent's Lien in and to any of the Collateral,

vi. amend, modify, or eliminate the definition of "Required Lenders" or "Pro Rata Share",

vii. contractually subordinate (a) any of Agent's Liens or (b) the Obligations to any other Indebtedness,

viii. other than in connection with a merger, liquidation, dissolution or sale of such Person expressly permitted by the terms hereof or the other Loan Documents, release any Borrower or any Guarantor from any obligation for the payment of money or consent to the assignment or transfer by any Borrower or any Guarantor of any of its rights or duties under this Agreement or the other Loan Documents,

ix. amend, modify, or eliminate any of the provisions of Section 2.4(b)(i) or (ii) or Section 2.4(e) or (f),

x. amend, modify, or eliminate any of the provisions of Section 13.1(a) to permit a Loan Party or an Affiliate of a Loan Party to be permitted to become an Assignee, or

xi. amend, modify, or eliminate the definition of Borrowing Base or any of the defined terms (including the definitions of Eligible Accounts, Eligible Inventory or Eligible In-Transit Inventory, that are used in such definition to the extent that any such change results in more credit being made available to Borrowers based upon the Borrowing Base, but not otherwise, or the definitions of Maximum Credit.

b. No amendment, waiver, modification, elimination, or consent shall amend, modify, or waive (i) the definition of, or any of the terms or provisions of, the Fee Letter, without the written consent of Agent and Borrowers (and shall not require the written consent of any of the Lenders), and (ii) any provision of Section 15 pertaining to Agent, or any other rights or duties of Agent under this Agreement or the other Loan Documents, without the written consent of Agent, Borrowers, and the Required Lenders,

c. No amendment, waiver, modification, elimination, or consent shall amend, modify, or waive any

provision of this Agreement or the other Loan Documents pertaining to Issuing Lender, or any other rights or duties of Issuing Lender under this Agreement or the other Loan Documents, without the written consent of Issuing Lender, Agent, Borrowers, and the Required Lenders,

d. No amendment, waiver, modification, elimination, or consent shall amend, modify, or waive any provision of this Agreement or the other Loan Documents pertaining to Swing Lender, or any other rights or duties of Swing Lender under this Agreement or the other Loan Documents, without the written consent of Swing Lender, Agent, Borrowers, and the Required Lenders,

e. Anything in this Section 14.1 to the contrary notwithstanding, (i) any amendment, modification, elimination, waiver, consent, termination, or release of, or with respect to, any provision of this Agreement or any other Loan Document that relates only to the relationship of the Lender Group among themselves, and that does not affect the rights or obligations of any Borrower, shall not require consent by or the agreement of any Loan Party, and (ii) any amendment, waiver, modification, elimination, or consent of or with respect to any provision of this Agreement or any other Loan Document may be entered into without the consent of, or over the objection of, any Defaulting Lender other than any of the matters governed by Section 14.1(a)(i) through (iii),

f. Anything in this Section 14.1 to the contrary notwithstanding, Agent shall be permitted, without the consent of the Lenders, to make any amendment, waiver, modification, elimination, or consent of or with respect to any provision of this Agreement or any other Loan Document that is solely for the purpose of clarification or correction and does not adversely affect any of the interests of the Lenders in the sole determination of Agent.

14.2. **Replacement of Certain Lenders.**

a. If (i) any action to be taken by the Lender Group or Agent hereunder requires the consent, authorization, or agreement of all Lenders or all Lenders affected thereby and if such action has received the consent, authorization, or agreement of the Required Lenders but not of all Lenders or all Lenders affected thereby, or (ii) any Lender makes a claim for compensation under Section 16, then Borrowers or Agent, upon at least five (5) Business Days prior irrevocable notice, may permanently replace any Lender that failed to give its consent, authorization, or agreement (a "Holdout Lender") or any Lender that made a claim for compensation (a " Tax Lender") with one or more Replacement Lenders, and the Holdout Lender or Tax Lender, as applicable, shall have no right to refuse to be replaced hereunder. Such notice to replace the Holdout Lender or Tax Lender, as applicable, shall specify an effective date for such replacement, which date shall not be later than fifteen (15) Business Days after the date such notice is given.

b. Prior to the effective date of such replacement, the Holdout Lender or Tax Lender, as applicable, and each Replacement Lender shall execute and deliver an Assignment and Acceptance, subject only to the Holdout Lender or Tax Lender, as applicable, being repaid in full its share of the outstanding Obligations (without any premium or penalty of any kind whatsoever, but including (i) all interest, fees and other amounts that may be due in payable in respect thereof, and (ii) an assumption of its Pro Rata Share of the Letters of Credit). If the Holdout Lender or Tax Lender, as applicable, shall refuse or fail to execute and deliver any such Assignment and Acceptance prior to the effective date of such replacement, Agent may, but shall not be required to, execute and deliver such Assignment and Acceptance in the name or and on behalf of the Holdout Lender or Tax Lender, as applicable, and irrespective of whether Agent executes and delivers such Assignment and Acceptance, the Holdout Lender or Tax Lender, as applicable, shall be deemed to have executed and delivered such Assignment and Acceptance. The replacement of any Holdout Lender or Tax Lender, as applicable, shall be made in accordance with the terms of Section 13.1. Until such time as one or more Replacement Lenders shall have acquired all of the Obligations, the Commitments, and the other rights and obligations of the Holdout Lender or Tax Lender, as applicable, hereunder and under the other Loan Documents, the Holdout Lender or Tax Lender, as applicable, shall remain obligated to make the Holdout Lender's or Tax Lender's, as applicable, Pro Rata Share of Advances and to purchase a participation in each Letter of Credit, in an amount equal to its Pro Rata Share of such Letters of Credit.

14.3. **No Waivers; Cumulative Remedies.**

No failure by Agent or any Lender to exercise any right, remedy, or option under this Agreement or any other Loan Document, or delay by Agent or any Lender in exercising the same, will operate as a waiver thereof. No waiver by Agent or any Lender will be effective unless it is in writing, and then only to the extent specifically stated. No waiver by Agent or any Lender on any occasion shall affect or diminish Agent's and each Lender's rights thereafter

to require strict performance by each Borrower of any provision of this Agreement. Agent's and each Lender's rights under this Agreement and the other Loan Documents will be cumulative and not exclusive of any other right or remedy that Agent or any Lender may have.

15. AGENT; THE LENDER GROUP.

15.1. Appointment and Authorization of Agent.

Each Lender hereby designates and appoints WFCF as its agent under this Agreement and the other Loan Documents and each Lender hereby irrevocably authorizes (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to designate, appoint, and authorize) Agent to execute and deliver each of the other Loan Documents on its behalf and to take such other action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to Agent by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Agent agrees to act as agent for and on behalf of the Lenders (and the Bank Product Providers) on the conditions contained in this Section 15. Any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document notwithstanding, Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the other Loan Documents, nor shall Agent have or be deemed to have any fiduciary relationship with any Lender (or Bank Product Provider), and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against Agent. Without limiting the generality of the foregoing, the use of the term "agent" in this Agreement or the other Loan Documents with reference to Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only a representative relationship between independent contracting parties. Each Lender hereby further authorizes (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to authorize) Agent to act as the secured party under each of the Loan Documents that create a Lien on any item of Collateral. Except as expressly otherwise provided in this Agreement, Agent shall have and may use its sole discretion with respect to exercising or refraining from exercising any discretionary rights or taking or refraining from taking any actions that Agent expressly is entitled to take or assert under or pursuant to this Agreement and the other Loan Documents. Without limiting the generality of the foregoing, or of any other provision of the Loan Documents that provides rights or powers to Agent, Lenders agree that Agent shall have the right to exercise the following powers as long as this Agreement remains in effect: (a) maintain, in accordance with its customary business practices, ledgers and records reflecting the status of the Obligations, the Collateral, the Collections of Borrowers and their Subsidiaries, and related matters, (b) execute or file any and all financing or similar statements or notices, amendments, renewals, supplements, documents, instruments, proofs of claim, notices and other written agreements with respect to the Loan Documents, (c) make Advances, for itself or on behalf of Lenders, as provided in the Loan Documents, (d) exclusively receive, apply, and distribute the Collections of Borrowers and their Subsidiaries as provided in the Loan Documents, (e) open and maintain such bank accounts and cash management arrangements as Agent deems necessary and appropriate in accordance with the Loan Documents for the foregoing purposes with respect to the Collateral and the Collections of Borrowers and their Subsidiaries, (f) perform, exercise, and enforce any and all other rights and remedies of the Lender Group with respect to Borrowers or their Subsidiaries, the Obligations, the Collateral, the Collections of Borrowers and their Subsidiaries, or otherwise related to any of same as provided in the Loan Documents, and (g) incur and pay such Lender Group Expenses as Agent may deem necessary or appropriate for the performance and fulfillment of its functions and powers pursuant to the Loan Documents.

15.2. Delegation of Duties.

Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys in fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Agent shall not be responsible for the negligence or misconduct of any agent or attorney in fact that it selects as long as such selection was made without gross negligence or willful misconduct.

15.3. Liability of Agent.

None of the Agent-Related Persons shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby

(except for its own gross negligence or willful misconduct), or (b) be responsible in any manner to any of the Lenders (or Bank Product Providers) for any recital, statement, representation or warranty made by any Borrower or any of its Subsidiaries or Affiliates, or any officer or director thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of any Borrower or its Subsidiaries or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lenders (or Bank Product Providers) to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the books and records or properties of any Borrower or its Subsidiaries.

15.4. **Reliance by Agent.**

Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, telefacsimile or other electronic method of transmission, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent, or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to Borrowers or counsel to any Lender), independent accountants and other experts selected by Agent. Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless Agent shall first receive such advice or concurrence of the Lenders as it deems appropriate and until such instructions are received, Agent shall act, or refrain from acting, as it deems advisable. If Agent so requests, it shall first be indemnified to its reasonable satisfaction by the Lenders (and, if it so elects, the Bank Product Providers) against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders (and Bank Product Providers).

15.5. **Notice of Default or Event of Default.**

Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest, fees, and expenses required to be paid to Agent for the account of the Lenders and, except with respect to Events of Default of which Agent has actual knowledge, unless Agent shall have received written notice from a Lender or any Borrower referring to this Agreement, describing such Default or Event of Default, and stating that such notice is a "notice of default." Agent promptly will notify the Lenders of its receipt of any such notice or of any Event of Default of which Agent has actual knowledge. If any Lender obtains actual knowledge of any Event of Default, such Lender promptly shall notify the other Lenders and Agent of such Event of Default. Each Lender shall be solely responsible for giving any notices to its Participants, if any. Subject to Section 15.4, Agent shall take such action with respect to such Default or Event of Default as may be requested by the Required Lenders in accordance with Section 9; provided, that, unless and until Agent has received any such request, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable.

15.6. **Credit Decision.**

Each Lender (and Bank Product Provider) acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by Agent hereinafter taken, including any review of the affairs of any Borrower and its Subsidiaries or Affiliates, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender (or Bank Product Provider). Each Lender represents (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to represent) to Agent that it has, independently and without reliance upon any Agent-Related Person and based on such due diligence, documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of any Borrower or any other Person party to a Loan Document, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to Borrowers. Each Lender also represents (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to

represent) that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of any Borrower or any other Person party to a Loan Document. Except for notices, reports, and other documents expressly herein required to be furnished to the Lenders by Agent, Agent shall not have any duty or responsibility to provide any Lender (or Bank Product Provider) with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any Borrower or any other Person party to a Loan Document that may come into the possession of any of the Agent-Related Persons. Each Lender acknowledges (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to acknowledge) that Agent does not have any duty or responsibility, either initially or on a continuing basis (except to the extent, if any, that is expressly specified herein) to provide such Lender (or Bank Product Provider) with any credit or other information with respect to any Borrower, its Affiliates or any of their respective business, legal, financial or other affairs, and irrespective of whether such information came into Agent's or its Affiliates' or representatives' possession before or after the date on which such Lender became a party to this Agreement (or such Bank Product Provider entered into a Bank Product Agreement).

15.7. **Costs and Expenses; Indemnification.**

Agent may incur and pay Lender Group Expenses to the extent Agent reasonably deems necessary or appropriate for the performance and fulfillment of its functions, powers, and obligations pursuant to the Loan Documents, including court costs, attorneys fees and expenses, fees and expenses of financial accountants, advisors, consultants, and appraisers, costs of collection by outside collection agencies, auctioneer fees and expenses, and costs of security guards or insurance premiums paid to maintain the Collateral, whether or not Borrowers are obligated to reimburse Agent or Lenders for such expenses pursuant to this Agreement or otherwise. Agent is authorized and directed to deduct and retain sufficient amounts from the Collections of Borrowers and their Subsidiaries received by Agent to reimburse Agent for such out-of-pocket costs and expenses prior to the distribution of any amounts to Lenders (or Bank Product Providers). In the event Agent is not reimbursed for such costs and expenses by Parent, Borrowers or their Subsidiaries, each Lender hereby agrees that it is and shall be obligated to pay to Agent such Lender's ratable thereof. Whether or not the transactions contemplated hereby are consummated, each of the Lenders, on a ratable basis, shall indemnify and defend the Agent-Related Persons (to the extent not reimbursed by or on behalf of Borrowers and without limiting the obligation of Borrowers to do so) from and against any and all Indemnified Liabilities; provided, that, no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct nor shall any Lender be liable for the obligations of any Defaulting Lender in failing to make an Advance or other extension of credit hereunder. Without limitation of the foregoing, each Lender shall reimburse Agent upon demand for such Lender's ratable share of any costs or out of pocket expenses (including attorneys, accountants, advisors, and consultants fees and expenses) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment, or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or any other Loan Document to the extent that Agent is not reimbursed for such expenses by or on behalf of Borrowers. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of Agent.

15.8. **Agent in Individual Capacity.**

WFCF and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, provide Bank Products to, acquire equity interests in, and generally engage in any kind of banking, trust, financial advisory, underwriting, or other business with Borrowers and their Subsidiaries and Affiliates and any other Person party to any Loan Document as though WFCF were not Agent hereunder, and, in each case, without notice to or consent of the other members of the Lender Group. The other members of the Lender Group acknowledge (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to acknowledge) that, pursuant to such activities, WFCF or its Affiliates may receive information regarding Borrowers or their Affiliates or any other Person party to any Loan Documents that is subject to confidentiality obligations in favor of Borrowers or such other Person and that prohibit the disclosure of such information to the Lenders (or Bank Product Providers), and

the Lenders acknowledge (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to acknowledge) that, in such circumstances (and in the absence of a waiver of such confidentiality obligations, which waiver Agent will use its reasonable best efforts to obtain), Agent shall not be under any obligation to provide such information to them. The terms "Lender" and "Lenders" include WFCF in its individual capacity.

15.9. **Successor Agent.**

Agent may resign as Agent upon thirty (30) days prior written notice to the Lenders (unless such notice is waived by the Required Lenders) and Borrower Agent (unless such notice is waived by Borrowers) and without any notice to the Bank Product Providers. If Agent resigns under this Agreement, the Required Lenders shall be entitled, with (so long as no Event of Default has occurred and is continuing) the consent of Borrower Agent (such consent not to be unreasonably withheld, delayed, or conditioned), appoint a successor Agent for the Lenders (and the Bank Product Providers). If, at the time that Agent's resignation is effective, it is acting as the Issuing Lender or the Swing Lender, such resignation shall also operate to effectuate its resignation as the Issuing Lender or the Swing Lender, as applicable, and it shall automatically be relieved of any further obligation to issue Letters of Credit, to cause the Underlying Issuer to issue Letters of Credit, or to make Swing Loans. If no successor Agent is appointed prior to the effective date of the resignation of Agent, Agent may appoint, after consulting with the Lenders and Borrower Agent, a successor Agent. If Agent has materially breached or failed to perform any material provision of this Agreement or of applicable law, the Required Lenders may agree in writing to remove and replace Agent with a successor Agent from among the Lenders with (so long as no Event of Default has occurred and is continuing) the consent of Borrowers (such consent not to be unreasonably withheld, delayed, or conditioned). In any such event, upon the acceptance of its appointment as successor Agent hereunder, such successor Agent shall succeed to all the rights, powers, and duties of the retiring Agent and the term "Agent" shall mean such successor Agent and the retiring Agent's appointment, powers, and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 15 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement. If no successor Agent has accepted appointment as Agent by the date which is thirty (30) days following a retiring Agent's notice of resignation, the retiring Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of Agent hereunder until such time, if any, as the Lenders appoint a successor Agent as provided for above. The parties hereto acknowledge and agree that for the purpose of any security documents governed by Dutch law, any resignation by Agent is not effective until its contractual relationship under the Parallel Debt, including all of its rights and obligations thereunder, is transferred to a successor Agent. Agent will reasonably cooperate in assigning its rights and obligations under the Parallel Debt to the successor Agent and will reasonably cooperate in transferring all rights under the security documents governed by Dutch law to the successor Agent. The Agent that is resigning, successor Agent, and each relevant Loan Party shall execute all documents necessary to ensure that the successor Agent obtains valid Dutch law security similar to the previously existing Dutch security.

15.10. **Lender in Individual Capacity.**

Any Lender and its respective Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, provide Bank Products to, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting, or other business with any Borrower and its Subsidiaries and Affiliates and any other Person party to any Loan Documents as though such Lender were not a Lender hereunder without notice to or consent of the other members of the Lender Group (or the Bank Product Providers). The other members of the Lender Group acknowledge (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to acknowledge) that, pursuant to such activities, such Lender and its respective Affiliates may receive information regarding Borrowers or their Affiliates or any other Person party to any Loan Documents that is subject to confidentiality obligations in favor of Borrowers or such other Person and that prohibit the disclosure of such information to the Lenders, and the Lenders acknowledge (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to acknowledge) that, in such circumstances (and in the absence of a waiver of such confidentiality obligations, which waiver such Lender will use its reasonable best efforts to obtain), such Lender shall not be under any obligation to provide such information to them.

15.11. **Collateral Matters.**

a. The Lenders hereby irrevocably authorize (and by entering into a Bank Product Agreement, each

Bank Product Provider shall be deemed to authorize) Agent to release any Lien on any Collateral (i) upon the termination of the Commitments and payment and satisfaction in full by Borrowers of all of the Obligations, (ii) constituting property being sold or disposed of if a release is required or desirable in connection therewith and if Borrowers certify to Agent that the sale or disposition is permitted under Section 6.4 (and Agent may rely conclusively on any such certificate, without further inquiry), (iii) constituting property in which no Borrower and no Subsidiary of Borrowers owned any interest at the time Agent's Lien was granted nor at any time thereafter, (iv) constituting property leased to any Borrower or its Subsidiaries under a lease that has expired or is terminated in a transaction permitted under this Agreement, or (v) having a value in the aggregate in any twelve (12) month period of less than $10,000,000, and to the extent Agent may release its Lien upon any such Collateral pursuant to the sale or other disposition thereof, such sale or other disposition shall be deemed consented to by Lenders. The Loan Parties and the Lenders hereby irrevocably authorize (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to authorize) Agent, based upon the instruction of the Required Lenders, to credit bid and purchase (either directly or through one or more acquisition vehicles) or to sell or otherwise dispose of (or to consent to any such sale or other disposition of) all or any portion of the Collateral at any sale thereof conducted by Agent under the provisions of the Code or the PPSA (or equivalent law in the Netherlands), including pursuant to Sections 9-610 or 9-620 of the Code, at any sale thereof conducted under the provisions of the Bankruptcy Code, including Section 363 of the Bankruptcy Code, or under any bankruptcy or insolvency laws of Canada (including the BIA and the CCAA) or the Netherlands, or at any sale or foreclosure conducted by Agent (whether by judicial action or otherwise) in accordance with applicable law. Except as provided above, Agent will not execute and deliver a release of any Lien on any Collateral without the prior written authorization of (A) if the release is of all or substantially all of the Collateral, all of the Lenders (without requiring the authorization of the Bank Product Providers), or (B) otherwise, the Required Lenders (without requiring the authorization of the Bank Product Providers). Upon request by Agent or any Borrower at any time, the Lenders will (and if so requested, the Bank Product Providers will) confirm in writing Agent's authority to release any such Liens on particular types or items of Collateral pursuant to this Section 15.11; provided, that, (1) Agent shall not be required to execute any document necessary to evidence such release on terms that, in Agent's opinion, would expose Agent to liability or create any obligation or entail any consequence other than the release of such Lien without recourse, representation, or warranty, and (2) such release shall not in any manner discharge, affect, or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of any Borrower in respect of) all interests retained by any Borrower, including, the proceeds of any sale, all of which shall continue to constitute part of the Collateral. The Lenders further hereby irrevocably authorize (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to authorize) Agent, at its option and in its sole discretion, to subordinate any Lien granted to or held by Agent under any Loan Document to the holder of any Permitted Lien on such property if such Permitted Lien secures Permitted Purchase Money Indebtedness.

b. Agent shall have no obligation whatsoever to any of the Lenders (or the Bank Product Providers) to assure that the Collateral exists or is owned by a Borrower or a Borrower's Subsidiary or is cared for, protected, or insured or has been encumbered, or that Agent's Liens have been properly or sufficiently or lawfully created, perfected, protected, or enforced or are entitled to any particular priority, or that any particular items of Collateral meet the eligibility criteria applicable in respect thereof or whether to impose, maintain, reduce, or eliminate any particular reserve hereunder or whether the amount of any such reserve is appropriate or not, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent pursuant to any of the Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission, or event related thereto, subject to the terms and conditions contained herein, Agent may act in any manner it may deem appropriate, in its sole discretion given Agent's own interest in the Collateral in its capacity as one of the Lenders and that Agent shall have no other duty or liability whatsoever to any Lender (or Bank Product Provider) as to any of the foregoing, except as otherwise provided herein.

15.12. **Restrictions on Actions by Lenders; Sharing of Payments.**

a. Each of the Lenders agrees that it shall not, without the express written consent of Agent, and that it shall, to the extent it is lawfully entitled to do so, upon the written request of Agent, set off against the Obligations, any amounts owing by such Lender to any Borrower or its Subsidiaries or any deposit accounts (other than accounts exclusively used for payroll) of any Borrower or its Subsidiaries now or hereafter maintained with such Lender.

Each of the Lenders further agrees that it shall not, unless specifically requested to do so in writing by Agent, take or cause to be taken any action, including, the commencement of any legal or equitable proceedings to enforce any Loan Document against any Loan Party or other Person or to foreclose any Lien on, or otherwise enforce any security interest in, any of the Collateral.

b. If, at any time or times any Lender shall receive (i) by payment, foreclosure, setoff, or otherwise, any proceeds of Collateral or any payments with respect to the Obligations, except for any such proceeds or payments received by such Lender from Agent pursuant to the terms of this Agreement, or (ii) payments from Agent in excess of such Lender's Pro Rata Share of all such distributions by Agent, such Lender promptly shall (A) turn the same over to Agent, in kind, and with such endorsements as may be required to negotiate the same to Agent, or in immediately available funds, as applicable, for the account of all of the Lenders and for application to the Obligations in accordance with the applicable provisions of this Agreement, or (B) purchase, without recourse or warranty, an undivided interest and participation in the Obligations owed to the other Lenders so that such excess payment received shall be applied ratably as among the Lenders in accordance with their Pro Rata Shares; provided, that, to the extent that such excess payment received by the purchasing party is thereafter recovered from it, those purchases of participations shall be rescinded in whole or in part, as applicable, and the applicable portion of the purchase price paid therefor shall be returned to such purchasing party, but without interest except to the extent that such purchasing party is required to pay interest in connection with the recovery of the excess payment.

15.13. **Agency for Perfection.**

Agent hereby appoints each other Lender (and each Bank Product Provider) as its agent (and each Lender hereby accepts (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to accept) such appointment) for the purpose of perfecting Agent's Liens in assets which, in accordance with Article 8 or Article 9, as applicable, of the Code, or in accordance with the PPSA, can be perfected by possession or control. Should any Lender obtain possession or control of any such Collateral, such Lender shall notify Agent thereof, and, promptly upon Agent's request therefor shall deliver possession or control of such Collateral to Agent or in accordance with Agent's instructions.

15.14. **Payments by Agent to the Lenders.**

All payments to be made by Agent to the Lenders (or Bank Product Providers) shall be made by bank wire transfer of immediately available funds pursuant to such wire transfer instructions as each party may designate for itself by written notice to Agent. Concurrently with each such payment, Agent shall identify whether such payment (or any portion thereof) represents principal, premium, fees, or interest of the Obligations.

15.15. **Concerning the Collateral and Related Loan Documents.**

Each member of the Lender Group authorizes and directs Agent to enter into this Agreement and the other Loan Documents. Each member of the Lender Group agrees (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to agree) that any action taken by Agent in accordance with the terms of this Agreement or the other Loan Documents relating to the Collateral and the exercise by Agent of its powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Lenders (and such Bank Product Provider).

15.16. **Audits and Examination Reports; Confidentiality; Disclaimers by Lenders; Other Reports and Information.**

By becoming a party to this Agreement, each Lender:

a. is deemed to have requested that Agent furnish such Lender, promptly after it becomes available, a copy of each field audit or examination report respecting any Borrower or its Subsidiaries (each, a " Report") prepared by or at the request of Agent, and Agent shall so furnish each Lender with such Reports,

b. expressly agrees and acknowledges that Agent does not (i) make any representation or warranty as to the accuracy of any Report, and (ii) shall not be liable for any information contained in any Report,

c. expressly agrees and acknowledges that the Reports are not comprehensive audits or examinations, that Agent or other party performing any audit or examination will inspect only specific information regarding

Parent a Borrower and its Subsidiaries and will rely significantly upon each Borrower's and its Subsidiaries' books and records, as well as on representations of each Borrower's personnel,

d. agrees to keep all Reports and other material, non-public information regarding each Borrower and its Subsidiaries and their operations, assets, and existing and contemplated business plans in a confidential manner in accordance with Section 17.9, and

e. without limiting the generality of any other indemnification provision contained in this Agreement, agrees: (i) to hold Agent and any other Lender preparing a Report harmless from any action the indemnifying Lender may take or fail to take or any conclusion the indemnifying Lender may reach or draw from any Report in connection with any loans or other credit accommodations that the indemnifying Lender has made or may make to Borrowers, or the indemnifying Lender's participation in, or the indemnifying Lender's purchase of, a loan or loans of Borrowers, and (ii) to pay and protect, and indemnify, defend and hold Agent, and any such other Lender preparing a Report harmless from and against, the claims, actions, proceedings, damages, costs, expenses, and other amounts (including, attorneys fees and costs) incurred by Agent and any such other Lender preparing a Report as the direct or indirect result of any third parties who might obtain all or part of any Report through the indemnifying Lender.

In addition to the foregoing: (A) any Lender may from time to time request of Agent in writing that Agent provide to such Lender a copy of any report or document provided by any Borrower or any Subsidiary of any Borrower to Agent that has not been contemporaneously provided by any Borrower or its Subsidiaries to such Lender, and, upon receipt of such request, Agent promptly shall provide a copy of same to such Lender, (B) to the extent that Agent is entitled, under any provision of the Loan Documents, to request additional reports or information from any Borrower or its Subsidiaries, any Lender may, from time to time, reasonably request Agent to exercise such right as specified in such Lender's notice to Agent, whereupon Agent promptly shall request of such Borrower the additional reports or information reasonably specified by such Lender, and, upon receipt thereof from such Borrower or its Subsidiaries, Agent promptly shall provide a copy of same to such Lender, and (C) any time that Agent renders to Borrower Agent or any Borrower a statement regarding the Loan Account, Agent shall send a copy of such statement to each Lender.

15.17. **Appointment for the Province of Québec.**

Without prejudice to Section 15.1 above, all of the Lender Group hereby appoints Agent as the person holding the power of attorney (*fondé pouvoir*) of the Lender Group as contemplated under Article 2692 of the Civil Code of Québec, to enter into, to take and to hold on their behalf, and for their benefit, any deed of hypothec ("Deed of Hypothec") to be executed by any of the Borrowers or Guarantors granting a hypothec pursuant to the laws of the Province of Québec (Canada) and to exercise such powers and duties which are conferred thereupon under such deed. All of the Lender Group hereby additionally appoints Agent as agent, mandatary, custodian and depositary for and on behalf of the Secured Parties (a) to hold and to be the sole registered holder of any bond ("Bond") issued under the Deed of Hypothec, the whole notwithstanding Section 32 of the *Act respecting the Special Powers of Legal Persons (Québec)* or any other applicable law, and (b) to enter into, to take and to hold on their behalf, and for their benefit, a bond pledge agreement ("Pledge") to be executed by such Borrower or Guarantor pursuant to the laws of the Province of Québec and creating a pledge of the Bond as security for the payment and performance of, inter alia, the Obligations. In this respect, (i) Agent as agent, mandatary, custodian and depositary for and on behalf of the Lender Group, shall keep a record indicating the names and addresses of, and the pro rata portion of the obligations and indebtedness secured by the Pledge, owing to each of the Secured Parties for and on behalf of whom the Bond is so held from time to time, and (ii) each of the Lender Group will be entitled to the benefits of any property or assets charged under the Deed of Hypothec and the Pledge and will participate in the proceeds of realization of any such property or assets. Agent, in such aforesaid capacities shall (A) have the sole and exclusive right and authority to exercise, except as may be otherwise specifically restricted by the terms hereof, all rights and remedies given to Agent with respect to the property or assets charged under the Deed of Hypothec and Pledge, any other applicable law or otherwise, and (B) benefit from and be subject to all provisions hereof with respect to the Agent *mutatis mutandis*, including, without limitation, all such provisions with respect to the liability or responsibility to and indemnification by the Lender Group, the Borrowers or the Guarantors. The execution prior to the date hereof by Agent of any Deed of Hypothec, Pledge or other security documents made pursuant to the laws of the Province of Québec (Canada) is hereby ratified and confirmed. The constitution of Agent as the Person

holding the power of attorney (fondé de pouvoir), and of Agent, as agent, mandatary, custodian and depositary with respect to any bond that may be issued and pledged from time to time to Agent for the benefit of the Lender Group, shall be deemed to have been ratified and confirmed by each Person accepting an assignment of, a participation in or an arrangement in respect of, all or any portion of any of the Lender Group's rights and obligations under this Agreement by the execution of an assignment, including an Assignment and Acceptance Agreement or other agreement pursuant to which it becomes such assignee or participant, and by each successor Agent by the execution of an assignment agreement or other agreement, or by the compliance with other formalities, as the case may be, pursuant to which it becomes a successor Agent hereunder.

15.18. **Several Obligations; No Liability.**

Notwithstanding that certain of the Loan Documents now or hereafter may have been or will be executed only by or in favor of Agent in its capacity as such, and not by or in favor of the Lenders, any and all obligations on the part of Agent (if any) to make any credit available hereunder shall constitute the several (and not joint) obligations of the respective Lenders on a ratable basis, according to their respective Commitments, to make an amount of such credit not to exceed, in principal amount, at any one time outstanding, the amount of their respective Commitments. Nothing contained herein shall confer upon any Lender any interest in, or subject any Lender to any liability for, or in respect of, the business, assets, profits, losses, or liabilities of any other Lender. Each Lender shall be solely responsible for notifying its Participants of any matters relating to the Loan Documents to the extent any such notice may be required, and no Lender shall have any obligation, duty, or liability to any Participant of any other Lender. Except as provided in Section 15.7, no member of the Lender Group shall have any liability for the acts of any other member of the Lender Group. No Lender shall be responsible to any Borrower or any other Person for any failure by any other Lender (or Bank Product Provider) to fulfill its obligations to make credit available hereunder, nor to advance for such Lender (or Bank Product Provider) or on its behalf, nor to take any other action on behalf of such Lender (or Bank Product Provider) hereunder or in connection with the financing contemplated herein.

15.19. **Parallel Debt.**

For the purposes of creating security rights governed by Dutch law,

a. Klipsch irrevocably and unconditionally undertakes, as far as necessary in advance, to pay to Agent (in its own capacity and not as agent (*gevolmachtigde*) or trustee) an amount equal to the aggregate of all Principal Obligations from time to time due in accordance with the terms and conditions of such Principal Obligations (such payment undertaking and the obligations and liabilities which are the result thereof, Klipsch's "**Parallel Debt**");

b. the Parallel Debt constitutes obligations and liabilities of Klipsch which are separate and independent from, and without prejudice to, the Principal Obligations and the Parallel Debt represents Agent's own independent right to receive payment of the Parallel Debt from Klipsch, provided that the amounts which are due under the Parallel Debt under this provision shall always be equal to the amounts which are due from time to time under the Principal Obligations;

c. the total amount due and payable in respect of the Principal Obligations shall be decreased to the extent that the Agent receives any amount in payment of the Parallel Debt, as if such amount were received by any member of the Lender Group in payment of the corresponding Principal Obligations;

d. the total amount due and payable by Klipsch under the Parallel Debt shall be decreased to the extent that any member of the Lender Group receives any amount in payment of the Principal Obligations (other than by virtue of clause (c) above); and

e. Agent shall distribute any amount received in payment of the Parallel Debt among the members of the Lender Group that are the creditors of the relevant Principal Obligations in accordance with the provisions of this Agreement as if received by it in payment of the relevant Principal Obligations.

16. WITHHOLDING TAXES.

(a) All payments made by any Borrower hereunder or under any note or other Loan Document will be made without setoff, counterclaim, or other defense. In addition, all such payments will be made free and

clear of, and without deduction or withholding for, any present or future Taxes, and in the event any deduction or withholding of Taxes is required, Borrowers shall comply with the next sentence of this Section 16(a). If any Taxes are so levied or imposed, Borrowers agree to pay the full amount of such Taxes and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement, any note, or Loan Document, including any amount paid pursuant to this Section 16(a) after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein; provided, that Borrowers shall not be required to increase any such amounts if the increase in such amount payable results from Agent's or such Lender's own willful misconduct or gross negligence (as finally determined by a court of competent jurisdiction). Borrowers will furnish to Agent as promptly as possible after the date the payment of any Tax is due pursuant to applicable law, certified copies of tax receipts evidencing such payment by Borrowers.

(b) Borrowers agree to pay any present or future stamp, value added or documentary taxes or any other excise or property taxes, charges, or similar levies that arise from any payment made hereunder or from the execution, delivery, performance, recordation, or filing of, or otherwise with respect to this Agreement or any other Loan Document.

(c) If a Lender or Participant is entitled to claim an exemption or reduction from United States withholding tax, such Lender or Participant agrees with and in favor of Agent, to deliver to Agent (or, in the case of a Participant, to the Lender granting the participation only) one of the following before receiving its first payment under this Agreement:

(i) if such Lender or Participant is entitled to claim an exemption from United States withholding tax pursuant to the portfolio interest exception, (A) a statement of the Lender or Participant, signed under penalty of perjury, that it is not a (1) a “bank” as described in Section 881(c)(3)(A) of the IRC, (2) a ten (10%) percent shareholder of any Borrower (within the meaning of Section 871(h)(3)(B) of the IRC), or (3) a controlled foreign corporation related to any Borrower within the meaning of Section 864(d)(4) of the IRC, and (B) a properly completed and executed IRS Form W-8BEN or Form W-8IMY (with proper attachments);

(ii) if such Lender or Participant is entitled to claim an exemption from, or a reduction of, withholding tax under a United States tax treaty, a properly completed and executed copy of IRS Form W-8BEN;

(iii) if such Lender or Participant is entitled to claim that interest paid under this Agreement is exempt from United States withholding tax because it is effectively connected with a United States trade or business of such Lender, a properly completed and executed copy of IRS Form W-8ECI;

(iv) if such Lender or Participant is entitled to claim that interest paid under this Agreement is exempt from United States withholding tax because such Lender or Participant serves as an intermediary, a properly completed and executed copy of IRS Form W-8IMY (with proper attachments); or

(v) a properly completed and executed copy of any other form or forms, including IRS Form W-9, as may be required under the IRC or other laws of the United States as a condition to exemption from, or reduction of, United States withholding or backup withholding tax.

Each Lender or Participant shall provide new forms (or successor forms) upon the expiration or obsolescence of any previously delivered forms and to promptly notify Agent (or, in the case of a Participant, to the Lender granting the participation only) of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(d) If a Lender or Participant claims an exemption from withholding tax in a jurisdiction other than the United States, such Lender or such Participant agrees with and in favor of Agent, to deliver to Agent (or, in the case of a Participant, to the Lender granting the participation only) any such form or forms, as may be required under the laws of such jurisdiction as a condition to exemption from, or reduction of, foreign withholding or backup withholding tax before receiving its first payment under this Agreement, but only if such Lender or such Participant is legally able to deliver such forms, provided, that, nothing in this Section 16(d) shall require a Lender or Participant to disclose any information that it deems to be confidential (including without limitation, its tax returns). Each Lender and each Participant shall provide new forms (or successor forms) upon the expiration or obsolescence of any previously delivered forms and to promptly notify Agent (or, in the case of a Participant, to the Lender granting the participation only) of any change in circumstances which would modify or render invalid any claimed

exemption or reduction.

(e) If a Lender or Participant claims exemption from, or reduction of, withholding tax and such Lender or Participant sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of Borrowers to such Lender or Participant, such Lender or Participant agrees to notify Agent (or, in the case of a sale of a participation interest, to the Lender granting the participation only) of the percentage amount in which it is no longer the beneficial owner of Obligations of Borrowers to such Lender or Participant. To the extent of such percentage amount, Agent will treat such Lender's or such Participant's documentation provided pursuant to Section 16(c) or 16(d) as no longer valid. With respect to such percentage amount, such Participant or Assignee may provide new documentation, pursuant to Section 16(c) or 16(d), if applicable. Each Borrower agrees that each Participant shall be entitled to the benefits of this Section 16 with respect to its participation in any portion of the Commitments and the Obligations so long as such Participant complies with the obligations set forth in this Section 16 with respect thereto.

(f) If a Lender or a Participant is entitled to a reduction in the applicable withholding tax, Agent (or, in the case of a Participant, to the Lender granting the participation) may withhold from any interest payment to such Lender or such Participant an amount equivalent to the applicable withholding tax after taking into account such reduction. If the forms or other documentation required by Section 16(c) or 16(d) are not delivered to Agent (or, in the case of a Participant, to the Lender granting the participation), then Agent (or, in the case of a Participant, to the Lender granting the participation) may withhold from any interest payment to such Lender or such Participant not providing such forms or other documentation an amount equivalent to the applicable withholding tax.

(g) If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that Agent (or, in the case of a Participant, to the Lender granting the participation) did not properly withhold tax from amounts paid to or for the account of any Lender or any Participant due to a failure on the part of the Lender or any Participant (because the appropriate form was not delivered, was not properly executed, or because such Lender failed to notify Agent (or such Participant failed to notify the Lender granting the participation) of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Lender shall indemnify and hold Agent harmless (or, in the case of a Participant, such Participant shall indemnify and hold the Lender granting the participation harmless) for all amounts paid, directly or indirectly, by Agent (or, in the case of a Participant, to the Lender granting the participation), as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to Agent (or, in the case of a Participant, to the Lender granting the participation only) under this Section 16, together with all costs and expenses (including attorneys fees and expenses). The obligation of the Lenders and the Participants under this subsection shall survive the payment of all Obligations and the resignation or replacement of Agent.

(h) If Agent or a Lender determines, in its sole discretion, that it has received a refund of any Taxes as to which it has been indemnified by Borrowers or with respect to which Borrowers have paid additional amounts pursuant to this Section 16, so long as no Default or Event of Default has occurred and is continuing, it shall pay over such refund to Borrowers (but only to the extent of payments made, or additional amounts paid, by Borrowers under this Section 16 with respect to Taxes giving rise to such a refund), net of all out-of-pocket expenses of Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such a refund); provided, that Borrowers, upon the request of Agent or such Lender, agree to repay the amount paid over to Borrowers (plus any penalties, interest or other charges, imposed by the relevant Governmental Authority, other than such penalties, interest or other charges imposed as a result of the willful misconduct or gross negligence of Agent hereunder) to Agent or such Lender in the event Agent or such Lender is required to repay such refund to such Governmental Authority. Notwithstanding anything in this Agreement to the contrary, this Section 16 shall not be construed to require Agent or any Lender to make available its tax returns (or any other information which it deems confidential) to any Borrower or any other Person.

17. GENERAL PROVISIONS.

17.1. **Effectiveness.**

This Agreement shall be binding and deemed effective when executed by each Borrower, Agent, and each Lender

whose signature is provided for on the signature pages hereof.

17.2. **Section Headings.**

Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each Section applies equally to this entire Agreement.

17.3. **Interpretation.**

Neither this Agreement nor any uncertainty or ambiguity herein shall be construed against the Lender Group or any Borrower, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to accomplish fairly the purposes and intentions of all parties hereto.

17.4. **Severability of Provisions.**

Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

17.5. **Bank Product Providers.**

Each Bank Product Provider shall be deemed a third party beneficiary hereof and of the provisions of the other Loan Documents for purposes of any reference in a Loan Document to the parties for whom Agent is acting. Agent hereby agrees to act as agent for such Bank Product Providers and, by virtue of entering into a Bank Product Agreement, the applicable Bank Product Provider shall be automatically deemed to have appointed Agent as its agent and to have accepted the benefits of the Loan Documents; it being understood and agreed that the rights and benefits of each Bank Product Provider under the Loan Documents consist exclusively of such Bank Product Provider's being a beneficiary of the Liens and security interests (and, if applicable, guarantees) granted to Agent and the right to share in payments and collections out of the Collateral as more fully set forth herein. In addition, each Bank Product Provider, by virtue of entering into a Bank Product Agreement, shall be automatically deemed to have agreed that Agent shall have the right, but shall have no obligation, to establish, maintain, relax, or release reserves in respect of the Bank Product Obligations and that if reserves are established there is no obligation on the part of Agent to determine or insure whether the amount of any such reserve is appropriate or not. In connection with any such distribution of payments or proceeds of Collateral, Agent shall be entitled to assume no amounts are due or owing to any Bank Product Provider unless such Bank Product Provider has provided a written certification (setting forth a reasonably detailed calculation) to Agent as to the amounts that are due and owing to it and such written certification is received by Agent a reasonable period of time prior to the making of such distribution. Agent shall have no obligation to calculate the amount due and payable with respect to any Bank Products, but may rely upon the written certification of the amount due and payable from the relevant Bank Product Provider. In the absence of an updated certification, Agent shall be entitled to assume that the amount due and payable to the relevant Bank Product Provider is the amount last certified to Agent by such Bank Product Provider as being due and payable (less any distributions made to such Bank Product Provider on account thereof). Any Borrower may obtain Bank Products from any Bank Product Provider, although no Borrower is required to do so. Each Borrower acknowledges and agrees that no Bank Product Provider has committed to provide any Bank Products and that the providing of Bank Products by any Bank Product Provider is in the sole and absolute discretion of such Bank Product Provider. Notwithstanding anything to the contrary in this Agreement or any other Loan Document, no provider or holder of any Bank Product shall have any voting or approval rights hereunder (or be deemed a Lender) solely by virtue of its status as the provider or holder of such agreements or products or the Obligations owing thereunder, nor shall the consent of any such provider or holder be required (other than in their capacities as Lenders, to the extent applicable) for any matter hereunder or under any of the other Loan Documents, including as to any matter relating to the Collateral or the release of Collateral or Guarantors.

17.6. **Debtor-Creditor Relationship.**

The relationship between the Lenders and Agent, on the one hand, and the Loan Parties, on the other hand, is solely that of creditor and debtor. No member of the Lender Group has (or shall be deemed to have) any fiduciary relationship or duty to any Loan Party arising out of or in connection with the Loan Documents or the transactions contemplated thereby, and there is no agency or joint venture relationship between the members of the Lender Group, on the one hand, and the Loan Parties, on the other hand, by virtue of any Loan Document or any

transaction contemplated therein.

17.7. **Counterparts; Electronic Execution.**

This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this Agreement by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement. The foregoing shall apply to each other Loan Document *mutatis mutandis*.

17.8. **Revival and Reinstatement of Obligations.**

If the incurrence or payment of the Obligations by any Borrower or Guarantor or the transfer to the Lender Group of any property should for any reason subsequently be asserted, or declared, to be void or voidable under any state or federal law relating to creditors' rights, including provisions of the Bankruptcy Code (or under any bankruptcy or insolvency laws of Canada, including the BIA and the CCAA, or the Netherlands) relating to fraudulent conveyances, preferences, or other voidable or recoverable payments of money or transfers of property (each, a " Voidable Transfer"), and if the Lender Group is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that the Lender Group is required or elects to repay or restore, and as to all reasonable costs, expenses, and attorneys fees of the Lender Group related thereto, the liability of Borrowers or Guarantor automatically shall be revived, reinstated, and restored and shall exist as though such Voidable Transfer had never been made.

17.9. **Confidentiality.**

a. Agent and Lenders each individually (and not jointly or jointly and severally) agree that material, non-public information regarding Borrowers and their Subsidiaries, their operations, assets, and existing and contemplated business plans (" Confidential Information") shall be treated by Agent and the Lenders in a confidential manner, and shall not be disclosed by Agent and the Lenders to Persons who are not parties to this Agreement, except: (i) to attorneys for and other advisors, accountants, auditors, and consultants to any member of the Lender Group and to employees, directors and officers of any member of the Lender Group (the Persons in this clause (i), " Lender Group Representatives") on a "need to know" basis in connection with this Agreement and the transactions contemplated hereby and on a confidential basis, (ii) to Subsidiaries and Affiliates of any member of the Lender Group (including the Bank Product Providers), provided that any such Subsidiary or Affiliate shall have agreed to receive such information hereunder subject to the terms of this Section 17.9, (iii) as may be required by regulatory authorities so long as such authorities are informed of the confidential nature of such information, (iv) as may be required by statute, decision, or judicial or administrative order, rule, or regulation; provided that (x) prior to any disclosure under this clause (iv), the disclosing party agrees to provide Borrower Agent with prior notice thereof, to the extent that it is practicable to do so and to the extent that the disclosing party is permitted to provide such prior notice to Borrowers pursuant to the terms of the applicable statute, decision, or judicial or administrative order, rule, or regulation and (y) any disclosure under this clause (iv) shall be limited to the portion of the Confidential Information as may be required by such statute, decision, or judicial or administrative order, rule, or regulation, (v) as may be agreed to in advance in writing by Borrowers, (vi) as requested or required by any Governmental Authority pursuant to any subpoena or other legal process, provided, that, (x) prior to any disclosure under this clause (vi) the disclosing party agrees to provide Borrowers with prior written notice thereof, to the extent that it is practicable to do so and to the extent that the disclosing party is permitted to provide such prior written notice to Borrowers pursuant to the terms of the subpoena or other legal process and (y) any disclosure under this clause (vi) shall be limited to the portion of the Confidential Information as may be required by such Governmental Authority pursuant to such subpoena or other legal process, (vii) as to any such information that is or becomes generally available to the public (other than as a result of prohibited disclosure by Agent or the Lenders or the Lender Group Representatives), (viii) in connection with any assignment, participation or pledge of any Lender's interest under this Agreement, provided that prior to receipt of Confidential Information any such assignee, participant, or pledgee shall have agreed in writing to receive such Confidential Information hereunder subject to

the terms of this Section, (ix) in connection with any litigation or other adversary proceeding involving parties hereto which such litigation or adversary proceeding involves claims related to the rights or duties of such parties under this Agreement or the other Loan Documents; provided, that, prior to any disclosure to any Person (other than any Loan Party, Agent, any Lender, any of their respective Affiliates, or their respective counsel) under this clause (ix) with respect to litigation involving any Person (other than any Borrower, Agent, any Lender, any of their respective Affiliates, or their respective counsel), the disclosing party agrees to provide Borrowers with prior written notice thereof, and (x) in connection with, and to the extent reasonably necessary for, the exercise of any secured creditor remedy under this Agreement or under any other Loan Document.

b. Anything in this Agreement to the contrary notwithstanding, Agent may (i) provide information (other than material, non-public information) concerning the terms and conditions of this Agreement and the other Loan Documents to loan syndication and pricing reporting services, and (ii) use the name, logos, and other insignia of Borrowers and Loan Parties and the Commitments provided hereunder in any "tombstone" or comparable advertising, on its website or in other marketing materials of the Agent.

17.10. **Lender Group Expenses.**

Borrowers agree to pay any and all Lender Group Expenses on the earlier of (a) the first day of each month or (b) the date on which demand therefor is made by Agent and agrees that its obligations contained in this Section 17.10 shall survive payment or satisfaction in full of all other Obligations.

17.11. **Survival.**

All representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that Agent, the Issuing Lender, or any Lender may have had notice or knowledge of any Default or Event of Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated.

17.12. **Patriot Act.**

Each Lender that is subject to the requirements of the Patriot Act hereby notifies Borrowers that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies each Borrower, which information includes the name and address of each Borrower and other information that will allow such Lender to identify each Borrower in accordance with the Patriot Act.

17.13. **Anti-Money Laundering Legislation.**

a. Each Loan Party acknowledges that, pursuant to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada) and other applicable anti-money laundering, anti-terrorist financing, government sanction and "know your client" laws, whether within Canada or elsewhere (collectively, including any guidelines or orders thereunder, "AML Legislation"), Agent and Lenders may be required to obtain, verify and record information regarding each Loan Party, its respective directors, authorized signing officers, direct or indirect shareholders or other Persons in control of such Loan Party, and the transactions contemplated hereby. Borrower Agent shall promptly provide all such information, including supporting documentation and other evidence, as may be reasonably requested by any Lender or Agent, or any prospective assign or participant of a Lender or Agent, necessary in order to comply with any applicable AML Legislation, whether now or hereafter in existence.

b. If Agent has ascertained the identity of the Loan Party or any authorized signatories of the Loan Party for the purposes of applicable AML Legislation, then the Agent:

i. shall be deemed to have done so as an agent for each Lender, and this Agreement shall constitute a "written agreement" in such regard between each Lender and the Agent within the meaning of applicable AML Legislation; and

ii. shall provide to each Lender copies of all information obtained in such regard without any representation or warranty as to its accuracy or completeness.

c. Notwithstanding the provisions of this Section and except as may otherwise be agreed in writing, each Lender agrees that Agent has no obligation to ascertain the identity of the Loan Parties or any authorized signatories of the Loan Parties and the Guarantors on behalf of any Lender, or to confirm the completeness or accuracy of any information it obtains from the Loan Parties or any such authorized signatory in doing so.

17.14. **Judgment Currency.**

If, for the purposes of obtaining judgment in any court in any jurisdiction with respect to this Agreement or any other Loan Document, it becomes necessary to convert into the currency of such jurisdiction (the "Judgment Currency") any amount due under this Agreement or any other Loan Document in any currency other than the Judgment Currency (the "Currency Due"), then conversion shall be made at the Exchange Rate at which Agent is able, on the relevant date, to purchase the Currency Due with the Judgment Currency prevailing on the Business Day before the day on which judgment is given. In the event that there is a challenge with respect to Exchange Rate prevailing between the Business Day before the day on which the judgment is given and the date of receipt by Agent of the amount due, Borrowers or Guarantors will, on the date of receipt by Agent, pay such additional amounts, if any, or be entitled to receive reimbursement of such amount, if any, as may be necessary to ensure that the amount received by Agent on such date is the amount in the Judgment Currency which when converted at the rate of exchange prevailing on the date of receipt by Agent is the amount then due under this Agreement or any other Loan Document in the Currency Due. If the amount of the Currency Due which Agent is able to purchase is less than the amount of the Currency Due originally due to it, Borrowers and Guarantors shall indemnify and save Agent harmless from and against loss or damage arising as a result of such deficiency. The indemnity contained herein shall constitute an obligation separate and independent from the other obligations contained in this Agreement or any other Loan Document, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by Agent from time to time and shall continue in full force effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due under this Agreement or any other Loan Document or under any judgment or order.

17.15. **Integration.**

This Agreement, together with the other Loan Documents, reflects the entire understanding of the parties with respect to the transactions contemplated hereby and shall not be contradicted or qualified by any other agreement, oral or written, before the date hereof. The foregoing to the contrary notwithstanding, all Bank Product Agreements, if any, are independent agreements governed by the written provisions of such Bank Product Agreements, which will remain in full force and effect, unaffected by any repayment, prepayments, acceleration, reduction, increase, or change in the terms of any credit extended hereunder, except as otherwise expressly provided in such Bank Product Agreement.

17.16. **Parent as Agent for Borrowers.**

Each Borrower hereby irrevocably appoints Parent as the borrowing agent and attorney-in-fact for all Borrowers (the " Borrower Agent") which appointment shall remain in full force and effect unless and until Agent shall have received prior written notice signed by each Borrower that such appointment has been revoked and that another Borrower has been appointed Borrower Agent. Each Borrower hereby irrevocably appoints and authorizes the Borrower Agent (a) to provide Agent with all notices with respect to Advances and Letters of Credit obtained for the benefit of any Borrower and all other notices and instructions under this Agreement, and (b) to take such action as the Borrower Agent deems appropriate on its behalf to obtain Advances and Letters of Credit and to exercise such other powers as are reasonably incidental thereto to carry out the purposes of this Agreement. It is understood that the handling of the Loan Account and Collateral in a combined fashion, as more fully set forth herein, is done solely as an accommodation to Borrowers in order to utilize the collective borrowing powers of Borrowers in the most efficient and economical manner and at their request, and that Lender Group shall not incur liability to any Borrower as a result hereof. Each Borrower expects to derive benefit, directly or indirectly, from the handling of the Loan Account and the Collateral in a combined fashion since the successful operation of each Borrower is dependent on the continued successful performance of the integrated group. To induce the Lender Group to do so, and in consideration thereof, each Borrower hereby jointly and severally agrees to indemnify each member of the

Lender Group and hold each member of the Lender Group harmless against any and all liability, expense, loss or claim of damage or injury, made against the Lender Group by any Borrower or by any third party whosoever, arising from or incurred by reason of (a) the handling of the Loan Account and Collateral of Borrowers as herein provided, or (b) the Lender Group's relying on any instructions of the Borrower Agent, except that Borrowers will have no liability to the relevant Agent-Related Person or Lender-Related Person under this Section 17.16 with respect to any liability that has been finally determined by a court of competent jurisdiction to have resulted solely from the gross negligence or willful misconduct of such Agent-Related Person or Lender-Related Person, as the case may be.

17.17. **Quebec Interpretation.**

i. For all purposes pursuant to which the interpretation or construction of this Agreement may be subject to the laws of the Province of Quebec or a court or tribunal exercising jurisdiction in the Province of Quebec, (a) "personal property" shall include "movable property", (b) "real property" shall include "immovable property", (c) "tangible property" shall include "corporeal property", (d) "intangible property" shall include "incorporeal property", (e) "security interest", "mortgage" and "lien" shall include a "hypothec", "prior claim" and a "resolutory clause", (f) all references to filing, registering or recording under the Code or PPSA shall include publication under the Civil Code of Quebec, (g) all references to "perfection" of or "perfected" liens or security interest shall include a reference to an "opposable" or "set up" lien or security interest as against third parties, (h) any "right of offset", "right of setoff" or similar expression shall include a "right of compensation", (i) "goods" shall include corporeal movable property" other than chattel paper, documents of title, instruments, money and securities, (j) an "agent" shall include a "mandatary", (k) "construction liens" shall include "legal hypothecs", (l) "joint and several" shall include solidary, (m) "gross negligence or willful misconduct" shall be deemed to be "intentional or gross fault", (n) "beneficial ownership" shall include "ownership on behalf of another as mandatary", (o) "easement" shall include "servitude", (p) "priority" shall include "prior claim", (q) "survey" shall include "certificate of location and plan", and (r) "fee simple title" shall include "absolute ownership".

17.18. **English Language Only.**

The parties hereto confirm that it is their wish that this Agreement and any other document executed in connection with the transactions contemplated hereby be drawn up in the English language only and that all other documents contemplated hereunder or relating hereto, including notices, shall also be drawn up in the English language only. Les parties aux présentes confirment que c'est leur volonté que cette convention et les autres documents de crédit soient rédigés en langue anglaise seulement et que tous les documents, y compris tous avis, envisagés par cette convention et les autres documents peuvent être rédigés en langue anglaise seulement.

[Signature pages to follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first above written.

AUDIOVOX CORPORATION

By:/s/ Charles M. Stoehr

Name: Charles M. Stoehr

Title: Sr. Vice President /CFO

AUDIOVOX ACCESSORIES CORPORATION

By:/s/ Loriann Shelton

Name: Loriann Shelton

Title: CFO/Secretary/Treasurer

AUDIOVOX ELECTRONICS CORPORATION

By:/s/ Loriann Shelton

Name: Loriann Shelton

Title: CFO/Secretary/Treasurer

AUDIOVOX CONSUMER ELECTRONICS, INC.

By:/s/ Loriann Shelton

Name: Loriann Shelton

Title: CFO/Secretary/Treasurer

AMERICAN RADIO CORP.

By:/s/ Charles M. Stoehr

Name: Charles M. Stoehr

Title: Vice President

CODE SYSTEMS, INC.

By:/s/ Charles M. Stoehr

Name: Charles M. Stoehr

Title: Vice President

INVISION AUTOMOTIVE SYSTEMS INC.

By:/s/ Charles M. Stoehr

Name: Charles M. Stoehr

Title: Vice President

KLIPSCH GROUP, INC.

By:/s/ Frederick L. Farrar

Name: Frederick L. Farrar

Title: Executive Vice President/CFO/Treasurer/Assistant Secretary

BATTERIES.COM, LLC

By:/s/ Loriann Shelton

Name: Loriann Shelton

Title: Secretary

WELLS FARGO CAPITAL FINANCE, LLC,

a Delaware limited liability company, as Agent and as a Lender

By:/s/ Richard K. Schultz

Name: Richard K. Schultz

Title: Director

SIEMENS FINANCIAL SERVICES, INC.,
as a Lender

By:/s/ Anthony Casciano
Name: Anthony Casciano
Title: Managing Director

By:/s/ David Kantes
Name: David Kantes
Title: Senior Vice President and Chief Risk Officer

HSBC BANK USA, NATIONAL ASSOCIATION,
as a Lender

By:/s/ Thomas C. Getty, Jr.
Name: Thomas C. Getty, Jr.
Title: Vice President

CAPITAL ONE LEVERAGE FINANCE CORP.,

as a Lender

By:_____

Name:

Title:

TD BANK, N.A.,

as a Lender

By:_____

Name:

Title:

Schedule 1.1

As used in the Agreement, the following terms shall have the following definitions:

"Account" means, as to each Loan Party, all present and future rights of such Loan Party to payment of a monetary obligation, whether or not earned by performance, which is not evidenced by chattel paper or an instrument, (a) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (b) for services rendered or to be rendered, (c) for a secondary obligation incurred or to be incurred, or (d) arising out of the use of a credit or charge card or information contained on or for use with the card.

"Account Debtor" means any Person who is obligated on an Account, chattel paper, or a general intangible.

"Accounting Changes" means changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants (or successor thereto or any agency with similar functions).

"Acquired Indebtedness" means Indebtedness of a Person whose assets or Stock is acquired by a Borrower or any of its Subsidiaries in a Permitted Acquisition; provided, that, such Indebtedness (a) is either Purchase Money Indebtedness or a Capital Lease with respect to Equipment or mortgage financing with respect to Real Property, (b) was in existence prior to the date of such Permitted Acquisition, and (c) was not incurred in connection with, or in contemplation of, such Permitted Acquisition.

"Acquisition" means (a) the purchase or other acquisition by a Person or its Subsidiaries of all or substantially all of the assets of (or any division or business line of) any other Person, or (b) the purchase or other acquisition (whether by means of a merger, consolidation, or otherwise) by a Person or its Subsidiaries of all or substantially all of the Stock of any other Person.

"Additional Documents" has the meaning specified therefor in Section 5.12 of the Agreement.

"Advances" means, collectively, the revolving loans made pursuant to Section 2.1(a) of the Agreement, the Swing Loans, the Overadvances and the Protective Advances.

"Affected Lender" has the meaning specified therefor in Section 2.13(b) of the Agreement.

"Affiliate" means, as applied to any Person, any other Person who controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" means the possession, directly or indirectly through one or more intermediaries, of the power to direct the management and policies of a Person, whether through the ownership of Stock, by contract, or otherwise; provided, that, for purposes of the definition of Eligible Accounts and Section 6.12 of the Agreement: (a) any Person which owns directly or indirectly ten (10%) percent or more of the Stock having ordinary voting power for the election of directors or other members of the governing body of a Person or ten (10%) percent or more of the partnership or other ownership interests of a Person (other than as a limited partner of such Person) shall be deemed an Affiliate of such Person, (b) each director (or comparable manager) of a Person shall be deemed to be an Affiliate of such Person, and (c) each partnership in which a Person is a general partner shall be deemed an Affiliate of such Person.

"Agent" has the meaning specified therefor in the preamble to the Agreement.

"Agent Payment Account" means, as the context requires, the relevant Deposit Account of Agent identified on Schedule A-1.

"Agent-Related Persons" means Agent, together with its Affiliates, officers, directors, employees, attorneys, and agents.

"Agent's Liens" means the Liens granted by any Borrower or its Subsidiaries to Agent under the Loan Documents.

"Agreement" means the Credit Agreement to which this Schedule 1.1 is attached.

"Applicable Margin" means, with respect to Base Rate Loans and LIBOR Rate Loans, the applicable percentage (on a per annum basis) set forth below based on the Quarterly Average Excess Availability for the immediately preceding three (3) month period:

		Applicable LIBOR	Applicable Base
	Quarterly Average Excess Availability		
Tier		Rate Margin	Rate Margin
1	Greater than $50,000,000	2.25%	1.25%
2	Greater than or equal to $25,000,000 but less than or equal to $50,000,000	2.5%	1.5%
3	Less than $25,000,000	2.75%	1.75%

provided, that, (i) the Applicable Margin shall be calculated and established once every three (3) months and shall remain in effect until adjusted for the next three (3) month period, (ii) each adjustment of the Applicable Margin shall be effective as of the first day of each such three (3) month period based on the Quarterly Average Excess Availability for the immediately preceding three (3) month period, (iii) notwithstanding anything to the contrary contained herein, the Applicable Margin through May 31, 2011, shall be the amount for Tier 2 set forth above and (iv) in the event that Borrower fails to provide any Borrowing Base Certificate or other information with respect thereto for any period on the date required hereunder, effective as of the date on which such Borrowing Base Certificate or other information was otherwise required, at Agent's option, the Applicable Margin shall be based on the highest rate above until the next Business Day after a Borrowing Base Certificate or other information is provided for the applicable period at which time the Applicable Margin shall be adjusted as otherwise provided herein. In the event that at any time after the end of any three (3) month period the Quarterly Average Excess Availability for such three (3) month period used for the determination of the Applicable Margin was greater than the actual amount of the Quarterly Average Excess Availability for such period as a result of the inaccuracy of information provided by or on behalf of Borrowers to Agent for the calculation of Excess Availability, the Applicable Margin for such period shall be adjusted to the applicable percentage based on such actual Quarterly Average Excess Availability and any additional interest for the applicable period as a result of such recalculation shall be promptly paid to Agent. The foregoing shall not be construed to limit the rights of Agent or Lenders with respect to the amount of interest payable after a Default or Event of Default whether based on such recalculated percentage or otherwise.

"Application Event" means the occurrence of (a) a failure by Borrowers to repay all of the Obligations in full on the Maturity Date, (b) an Event of Default and the election by Agent or the Required Lenders to require that payments and proceeds of Collateral be applied pursuant to Section 2.4(b)(ii) of the Agreement during the continuance thereof, or (c) an Event of Default under Section 8.4 or 8.5 of the Agreement.

"Assignee" has the meaning specified therefor in Section 13.1(a) of the Agreement.

"Assignment and Acceptance" means an Assignment and Acceptance Agreement substantially in the form of Exhibit A-1.

"Authorized Person" means any one of the individuals identified on Schedule A-2, as such schedule is updated from time to time by written notice from Borrower Agent to Agent.

"Availability" means, as of any date of determination, the amount that Borrowers are entitled to borrow as Advances under Section 2.1 of the Agreement (after giving effect to all then outstanding Obligations (other than Bank Product Obligations)).

"Bank Product" means any one or more of the following financial products or accommodations extended to any Borrower by a Bank Product Provider: (a) credit cards, (b) credit card processing services, (c) debit cards, (d) stored value cards, (e) purchase cards (including so-called "procurement cards" or "P-cards"), (f) Cash Management Services, or (g) transactions under Hedge Agreements.

"Bank Product Agreements" means those agreements entered into from time to time by a Borrower with a Bank Product Provider in connection with the obtaining of any of the Bank Products.

"Bank Product Collateralization" means providing cash collateral (pursuant to documentation reasonably satisfactory to Agent) to be held by Agent for the benefit of the Bank Product Providers (other than the Hedge Providers) in an amount determined by Agent as sufficient to satisfy the reasonably estimated credit exposure with

respect to the then existing Bank Product Obligations (other than Hedge Obligations).

"Bank Product Obligations" means (a) all obligations, liabilities, reimbursement obligations, fees, or expenses owing by a Borrower to any Bank Product Provider pursuant to or evidenced by a Bank Product Agreement and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, (b) all Hedge Obligations, and (c) all amounts that Agent or any Lender is obligated to pay to a Bank Product Provider as a result of Agent or such Lender purchasing participations from, or executing guarantees or indemnities or reimbursement obligations to, a Bank Product Provider with respect to the Bank Products provided by such Bank Product Provider to a Borrower; provided, that, in order for any item described in clauses (a) (b), or (c) above, as applicable, to constitute "Bank Product Obligations", (i) if the applicable Bank Product Provider is Wells Fargo or its Affiliates, then, if requested by Agent, Agent shall have received a Bank Product Provider Letter Agreement within ten (10) days after the date of such request, or (ii) if the applicable Bank Product Provider is any other Person, the applicable Bank Product must have been provided on or after the Closing Date and Agent shall have received a Bank Product Provider Letter Agreement within ten (10) days after the date of the provision of the applicable Bank Product to a Borrower.

"Bank Product Provider" means any Lender or any of its Affiliates; provided, that, (a) no such Person (other than Wells Fargo or its Affiliates) shall constitute a Bank Product Provider with respect to a Bank Product unless and until Agent shall have received a Bank Product Provider Letter Agreement from such Person and with respect to the applicable Bank Product within ten (10) days after the provision of such Bank Product to a Borrower and (b) if, at any time, a Lender ceases to be a Lender under the Agreement, then, from and after the date on which it ceases to be a Lender thereunder, neither it nor any of its Affiliates shall constitute Bank Product Providers and the obligations with respect to Bank Products provided by such former Lender or any of its Affiliates shall no longer constitute Bank Product Obligations.

"Bank Product Provider Letter Agreement" means a letter agreement in substantially the form attached hereto as Exhibit B-2, in form and substance satisfactory to Agent, duly executed by the applicable Bank Product Provider, Borrowers, and Agent.

"Bank Product Reserve Amount" means, as of any date of determination, the Dollar amount of reserves that Agent has determined it is necessary or appropriate to establish (based upon the Bank Product Providers' reasonable determination of their credit exposure to Borrowers in respect of Bank Product Obligations) in respect of Bank Products then provided or outstanding.

"Bankruptcy Code" means title 11 of the United States Code, as in effect from time to time.

"Base Rate" means the greatest of (a) the Federal Funds Rate plus one-half of one percent (0.50%) percent, (b) the LIBOR Rate (which rate shall be calculated based upon an Interest Period of one (1) month and shall be determined on a daily basis), plus one (1.00%) percent, and (c) the rate of interest announced, from time to time, within Wells Fargo at its principal office in San Francisco as its "prime rate", with the understanding that the "prime rate" is one of Wells Fargo's base rates (not necessarily the lowest of such rates) and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto and is evidenced by the recording thereof after its announcement in such internal publications as Wells Fargo may designate.

"Base Rate Loan" means each portion of the Advances that bears interest at a rate determined by reference to the Base Rate.

"Benefit Plan" means a "defined benefit plan" (as defined in Section 3(35) of ERISA) for which any Borrower or any of its Subsidiaries or ERISA Affiliates has been an "employer" (as defined in Section 3(5) of ERISA) within the past six years or, with respect to a Canadian Guarantor, any Canadian Pension Plan.

"BIA" means the Bankruptcy and Insolvency Act (Canada), R.S.C. 1985, c. B-3, as the same now exists or may from time to time hereafter be amended, modified, recodified or supplemented, together with all official rules, regulations and interpretations thereunder or related thereto.

"Board of Directors" means the board of directors (or comparable managers) of Parent or any committee thereof duly authorized to act on behalf of the board of directors (or comparable managers).

"Borrower" and "Borrowers" have the respective meanings specified therefor in the preamble to the

Agreement.

"Borrower Agent" has the meaning specified therefor in Section 17.16 of the Agreement.

"Borrowing" means a borrowing consisting of Advances made on the same day by the Lenders (or Agent on behalf thereof), or by Swing Lender in the case of a Swing Loan, or by Agent in the case of a Protective Advance.

"Borrowing Base" means, at any time, the amount equal to:

(a) the amount equal to eighty-five (85%) percent of the amount of Eligible Accounts of each Borrower, each Canadian Guarantor and Dutch Guarantor, plus

(b) the amount equal to the lesser of (i) sixty-five (65%) percent multiplied by the Value of Eligible Inventory of each Borrower, each Canadian Guarantor and Dutch Guarantor or (ii) eighty-five (85%) percent of the Net Recovery Percentage multiplied by the Value of such Eligible Inventory, minus

(c) the aggregate amount of reserves, if any, established by Agent under Section 2.1(d) of the Agreement.

"Borrowing Base Certificate" means a certificate in the form of Exhibit B-1.

"Business Day" means any day that is not a Saturday, Sunday, or other day on which banks are authorized or required to close in the state of New York, except that, if a determination of a Business Day shall relate to a LIBOR Rate Loan, the term "Business Day" also shall exclude any day on which banks are closed for dealings in Dollar deposits in the London interbank market.

"Canadian Guarantors" means, collectively, the following (together with their respective successors and assigns): (a) Audio Products International Corp., a corporation formed under the laws of the Province of Ontario and (b) Audiovox Canada Limited, a corporation formed under the laws of the Province of Ontario; each sometimes being referred to herein as a "Canadian Guarantor".

"Canadian Pension Plan" means any plan, program or arrangement that is a pension plan for the purposes of any applicable pension benefits legislation or any tax laws of Canada or a Province thereof, whether or not registered under any such laws, which is maintained or contributed to by, or to which there is or may be an obligation to contribute by, any Borrower or Guarantor in respect of any Person's employment in Canada with such Borrower or Guarantor.

"Capital Expenditures" means, with respect to any Person for any period, the aggregate of all expenditures by such Person and its Subsidiaries during such period that are capital expenditures as determined in accordance with GAAP, whether such expenditures are paid in cash or financed.

"Capitalized Lease Obligation" means that portion of the obligations under a Capital Lease that is required to be capitalized in accordance with GAAP.

"Capital Lease" means a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

"Cash Dominion Event" means at any time (a) an Event of Default exists or has occurred and is continuing or (b) Excess Availability is less than twelve and one-half (12.5%) percent of the Maximum Credit for any three (3) consecutive day period. The occurrence of a Cash Dominion Event shall be deemed to exist and to be continuing notwithstanding that Excess Availability may thereafter exceed the amount set forth in the preceding sentence unless and until Excess Availability exceeds twelve and one-half (12.5%) percent of the Maximum Credit for sixty (60) consecutive days, in which event a Cash Dominion Event shall no longer be deemed to exist or be continuing until such time as Excess Availability may again be less than such amount for any three (3) consecutive day period; provided, that, a Cash Dominion Event may not be cured as contemplated by this sentence more than two (2) times during the term of this Agreement.

"Cash Equivalents" means (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States or issued by any agency thereof and backed by the full faith and credit of the United States, in

each case maturing within 1 year from the date of acquisition thereof, (b) marketable direct obligations issued or fully guaranteed by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within 1 year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either Standard & Poor's Rating Group (" S&P") or Moody's Investors Service, Inc. ("Moody's"), (c) commercial paper maturing no more than two hundred seventy (270) days from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody's, (d) certificates of deposit, time deposits, overnight bank deposits or bankers' acceptances maturing within 1 year from the date of acquisition thereof issued by any bank organized under the laws of the United States or any state thereof or the District of Columbia or any United States branch of a foreign bank having at the date of acquisition thereof combined capital and surplus of not less than $250,000,000, (e) Deposit Accounts maintained with (i) any bank that satisfies the criteria described in clause (d) above, or (ii) any other bank organized under the laws of the United States or any state thereof so long as the full amount maintained with any such other bank is insured by the Federal Deposit Insurance Corporation, (f) repurchase obligations of any commercial bank satisfying the requirements of clause (d) of this definition or recognized securities dealer having combined capital and surplus of not less than $250,000,000, having a term of not more than seven (7) days, with respect to securities satisfying the criteria in clauses (a) or (d) above, (g) debt securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any commercial bank satisfying the criteria described in clause (d) above, and (h) Investments in money market funds substantially all of whose assets are invested in the types of assets described in clauses (a) through (g) above.

"Cash Management Services" means any cash management or related services including treasury, depository, return items, overdraft, controlled disbursement, merchant store value cards, e-payables services, electronic funds transfer, interstate depository network, automatic clearing house transfer (including the Automated Clearing House processing of electronic funds transfers through the direct Federal Reserve Fedline system) and other cash management arrangements.

"CCAA" means the Companies' Creditors Arrangement Act, R.S.C. 1985, c.C-36, as the same now exists or may from time to time hereafter be amended, modified, recodified or supplemented, together with all official rules, regulations and interpretations thereunder or related thereto.

"Change of Control" means

(a) at any time that the Permitted Holders are not directly or indirectly the "beneficial owner" of at least thirty (30%) percent of the total voting power of Stock of Parent then outstanding entitled to vote generally in elections of directors of Parent;

(b) any "person" or "group" (as such terms are used in Rule 13d-5 of the Exchange Act, and Sections 13(d) and 14(d) of the Exchange Act) of persons, other than the Permitted Holders, becomes, directly or indirectly, in a single transaction or in a related series of transactions, the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act) of a greater percentage than is owned by the Permitted Holders of the total voting power of Stock of Parent then outstanding entitled to vote generally in elections of directors of Parent;

(c) the Continuing Directors shall cease for any reason to constitute a majority of the Board of Directors of Parent then in office;

(d) except as otherwise expressly permitted herein, Parent shall cease to be the direct or indirect holder and owner of one hundred (100%) percent of the Stock of the other Loan Parties.

"Closing Date" means the date of the making of the initial Advance (or other extension of credit) under the Agreement.

"Code" means the New York Uniform Commercial Code, as in effect from time to time.

"Collateral" means all assets and interests in assets (other than the real property located in Hope, Arkansas which is owned by Klipsch on the Closing Date) and proceeds thereof now owned or hereafter acquired by a Loan Party in or upon which a Lien is granted by such Loan Party in favor of Agent or the Lenders under any of the Loan Documents.

"Collateral Access Agreement" means a landlord waiver, bailee letter, or acknowledgement agreement of

any lessor, warehouseman, processor, consignee, or other Person in possession of, having a Lien upon, or having rights or interests in a Borrower's or its Subsidiaries' books and records, Equipment, or Inventory, in each case, in form and substance reasonably satisfactory to Agent.

"Collections" means all cash, checks, notes, instruments, and other items of payment (including insurance proceeds, cash proceeds of asset sales, rental proceeds, and tax refunds).

"Commitment" means, with respect to each Lender, its Commitment, and, with respect to all Lenders, their Commitments, in each case as such Dollar amounts are set forth beside such Lender's name under the applicable heading on Schedule C-1 attached hereto or on the signature page of the Assignment and Acceptance pursuant to which such Lender became a Lender under the Agreement, as such amounts may be reduced or increased from time to time pursuant to assignments made in accordance with the provisions of Section 13.1 of the Agreement.

"Compliance Certificate" means a certificate substantially in the form of Exhibit C-1 delivered by the chief financial officer of Borrower Agent to Agent.

"Confidential Information" has the meaning specified therefor in Section 17.9(a) of the Agreement.

"Continuing Director" means (a) any member of the Board of Directors of Parent who was a director (or comparable manager) on the Closing Date, after giving effect to the execution and delivery of this Agreement and the other transactions contemplated hereby to occur on such date, and (b) any individual who becomes a member of the Board of Directors of Parent after the Closing Date if such individual was approved, appointed or nominated for election to the Board of Directors by either the Permitted Holders or a majority of the Continuing Directors.

"Control Agreement" means a control agreement, in form and substance reasonably satisfactory to Agent, executed and delivered by a Loan Party, Agent, and the applicable securities intermediary (with respect to a Securities Account) or bank (with respect to a Deposit Account).

"Controlled Account Agreement" has the meaning specified therefor in the Security Agreement.

"Controlled Foreign Corporation" or "controlled foreign corporation" means a controlled foreign corporation (as that term is defined in the IRC).

"Copyright Security Agreement" has the meaning specified therefor in the Security Agreement.

"Daily Balance" means, as of any date of determination and with respect to any Obligation, the amount of such Obligation owed at the end of such day.

"Danish Guarantor" means Klipsch Group Europe - Denmark, a company organized under the laws of Denmark, and its successors and assigns.

"Default" means an event, condition, or default that, with the giving of notice, the passage of time, or both, would be an Event of Default.

"Defaulting Lender" means any Lender that (a) has failed to fund any amounts required to be funded by it under the Agreement on the date that it is required to do so under the Agreement (including the failure to make available to Agent amounts required pursuant to a Settlement or to make a required payment in connection with a Letter of Credit Disbursement), (b) notified any Borrower, Agent, or any Lender in writing that it does not intend to comply with all or any portion of its funding obligations under the Agreement, (c) has made a public statement to the effect that it does not intend to comply with its funding obligations under the Agreement or under other agreements generally (as reasonably determined by Agent) under which it has committed to extend credit, (d) failed, within one (1) Business Day after written request by Agent, to confirm that it will comply with the terms of the Agreement relating to its obligations to fund any amounts required to be funded by it under the Agreement, (e) otherwise failed to pay over to Agent or any other Lender any other amount required to be paid by it under the Agreement on the date that it is required to do so under the Agreement, or (f) (i) becomes or is insolvent or has a parent company that has become or is insolvent or (ii) becomes the subject of a bankruptcy or Insolvency Proceeding, or has had a receiver, conservator, trustee, or custodian or appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a parent company that has become the subject of a bankruptcy or Insolvency Proceeding, or has had a receiver, conservator, trustee, or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent

to, approval of or acquiescence in any such proceeding or appointment.

"Defaulting Lender Rate" means (a) for the first three (3) days from and after the date the relevant payment is due, the Base Rate, and (b) thereafter, the interest rate then applicable to Advances that are Base Rate Loans (inclusive of the Applicable Margin for Base Rate Loans applicable thereto).

"Deposit Account" means any deposit account (as that term is defined in the Code).

"Designated Account" means the Deposit Account of Borrower Agent identified on Schedule D-1.

"Designated Account Bank" has the meaning specified therefor in Schedule D-1.

"Dilution" means, as of any date of determination, a percentage, based upon the experience of the immediately prior thirty (30) consecutive days, that is the result of dividing the Dollar amount of (a) bad debt write-downs, discounts, advertising allowances, credits, or other dilutive items with respect to Borrowers' Accounts during such period, by (b) Borrowers' billings with respect to Accounts during such period.

"Dilution Reserve" means, as of any date of determination, an amount sufficient to reduce the advance rate against Eligible Accounts by 1 percentage point for each percentage point by which Dilution is in excess of five (5%) percent .

"Dollars" or "$" means United States dollars.

"Dutch Guarantor" means Klipsch Group Europe, B.V., a private company with limited liability with its corporate seat in Leiden, the Netherlands, and its successors and assigns.

"EBITDA" means, with respect to any fiscal period, the consolidated net earnings (or loss) of Parent and its Subsidiaries, minus extraordinary gains and interest income, plus non-cash extraordinary losses, interest expense, income taxes, non-cash charges related to goodwill impairment and impairment of non-cash intangibles, closing costs incurred in connection with the Klipsch Acquisition and the credit facility related to this Agreement, and depreciation and amortization of Parent and its Subsidiaries for such period, in each case, determined on a consolidated basis in accordance with GAAP.

"Eligible Accounts" means those Accounts created by any Borrower, any Canadian Guarantor or Dutch Guarantor in the ordinary course of its business, that arise out of the sale of goods or rendition of services by such Borrower, Canadian Guarantor or Dutch Guarantor, as the case may be, that comply with each of the representations and warranties respecting Eligible Accounts made in the Loan Documents, and that are not excluded from being Eligible Accounts as a result of the failure to satisfy any of the criteria set forth below; provided, that, that such criteria may be revised from time to time by Agent in its Permitted Discretion to address the results of any field examination by or on behalf of Agent from time to time after the Closing Date. In determining the amount to be included, Eligible Accounts shall be calculated net of customer deposits, taxes, discounts, credits, allowances, rebates and unapplied cash. Eligible Accounts shall not include the following:

a. Accounts that the Account Debtor has failed to pay within one hundred and twenty (120) days of original invoice date (but with respect to Best Buy Co., Inc., within one hundred and thirty five (135) days of the original invoice date), or within sixty (60) days of the original due date or Accounts with payment terms of more than one hundred and twenty (120) days,

b. Accounts owed by an Account Debtor (or its Affiliates) where fifty (50%) percent or more of all Accounts owed by that Account Debtor (or its Affiliates) are deemed ineligible under clause (a) above,

c. Accounts with respect to which the Account Debtor is an Affiliate of a Borrower or an employee or agent of a Borrower or any Affiliate of a Borrower,

d. Accounts arising in a transaction wherein goods are placed on consignment or are sold pursuant to a guaranteed sale, a sale or return, a sale on approval, a bill and hold, or any other terms by reason of which the payment by the Account Debtor may be conditional,

e. Accounts that are not payable in Dollars, Canadian dollars, British pounds sterling or euros,

f. in connection with Accounts owing to any Borrower or Canadian Guarantor, Accounts with respect to which the Account Debtor (i) does not maintain its chief executive office in, or is not organized under the laws

of the United States (or any State thereof) or Canada (or any Province or Territory thereof), or (ii) is the government of any foreign country (other than Canada) or sovereign state, or of any state, province, municipality, or other political subdivision thereof, or of any department, agency, public corporation, or other instrumentality thereof, except, as to any of the Accounts owing to any Borrower or Canadian Guarantor that would not be Eligible Accounts solely as a result of the failure to satisfy the conditions in clauses (i) or (ii) above, if the Account is supported by an irrevocable letter of credit reasonably satisfactory to Agent (as to form, substance, and issuer or domestic confirming bank) that has been delivered to Agent and is directly drawable by Agent,

g. in connection with Accounts owing to Dutch Guarantor, (i) Accounts with respect to which the Account Debtor does not maintain its chief executive office in, or is not organized under the laws of a jurisdiction in either the Netherlands, Hong Kong, Australia, Germany or Ireland, (ii) Accounts that arise from an agreement (A) governed by the laws of a jurisdiction other than the laws of the Netherlands or the State of Indiana, or (B) that contains an anti-assignment clause or any other limitation or condition to the grant of a security interest or other Lien or interest in any such Accounts or provides that the grant thereof would constitute a default or breach of any such agreement, (iii) Accounts that are not pledged pursuant to the Dutch deed of pledge, dated on or about the date of this Agreement, by and between Dutch Guarantor and Agent, or (iv) Accounts with respect to which the Account Debtor is the government of any foreign country or sovereign state, or of any state, province, municipality, or other political subdivision thereof, or of any department, agency, public corporation, or other instrumentality thereof, except, as to any of the Accounts owing to Dutch Guarantor that would not be Eligible Accounts solely as a result of the failure to satisfy the conditions in clauses (i), (ii) or (iii) above, if the Account is supported by an irrevocable letter of credit reasonably satisfactory to Agent (as to form, substance, and issuer or domestic confirming bank) that has been delivered to Agent and is directly drawable by Agent,

h. Accounts with respect to which the Account Debtor is either (i) the United States or Canada, or any department, agency, or instrumentality thereof (exclusive, however, of Accounts with respect to which Borrowers have complied, to the reasonable satisfaction of Agent, with the Assignment of Claims Act, 31 USC §3727 or the Financial Administration Act (Canada) or any other similar Provincial, Territorial or local law, as applicable), or (ii) any state of the United States or province or territory of Canada,

i. Accounts with respect to which the Account Debtor is a creditor of a Borrower, has or has asserted a right of setoff, or has disputed its obligation to pay all or any portion of the Account, to the extent of such claim, right of setoff, or dispute,

j. Accounts (i) with respect to an Account Debtor (other than Wal-Mart Stores, Inc., Best Buy Co., Inc. and HH Gregg Distributing LLC) whose total obligations owing to Borrowers exceed ten ten (10%) percent (such percentage, as applied to a particular Account Debtor, being subject to reduction by Agent in its Permitted Discretion if the creditworthiness of such Account Debtor deteriorates) of all Eligible Accounts, to the extent of the obligations owing by such Account Debtor in excess of such percentage and (ii) with respect to each of Wal-Mart Stores, Inc., Best Buy Co., Inc. and HH Gregg Distributing LLC whose total obligations owing to Borrowers exceed twenty (20%) percent, thirty five (35%) percent and fifteen (15%) percent, respectively (such percentage, as applied to any such particular Account Debtor, being subject to reduction by Agent in its Permitted Discretion if the creditworthiness of such Account Debtor deteriorates) of all Eligible Accounts, to the extent of the obligations owing by such Account Debtor in excess of such percentage; provided, that, in each case, the amount of Eligible Accounts that are excluded because they exceed any of the foregoing percentages shall be determined by Agent based on all of the otherwise Eligible Accounts prior to giving effect to any eliminations based upon the foregoing concentration limit,

k. Accounts with respect to which the Account Debtor is subject to an Insolvency Proceeding, is not Solvent, has gone out of business, or as to which a Borrower, a Canadian Guarantor or Dutch Guarantor has received notice of an imminent Insolvency Proceeding or a material impairment of the financial condition of such Account Debtor,

l. Accounts, the collection of which, Agent, in its Permitted Discretion, believes to be doubtful by reason of the Account Debtor's financial condition,

m. Accounts that are not subject to a valid and perfected first priority Agent's Lien,

n. Accounts with respect to which (i) the goods giving rise to such Account have not been shipped and

billed to the Account Debtor, or (ii) the services giving rise to such Account have not been performed and billed to the Account Debtor,

o. Accounts with respect to which the Account Debtor is a Sanctioned Person or Sanctioned Entity,

p. Accounts that represent the right to receive progress payments or other advance billings that are due prior to the completion of performance by Borrowers, Canadian Guarantors or Dutch Guarantor, as applicable, of the subject contract for goods or services;

q. Accounts with respect to which the Account Debtor's obligation does not constitute its legal, valid and binding obligation, enforceable against it in accordance with its terms,

r. Accounts in connection with which any Borrower or any other party to such Account is in default in the performance or observance of any of the terms thereof in any material respect, or

s. Accounts for which and to the extent that the prospect of payment or performance by the Account Debtor is or will be impaired as determined by the Agent in its Permitted Discretion.

"Eligible In-Transit Inventory" means Inventory owned by any Borrower, any Canadian Guarantor or Dutch Guarantor that otherwise satisfies the criteria for Eligible Inventory set forth herein but is located outside of the United States of America, Canada and the Netherlands (and in international waters) and which is in transit to either the premises of a Freight Forwarder in the United States of America, Canada or the Netherlands or the premises of a Borrower, a Canadian Guarantor or Dutch Guarantor in the United States of America, Canada or the Netherlands which are either owned and controlled by such Borrower, Canadian Guarantor or Dutch Guarantor or leased by such Borrower, Canadian Guarantor or Dutch Guarantor (but only if Agent has received a Collateral Access Agreement duly authorized, executed and delivered by such Freight Forwarder or the owner and lessor of such leased premises, as the case may be, by not later than the date provided in clause (b) below), provided, that,

(a) Agent has a first priority perfected Lien upon such Inventory and all documents of title with respect thereto,

(b) such Inventory either (i) is the subject of a negotiable bill of lading (A) in which Agent is named as the consignee (either directly or by means of endorsements), (B) that was issued by the carrier respecting such Inventory that is subject to such bill of lading, and (C) that is in the possession of Agent or the Freight Forwarder (or, in the case of Inventory purchased with and subject to a Letter of Credit issued hereunder, in the possession of the Issuing Lender or the Underlying Issuer, as applicable) handling the importing, shipping and delivery of such Inventory, in all cases, acting on Agent's behalf subject to a Collateral Access Agreement duly authorized, executed and delivered by such Freight Forwarder by not later than thirty (30) days after the Closing Date, or (ii) is the subject of a negotiable forwarder's cargo receipt and such cargo receipt on its face indicates the name of the freight forwarder as a carrier or multimodal transport operator and has been signed or otherwise authenticated by it in such capacity or as a named agent for or on behalf of the carrier or multilmodal transport operator, in any case respecting such Inventory and either (A) names Agent as the consignee (either directly or by means of endorsements), or (B) is in the possession of Agent or the Freight Forwarder handling the importing, shipping and delivery of such Inventory, in all cases, acting on Agent's behalf subject to a Collateral Access Agreement duly authorized, executed and delivered by such Freight Forwarder by not later than thirty (30) days after the Closing Date,

(c) such Borrower, Canadian Guarantor or Dutch Guarantor, as applicable, has title to such Inventory, and Agent shall have received such evidence thereof as it may from time to time require,

(d) Agent shall have received, by not later than thirty (30) days after the Closing Date, a Collateral Access Agreement, duly authorized, executed and delivered by the Freight Forwarder located in the United States of America handling the importing, shipping and delivery of such Inventory,

(e) such Inventory is insured against types of loss, damage, hazards, and risks, and in amounts, reasonably satisfactory to Agent in its discretion, and Agent shall have received a copy of the certificate of marine cargo insurance in connection therewith in which it has been named as an additional insured and loss payee in a manner reasonably acceptable to Agent,

(f) Agent shall have received (i) a certificate duly executed and delivered with the Borrowing Base Certificate by an Authorized Person of Borrower Agent certifying to Agent that, to the best of the knowledge of

Borrowers, Canadian Guarantors and Dutch Guarantor, such Inventory meets all of such Borrower's, Canadian Guarantor's or Dutch Guarantor's representations and warranties contained herein concerning Eligible In-Transit Inventory and that the shipment as evidenced by the documents conforms to the related order documents, and (ii) upon Agent's request, a copy of the invoice, packing slip and manifest with respect thereto, and

(g) such Inventory shall not have been in transit for more than sixty (60) days.

Provided, that, anything to the contrary above notwithstanding, inventory to be purchased by any Borrower, any Canadian Guarantor or Dutch Guarantor located outside of the United States of America, Canada or the Netherlands (as to the applicable Borrower or Guarantor) which is not yet owned by any Borrower or Guarantor or in transit to the premises of a Freight Forwarder or such Borrower or Guarantor as provided above, shall be deemed to be Eligible In-Transit Inventory, so long as (i) such inventory would satisfy the criteria for Eligible In-Transit Inventory upon its purchase by such Borrower or Guarantor and the shipment of it to such Borrower or Guarantor, (ii) such inventory is subject to a Letter of Credit for the payment of the purchase price thereof (which Letter of Credit is on terms and conditions satisfactory to Issuing Lender and Underlying Issuer, including that any draw thereunder requires the presentation and delivery of a bill of lading or freight forwarders cargo receipt as provided in clause (b) above) and (iii) so long as the inventory to be purchased with such Letter of Credit satisfies each of the criteria set forth above within thirty (30) days after such Letter of Credit is issued.

"Eligible Inventory" means Inventory consisting of first quality finished goods held for sale in the ordinary course of the business of any Borrower, any Canadian Guarantor or Dutch Guarantor and raw materials for such finished goods, that complies with each of the representations and warranties respecting Eligible Inventory made in the Loan Documents, that is not excluded from being Eligible Inventory as a result of the failure to satisfy any of the criteria set forth below; provided, that, that such criteria may be revised from time to time by Agent in its Permitted Discretion to address the results of any field examination by or on behalf of Agent from time to time after the Closing Date. In determining the amount to be so included, Inventory shall be valued at the lower of cost or market, with cost determined on a weighted moving average basis or on a standard cost basis, as applicable, consistent with the current practices of the Borrowers, without regard to intercompany profit or increases for currency exchange rates. An item of Inventory shall not be included in Eligible Inventory if:

a. a Borrower, a Canadian Guarantor or Dutch Guarantor, as applicable, does not have good, valid, and marketable title thereto,

b. a Borrower, a Canadian Guarantor or Dutch Guarantor, as applicable, does not have actual and exclusive possession thereof (either directly or through a bailee or agent of Borrowers, such Canadian Guarantor or Dutch Guarantor),

c. it is not located at one of the locations in the continental United States, Canada or the Netherlands set forth on Schedule E-1 (or in-transit from one such location to another such location) unless such Inventory is Eligible In-Transit Inventory,

d. it is in-transit to or from a location of a Borrower, a Canadian Guarantor or Dutch Guarantor, as applicable (other than in-transit from one location set forth on Schedule E-1 to another location set forth on Schedule E-1) unless such Inventory is Eligible In-Transit Inventory,

e. it is located on real property leased by a Borrower, a Canadian Guarantor or Dutch Guarantor, as applicable, or in a contract warehouse, in each case, unless it is subject to a Collateral Access Agreement executed by the lessor or warehouseman, as the case may be, by not later than ninety (90) days after the Closing Date, and unless it is segregated or otherwise separately identifiable from goods of others, if any, stored on the premises,

f. it is the subject of a bill of lading or other document of title other than Eligible In-Transit Inventory,

g. it is not subject to a valid and perfected first priority Agent's Lien under the laws of the United States, Canada or the Netherlands, as applicable,

h. it is subject to a Lien other than the Lien of Agent and those permitted in clauses (b), (c), (g) and (p) of the definition of the term Permitted Liens (but as to Liens referred to in clause (c) and (p) only to the extent that Agent has established a reserve in respect thereof) and any other Liens permitted under this Agreement that are subject to an intercreditor agreement in form and substance reasonably satisfactory to Agent between the holder of

such Lien and Agent;

i. it consists of goods returned or rejected by a customer of a Borrower, a Canadian Guarantor or Dutch Guarantor, as applicable,

j. it consists of goods that are obsolete or slow moving, restrictive or custom items, not in good condition, not either currently usable or currently saleable in the ordinary course of any such Borrower's, such Canadian Guarantor's or Dutch Guarantor's business or does not meet all material standards imposed by any governmental authority having regulatory authority over such item of Inventory, its use or its sale, work-in-process, or goods that constitute spare parts, packaging and shipping materials, supplies used or consumed in such Borrower's, such Canadian Guarantor's or Dutch Guarantor's business, bill and hold goods, defective goods, "seconds," Inventory consigned to a third party for sale or Inventory acquired on consignment,

k. it is subject to third party trademark, licensing or other proprietary rights, unless Agent is satisfied that such Inventory can be freely sold by Agent on and after the occurrence of an Event of a Default despite such third party rights,

l. it was acquired in connection with a Permitted Acquisition (other than the Klipsch Acquisition), until the completion of an appraisal and field examination of such Inventory, in each case, reasonably satisfactory to Agent (which appraisal and field examination may be conducted prior to the closing of such Permitted Acquisition), or

m. it is subject to the claims of a supplier pursuant to Section 81.1 of the BIA or any applicable Provincial or Territorial laws granting revendication or similar rights to unpaid suppliers to the extent of such claims.

"Eligible Transferee" means (a) a commercial bank organized under the laws of the United States, or any state thereof, and having total assets in excess of $1,000,000,000, (b) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development or a political subdivision of any such country and which has total assets in excess of $1,000,000,000, provided that such bank is acting through a branch or agency located in the United States, (c) a finance company, insurance company, or other financial institution or fund that is engaged in making, purchasing, or otherwise investing in commercial loans in the ordinary course of its business and having (together with its Affiliates) total assets in excess of $1,000,000,000, (d) any Affiliate (other than individuals) of a pre-existing Lender, (e) so long as no Event of Default has occurred and is continuing, any other Person approved by Agent and Borrowers (such approval by Borrowers not to be unreasonably withheld, conditioned or delayed), and (f) during the continuation of an Event of Default, any other Person approved by Agent.

"Environmental Action" means any written complaint, summons, citation, notice, directive, order, claim, litigation, investigation, judicial or administrative proceeding, judgment, letter, or other written communication from any Governmental Authority, or any third party involving violations of Environmental Laws or releases of Hazardous Materials (a) from any assets, properties, or businesses of any Borrower, any Subsidiary of a Borrower, or any of their predecessors in interest, (b) from adjoining properties or businesses, or (c) from or onto any facilities which received Hazardous Materials generated by any Borrower, any Subsidiary of a Borrower, or any of their predecessors in interest.

"Environmental Law" means any applicable federal, state, provincial, foreign or local statute, law, rule, regulation, ordinance, code, binding and enforceable guideline, binding and enforceable written policy, or rule of common law now or hereafter in effect and in each case as amended, or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, in each case, to the extent binding on any Borrower or its Subsidiaries, relating to the environment, the effect of the environment on employee health, or Hazardous Materials, in each case as amended from time to time.

"Environmental Liabilities" means all liabilities, monetary obligations, losses, damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, experts, or consultants, and costs of investigation and feasibility studies), fines, penalties, sanctions, and interest incurred as a result of any claim or demand, or Remedial Action required, by any Governmental Authority or any third party, and which relate to any Environmental Action.

"Environmental Lien" means any Lien in favor of any Governmental Authority for Environmental Liabilities.

"Equipment" means, as to each Loan Party, all of such Loan Party's now owned and hereafter acquired equipment, wherever located, including machinery, data processing and computer equipment (whether owned or licensed and including embedded software), vehicles, tools, furniture, fixtures, all attachments, accessions and property now or hereafter affixed thereto or used in connection therewith, and substitutions and replacements thereof, wherever located.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto.

"ERISA Affiliate" means (a) any Person subject to ERISA whose employees are treated as employed by the same employer as the employees of any Borrower or any of its Subsidiaries under IRC Section 414(b), (b) any trade or business subject to ERISA whose employees are treated as employed by the same employer as the employees of any Borrower or any of its Subsidiaries under IRC Section 414(c), (c) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any organization subject to ERISA that is a member of an affiliated service group of which any Borrower or any of its Subsidiaries is a member under IRC Section 414(m), or (d) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any Person subject to ERISA that is a party to an arrangement with any Borrower or any of its Subsidiaries and whose employees are aggregated with the employees of any Borrower or any of its Subsidiaries under IRC Section 414(o).

"Event of Default" has the meaning specified therefor in Section 8 of the Agreement.

"Excess Availability" means, as of any date of determination, the amount equal to (a) the lesser of the Borrowing Base or the Maximum Credit minus (b) Revolver Usage minus (c) past due payables that are past due by more sixty (60) days (and with the due date determined in accordance with customary practices and other than payables being contested or disputed by Borrowers in good faith) plus (d) Qualified Cash of up to $10,000,000.

"Exchange Act" means the Securities Exchange Act of 1934, as in effect from time to time.

"Exchange Rate" means the prevailing spot rate of exchange of such bank as Agent may reasonably select for the purpose of conversion of one currency to another, at or around 11:00 a.m. New York time, on the date on which any such conversion of currency is to be made under this Agreement.

"Existing Credit Agreement" means, collectively, (a) the Credit Agreement, dated March 1, 2010, by and among Parent, certain of its Subsidiaries, JP Morgan Chase Bank, N.A., as agent and the lenders party thereto and (b) the Credit Agreement, dated as of April 22, 2008, by and among Klipsch Group, Inc., certain of its Subsidiaries, JP Morgan Chase Bank, N.A., as agent and the lenders party thereto.

"Existing Letters of Credit" means those letters of credit described on Schedule E-2 to the Agreement.

"Extraordinary Receipts" means any payments received by any Borrower or any of its Subsidiaries not in the ordinary course of business (and not consisting of proceeds described in Section 2.4(e)(ii) of the Agreement) consisting of (a) proceeds of judgments, proceeds of settlements or other consideration of any kind in connection with any cause of action, (b) indemnity payments (other than to the extent such indemnity payments are (i) immediately payable to a Person that is not an Affiliate of such Borrower or any of its Subsidiaries, or (ii) received by such Borrower or any of its Subsidiaries as reimbursement for any payment previously made to such Person), and (c) any purchase price adjustment (other than a working capital adjustment) received in connection with any purchase agreement.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal to, for each day during such period, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by Agent from three Federal funds brokers of recognized standing selected by it.

"Fee Letter" means that certain fee letter, dated as of even date with the Agreement, among Borrowers and Agent, in form and substance reasonably satisfactory to Agent.

"Fixed Charges" means, with respect to any fiscal period and with respect to Parent and its Subsidiaries determined on a consolidated basis in accordance with GAAP, the sum, without duplication, of (a) Interest Expense accrued (other than interest paid-in-kind, amortization of financing fees, and other non-cash Interest Expense) during such period, (b) principal payments in respect of Indebtedness that are required to be paid during such period, and (c) all federal, state, and local income taxes accrued during such period, and (d) all Restricted Junior Payments paid (whether in cash or other property, other than common Stock) during such period.

"Fixed Charge Coverage Ratio" means, with respect to Parent and its Subsidiaries for any period, the ratio of (i) EBITDA for such period minus Capital Expenditures made (to the extent not already incurred in a prior period) or incurred during such period, to (ii) Fixed Charges for such period.

"Flood Insurance Laws" means, collectively, the following (in each case as now or hereafter in effect or any successor statute thereto): (i) the National Flood Insurance Act of 1968, (ii) the Flood Disaster Protection Act of 1973, (iii) the National Flood Insurance Reform Act of 1994 and (iv) the Flood Insurance Reform Act of 2004.

"Foreign Lender" means any Lender or Participant that is not a United States person within the meaning of IRC section 7701(a)(30).

"Foreign Subsidiary" means a Subsidiary of Parent that is organized or incorporated under the laws of any jurisdiction outside of the United States of America; sometimes being referred to herein collectively as "Foreign Subsidiaries".

"Freight Forwarders" shall mean the persons listed on Schedule F-1 hereto or such other person or persons as may be selected by Borrowers after the date hereof and after written notice by Borrower Agent to Agent who are reasonably acceptable to Agent to handle the receipt of Inventory within the United States of America, Canada or the Netherlands and/or to clear Inventory through the Bureau of Customs and Border Protection (formerly the Customs Service), or its Canadian and Netherlands equivalents, or other domestic or foreign export control authorities or otherwise perform port of entry services to process Inventory imported by Borrowers from outside the United States of America, Canada or the Netherlands (such persons sometimes being referred to herein individually as a "Freight Forwarder"), provided, that, as to each such person, (a) Lender shall have received a Collateral Access Agreement by such person in favor of Agent (in form and substance reasonably satisfactory to Agent) duly authorized, executed and delivered by such person, (b) such agreement shall be in full force and effect and (c) such person shall be in compliance in all material respects with the terms thereof.

"French Guarantor" means Klipsch Group Europe - France S.A.R.L., a company organized under the laws of France, and its successors and assigns.

"Funded Indebtedness" means, as of any date of determination, all Indebtedness for borrowed money or letters of credit of Borrowers, determined on a consolidated basis in accordance with GAAP, that by its terms matures more than one year after the date of calculation, and any such Indebtedness maturing within one year from such date that is renewable or extendable at the option of any Borrower or its Subsidiaries, as applicable, to a date more than one year from such date, including, in any event, but without duplication, with respect to Borrowers and their Subsidiaries, the Revolver Usage and the amount of their Capitalized Lease Obligations.

"Funding Date" means the date on which a Borrowing occurs.

"Funding Losses" has the meaning specified therefor in Section 2.12(b)(ii) of the Agreement.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States, consistently applied; provided, that, (a) if the Borrower Agent notifies the Agent that the Loan Parties have elected to report under the International Financial Reporting Standards ("IFRS"), "GAAP" shall mean international financial reporting standards pursuant to IFRS (and after such election, the Borrowers cannot elect to report under U.S. generally accepted accounting principles) and (b) if the Borrower Agent notifies the Agent that the Loan Parties request an amendment to any provision hereof to eliminate the effect of any change occurring after the Closing Date in GAAP (including conversion to IFRS as provided above) or in the application thereof on the operation of such provision (or if the Agent notifies the Borrowing Agent that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have

been withdrawn or such provision amended in accordance herewith.

"Governing Documents" means, with respect to any Person, the certificate or articles of incorporation, by-laws, or other organizational documents of such Person.

"Governmental Authority" means any federal, state, local, or other governmental or administrative body, instrumentality, board, department, or agency or any court, tribunal, administrative hearing body, arbitration panel, commission, or other similar dispute-resolving panel or body.

"Guarantors" means, collectively, the following (together with their respective successors and assigns): (a) Parent, (b) Canadian Guarantors, (c) Dutch Guarantor, (d) Venezuelan Guarantor, (e) Mexican Guarantor, (f) French Guarantor, (g) Danish Guarantor, (h) Soundtech, LLC, a Delaware corporation, (i) Audiovox Websales LLC, a Delaware corporation, (j) Technuity, Inc., an Indiana corporation, (k) Omega Research and Development Technology LLC, a Delaware corporation, (l) Carribean Technical Export, Inc., a Delaware corporation, (m) each other Subsidiary of Parent (other than any Borrower) that is organized under the laws of a jurisdiction in the United States or Canada and formed or acquired after the Closing Date (other than any Subsidiary that would not be required to become a Guarantor pursuant to Section 5.11), and (n) each other Person that becomes a guarantor after the Closing Date pursuant to Section 5.11 of the Agreement, and "Guarantor" means any one of them.

"Guaranty" means that certain general continuing guaranty, dated as of even date with the Agreement, executed and delivered by each Guarantor in favor of Agent, for the benefit of the Lender Group and the Bank Product Providers, in form and substance reasonably satisfactory to Agent.

"Hazardous Materials" means (a) substances that are defined or listed in, or otherwise classified pursuant to, any applicable laws or regulations as "hazardous substances," "hazardous materials," "hazardous wastes," "toxic substances," or any other formulation intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, reproductive toxicity, or "EP toxicity", (b) oil, petroleum, or petroleum derived substances, natural gas, natural gas liquids, synthetic gas, drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas, or geothermal resources, (c) any flammable substances or explosives or any radioactive materials, and (d) asbestos in any form or electrical equipment that contains any oil or dielectric fluid containing levels of polychlorinated biphenyls in excess of 50 parts per million.

"Hedge Agreement" means a "swap agreement" as that term is defined in Section 101(53B)(A) of the Bankruptcy Code.

"Hedge Obligations" means any and all obligations or liabilities, whether absolute or contingent, due or to become due, now existing or hereafter arising, of a Borrower arising under, owing pursuant to, or existing in respect of Hedge Agreements entered into with one or more of the Bank Product Providers.

"Hedge Provider" means any Lender or any of its Affiliates; provided, that, (a) no such Person (other than Wells Fargo or its Affiliates) shall constitute a Hedge Provider unless and until Agent shall have received a Bank Product Provider Letter Agreement from such Person and with respect to the applicable Hedge Agreement within ten (10) days after the execution and delivery of such Hedge Agreement with a Borrower (b) if, at any time, a Lender ceases to be a Lender under the Agreement, then, from and after the date on which it ceases to be a Lender thereunder, neither it nor any of its Affiliates shall constitute Hedge Providers and the obligations with respect to Hedge Agreements entered into with such former Lender or any of its Affiliates shall no longer constitute Hedge Obligations.

"Holdout Lender" has the meaning specified therefor in Section 14.2(a) of the Agreement.

"IFRS" has the meaning specified therefor in the definition of GAAP.

"Indebtedness" as to any Person means (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes, or other similar instruments and all reimbursement or other obligations in respect of letters of credit, bankers acceptances, or other financial products, (c) all obligations of such Person as a lessee under Capital Leases, (d) all obligations or liabilities of others secured by a Lien on any asset of such Person, irrespective of whether such obligation or liability is assumed, (e) all obligations of such Person to pay the deferred purchase price of assets (other than trade payables incurred in the

ordinary course of business and repayable in accordance with customary trade practices), (f) all obligations of such Person owing under Hedge Agreements (which amount shall be calculated based on the amount that would be payable by such Person if the Hedge Agreement were terminated on the date of determination), (g) any Prohibited Preferred Stock of such Person, and (h) any obligation of such Person guaranteeing or intended to guarantee (whether directly or indirectly guaranteed, endorsed, co-made, discounted, or sold with recourse) any obligation of any other Person that constitutes Indebtedness under any of clauses (a) through (g) above. For purposes of this definition, (i) the amount of any Indebtedness represented by a guaranty or other similar instrument shall be the lesser of the principal amount of the obligations guaranteed and still outstanding and the maximum amount for which the guaranteeing Person may be liable pursuant to the terms of the instrument embodying such Indebtedness, and (ii) the amount of any Indebtedness described in clause (d) above shall be the lower of the amount of the obligation and the fair market value of the assets of such Person securing such obligation.

"Indemnified Liabilities" has the meaning specified therefor in Section 10.3 of the Agreement.

"Indemnified Person" has the meaning specified therefor in Section 10.3 of the Agreement.

"Insolvency Proceeding" means any proceeding commenced by or against any Person under any provision of the Bankruptcy Code or under any other state or federal bankruptcy or insolvency law or under any bankruptcy or insolvency laws of Canada (including the BIA and the CCAA) or the Netherlands and any similar laws in any jurisdiction including, without limitation, any laws relating to bankruptcy, insolvency, liquidation, winding up, dissolution, administration, assignments or attachments for the benefit of creditors, formal or informal moratoria, reprieve from payment, controlled management, compositions, extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief and any law permitting a debtor to obtain a stay or a compromise of the claims of its creditors or affecting the rights of creditors generally.

"Intercompany Subordination Agreement" means an intercompany subordination agreement, dated of even date herewith, executed and delivered by Parent or any of its Subsidiaries and any other Subsidiary, and Agent, the form and substance of which is reasonably satisfactory to Agent.

"Interest Expense" means, for any period, the aggregate of the interest expense of Borrowers for such period, determined on a consolidated basis in accordance with GAAP.

"Interest Period" means, with respect to each LIBOR Rate Loan, a period commencing on the date of the making of such LIBOR Rate Loan (or the continuation of a LIBOR Rate Loan or the conversion of a Base Rate Loan to a LIBOR Rate Loan) and ending one, two or three months thereafter; provided, that, (a) interest shall accrue at the applicable rate based upon the LIBOR Rate from and including the first day of each Interest Period to, but excluding, the day on which any Interest Period expires, (b) any Interest Period that would end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day, (c) with respect to an Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period), the Interest Period shall end on the last Business Day of the calendar month that is one, two or three months after the date on which the Interest Period began, as applicable, and (d) Borrowers may not elect an Interest Period which will end after the Maturity Date.

"Inventory" means, as to each Loan Party, all of such Loan Party's now owned and hereafter existing or acquired goods, wherever located, which (a) are leased by such Loan Party as lessor; (b) are held by such Loan Party for sale or lease or to be furnished under a contract of service; (c) are furnished by such Loan Party under a contract of service; or (d) consist of raw materials, work in process, finished goods or materials used or consumed in its business.

"Investment" means, with respect to any Person, any investment by such Person in any other Person (including Affiliates) in the form of loans, guarantees, advances, capital contributions (excluding (a) commission, travel, and similar advances to officers and employees of such Person made in the ordinary course of business, and (b) *bona fide* Accounts arising in the ordinary course of business), or acquisitions of Indebtedness, Stock, or all or substantially all of the assets of such other Person (or of any division or business line of such other Person), and any other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP.

"IRC" means the Internal Revenue Code of 1986, as in effect from time to time.

"Issuing Lender" means WFCF or any other Lender that, at the request of any Borrower and with the consent of Agent, agrees, in such Lender's sole discretion, to become an Issuing Lender for the purpose of issuing Letters of Credit or Reimbursement Undertakings pursuant to Section 2.11 of the Agreement and the Issuing Lender shall be a Lender.

"Klipsch Acquisition" means the acquisition by Parent of all of the Stock of Klipsch Group, Inc. pursuant to the Klipsch Acquisition Documents.

"Klipsch Acquisition Agreement" means the Stock Purchase Agreement, dated as of February 3, 2011, by and among Soundtech, LLC, Audiovox Corporation, Klipsch Group, Inc., each of its shareholders immediately prior to the effectiveness of the Klipsch Acquisition and Fred S. Klipsch, in his capacity as Sellers' Representative.

"Klipsch Acquisition Documents" means the Klipsch Acquisition Agreement and all other documents related thereto and executed in connection therewith.

"Lender" has the meaning set forth in the preamble to the Agreement, shall include the Issuing Lender and the Swing Lender, and shall also include any other Person made a party to the Agreement pursuant to the provisions of Section 13.1 of the Agreement and "Lenders" means each of the Lenders or any one or more of them.

"Lender Group" means each of the Lenders (including the Issuing Lender and the Swing Lender) and Agent, or any one or more of them.

"Lender Group Expenses" means all (a) costs or expenses (including taxes, and insurance premiums) required to be paid by any Loan Party under any of the Loan Documents that are paid, advanced, or incurred by the Lender Group, (b) out-of-pocket fees or charges paid or incurred by Agent in connection with the Lender Group's transactions with any Loan Party under any of the Loan Documents, including, fees or charges for photocopying, notarization, couriers and messengers, telecommunication, public record searches (including tax lien, litigation, PPSA searches and UCC searches and including searches with the patent and trademark office, the copyright office, or the department of motor vehicles), filing, recording, publication, appraisal (including periodic collateral appraisals or business valuations to the extent of the fees and charges (and up to the amount of any limitation) contained in the Agreement or the Fee Letter), real estate surveys, real estate title policies and endorsements, and environmental audits, (c) out-of-pocket charges paid or incurred by Agent resulting from the dishonor of checks payable by or to any Loan Party, (d) reasonable out-of-pocket costs and expenses paid or incurred by the Lender Group to correct any default or enforce any provision of the Loan Documents, or during the continuance of an Event of Default, in gaining possession of, maintaining, handling, preserving, storing, shipping, selling, preparing for sale, or advertising to sell the Collateral, or any portion thereof, irrespective of whether a sale is consummated, (e) reasonable out-of-pocket audit fees and expenses (including travel, meals, and lodging) of Agent related to any inspections or audits to the extent of the fees and charges (and up to the amount of any limitation) expressly provided for in the Agreement or the Fee Letter, (f) reasonable out-of-pocket costs and expenses of third party claims or any other suit paid or incurred by the Lender Group in enforcing or defending the Loan Documents or in connection with the transactions contemplated by the Loan Documents or the Lender Group's relationship with any Loan Party, (g) Agent's reasonable out-of-pocket costs and expenses (including reasonable attorneys fees) incurred in advising, structuring, drafting, reviewing, administering (including travel, meals, and lodging), syndicating, or amending the Loan Documents, (h) Agent's and each Lender's reasonable out-of-pocket costs and expenses (including reasonable attorneys, accountants, consultants, and other advisors fees and expenses) incurred in terminating, enforcing (including attorneys, accountants, consultants, and other advisors fees and expenses incurred in connection with a "workout," a "restructuring," or an Insolvency Proceeding concerning any Loan Party or in exercising rights or remedies under the Loan Documents), or defending the Loan Documents, irrespective of whether suit is brought, or in taking any Remedial Action concerning the Collateral, (i) any VAT incurred by Agent or any Lender in connection with its rights and remedies under the Agreement and (j) all out-of-pocket expenses and costs heretofore and from time to time hereafter incurred by Agent during the course of periodic field examinations (permitted pursuant to the Agreement) of the Collateral and Borrowers' operations, plus a per diem charge at Agent's then standard rate for Agent's examiners in the field and office (which rate as of the date hereof is $1,000 per person per day).

"Lender Group Representatives" has the meaning specified therefor in Section 17.9 of the Agreement.

"Lender-Related Person" means, with respect to any Lender, such Lender, together with such Lender's

Affiliates, officers, directors, employees, attorneys, and agents.

"Letter of Credit" means a letter of credit issued by Issuing Lender or a letter of credit issued by Underlying Issuer, as the context requires.

"Letter of Credit Collateralization" means either (a) providing cash collateral (pursuant to documentation reasonably satisfactory to Agent, including provisions that specify that the Letter of Credit fee and all usage charges set forth in the Agreement will continue to accrue while the Letters of Credit are outstanding) to be held by Agent for the benefit of Lenders in an amount equal to one hundred five (105%) percent of the then existing Letter of Credit Usage, (b) causing the Letters of Credit to be returned to the Issuing Lender, or (c) providing Agent with a standby letter of credit, in form and substance reasonably satisfactory to Agent, from a commercial bank acceptable to Agent (in its sole discretion) in an amount equal to one hundred five (105%) percent of the then existing Letter of Credit Usage (it being understood that the Letter of Credit fee and all usage charges set forth in the Agreement will continue to accrue while the Letters of Credit are outstanding and that any such fees that accrue must be an amount that can be drawn under any such standby letter of credit).

"Letter of Credit Disbursement" means a payment made by Issuing Lender or Underlying Issuer pursuant to a Letter of Credit.

"Letter of Credit Usage" means, as of any date of determination, the aggregate undrawn amount of all outstanding Letters of Credit.

"LIBOR Deadline" has the meaning specified therefor in Section 2.12(b)(i) of the Agreement.

"LIBOR Notice" means a written notice in the form of Exhibit L-1.

"LIBOR Option" has the meaning specified therefor in Section 2.12(a) of the Agreement.

"LIBOR Rate" means the rate per annum rate appearing on Bloomberg L.P.'s (the "Service") Page BBAM1/(Official BBA USD Dollar Libor Fixings) (or on any successor or substitute page of such Service, or any successor to or substitute for such Service) two (2) Business Days prior to the commencement of the requested Interest Period, for a term and in an amount comparable to the Interest Period and the amount of the LIBOR Rate Loan requested (whether as an initial LIBOR Rate Loan or as a continuation of a LIBOR Rate Loan or as a conversion of a Base Rate Loan to a LIBOR Rate Loan) by Borrowers in accordance with the Agreement, which determination shall be conclusive in the absence of manifest error.

"LIBOR Rate Loan" means each portion of an Advance that bears interest at a rate determined by reference to the LIBOR Rate.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, charge, deposit arrangement, encumbrance, easement, lien (statutory or other), security interest, or other security arrangement and any other preference, privilege, priority, or preferential arrangement of any kind or nature whatsoever, including any conditional sale contract or other title retention agreement, the right to reclaim goods, the interest of a lessor under a Capital Lease and any synthetic or other financing lease having substantially the same economic effect as any of the foregoing.

"Loan Account" has the meaning specified therefor in Section 2.9 of the Agreement.

"Loan Documents" means the Agreement, any Borrowing Base Certificate, the Controlled Account Agreements, the Control Agreements, the Copyright Security Agreement, the Fee Letter, the Guaranty, the Intercompany Subordination Agreement, the Letters of Credit, the Patent Security Agreement, the Security Agreement, the Trademark Security Agreement, any mortgage executed by a Loan Party in favor of Agent or any Lender, any Dutch deed of pledge executed by any Loan Party in favor of Agent, any note or notes executed by any Borrower in connection with the Agreement and payable to any member of the Lender Group, any letter of credit application entered into by any Borrower in connection with the Agreement, and any other agreement entered into, now or in the future, by any Loan Party or any of its Subsidiaries and any member of the Lender Group in connection with the Agreement.

"Loan Party" means any Borrower or any Guarantor.

"Margin Stock" as defined in Regulation U of the Board of Governors of the Federal Reserve System as in

effect from time to time.

"Material Adverse Change" means (a) a material adverse change in the business, operations, results of operations, assets, liabilities or condition (financial or otherwise) of Borrowers and their Subsidiaries, taken as a whole, (b) a material impairment of Borrowers' and their Subsidiaries ability to perform their obligations under the Loan Documents to which they are parties or of the Lender Group's ability to enforce the Obligations or realize upon the Collateral, or (c) a material impairment of the enforceability or priority of Agent's Liens with respect to the Collateral as a result of an action or failure to act on the part of any Borrower or its Subsidiaries.

"Material Contract" means, with respect to any Person, (i) each contract or agreement to which such Person or any of its Subsidiaries is a party involving aggregate consideration payable to or by such Person or such Subsidiary of $5,000,000 or more (other than purchase orders in the ordinary course of the business of such Person or such Subsidiary and other than contracts that by their terms may be terminated by such Person or Subsidiary in the ordinary course of its business upon less than sixty (60) days notice without penalty or premium), and (ii) all other contracts or agreements, the loss of which could reasonably be expected to result in a Material Adverse Change.

"Maturity Date" has the meaning specified therefor in Section 3.3 of the Agreement.

"Maximum Credit" means $175,000,000 (subject to adjustment as provided in Sections 2.4(c) and 2.14 of the Agreement).

"Mexican Guarantor" means Entretenimiento Digital Mexico, S.de C.V., a company organized under the laws of Mexico, and its successors and assigns.

"Moody's" has the meaning specified therefor in the definition of Cash Equivalents.

"Net Cash Proceeds" means:

a. with respect to any sale or disposition by a Loan Party of assets, the amount of cash proceeds received (directly or indirectly) from time to time (whether as initial consideration or through the payment of deferred consideration) by or on behalf of such Borrower or any of its Subsidiaries, in connection therewith after deducting therefrom only (i) the amount of any Indebtedness secured by any Permitted Lien on any asset (other than (A) Indebtedness owing to Agent or any Lender under the Agreement or the other Loan Documents and (B) Indebtedness assumed by the purchaser of such asset) which is required to be, and is, repaid in connection with such sale or disposition, (ii) reasonable fees, commissions, and expenses related thereto and required to be paid by such Loan Party in connection with such sale or disposition and (iii) taxes paid or payable to any taxing authorities by such Loan Party or such Subsidiary in connection with such sale or disposition, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid or payable to a Person that is not an Affiliate of any Borrower or any of its Subsidiaries, and are properly attributable to such transaction; and

b. with respect to the issuance or incurrence of any Indebtedness by a Loan Party, or the issuance by a Borrower or any of its Subsidiaries of any shares of its Stock, the aggregate amount of cash received (directly or indirectly) from time to time (whether as initial consideration or through the payment or disposition of deferred consideration) by or on behalf of such Loan Party in connection with such issuance or incurrence, after deducting therefrom only (i) reasonable fees, commissions, and expenses related thereto and required to be paid by such Loan Party in connection with such issuance or incurrence, (ii) taxes paid or payable to any taxing authorities by such Loan Party in connection with such issuance or incurrence, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid or payable to a Person that is not an Affiliate of any Loan Party, and are properly attributable to such transaction.

"Net Recovery Percentage" means the fraction, expressed as a percentage (a) the numerator of which is the amount equal to the recovery on the aggregate amount of the applicable category of Eligible Inventory at such time on a "net orderly liquidation value" basis as set forth in the most recent acceptable inventory appraisal received by Agent in accordance with the requirements of this Agreement, net of operating expenses, liquidation expenses and commissions reasonably anticipated in the disposition of such assets and (b) the denominator of which is the original cost of the aggregate amount of the Eligible Inventory subject to such appraisal.

"Obligations" means (a) all loans (including the Advances (inclusive of Protective Advances and Swing

Loans)), debts, principal, interest (including any interest that accrues after the commencement of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding), reimbursement or indemnification obligations with respect to Reimbursement Undertakings or with respect to Letters of Credit (irrespective of whether contingent), premiums, liabilities (including all amounts charged to the Loan Account pursuant to the Agreement), obligations (including indemnification obligations), fees (including the fees provided for in the Fee Letter), Lender Group Expenses (including any fees or expenses that accrue after the commencement of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding), guaranties, covenants, and duties of any kind and description owing by any Loan Party pursuant to or evidenced by the Agreement or any of the other Loan Documents and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including all interest not paid when due and all other expenses or other amounts that any Borrower is required to pay or reimburse by the Loan Documents or by law or otherwise in connection with the Loan Documents, (b) all debts, liabilities, or obligations (including reimbursement obligations, irrespective of whether contingent) owing by any Borrower or any other Loan Party to an Underlying Issuer now or hereafter arising from or in respect of Underlying Letters of Credit, and (c) all Bank Product Obligations. Any reference in the Agreement or in the Loan Documents to the Obligations shall include all or any portion thereof and any extensions, modifications, renewals, or alterations thereof, both prior and subsequent to any Insolvency Proceeding.

"OFAC" means The Office of Foreign Assets Control of the U.S. Department of the Treasury.

"Originating Lender" has the meaning specified therefor in Section 13.1(e) of the Agreement.

"Overadvance" has the meaning specified therefor in Section 2.4(e) of the Agreement.

"Parallel Debt" has the meaning specified therefor in Section 15.19 of the Agreement.

"Parent" has the meaning specified therefor in the preamble to the Agreement.

"Participant" has the meaning specified therefor in Section 13.1(e) of the Agreement.

"Participant Register" has the meaning set forth in Section 13.1(i) of the Agreement.

"Patent Security Agreement" has the meaning specified therefor in the Security Agreement.

"Patriot Act" has the meaning specified therefor in Section 4.18 of the Agreement.

"Payoff Date" means the first date on which all of the Obligations are paid in full and the Commitments of the Lenders are terminated.

"Permitted Acquisition" means any Acquisition so long as:

a. as of the date of any such Acquisition and the date of any payment in respect thereof (including any deferred purchase price payment, indemnification payment, purchase price adjustment, earn out or similar payment), and after giving effect thereto, (i) no Default or Event of Default shall exist or have occurred and be continuing, (ii) the proposed Acquisition is consensual and (iii) the Loan Party making such Permitted Acquisition shall be Solvent,

b. no Indebtedness will be incurred, assumed, or would exist with respect to any Borrower as a result of such Acquisition, other than Permitted Indebtedness and no Liens will be incurred, assumed, or would exist with respect to the assets of any Borrower or its Subsidiaries as a result or such Acquisition other than Permitted Liens,

c. the daily average of the Excess Availability for the immediately preceding ninety (90) consecutive day period shall have been not less than fifteen (15%) percent of the Maximum Credit and after giving effect to the Acquisition and the making of any payment in respect thereof (including any deferred purchase price payment, indemnification payment, purchase price adjustment, earn out or similar payment), on a pro forma basis using the Excess Availability as of the date of the most recent calculation of the Borrowing Base immediately prior to any such payment, the Excess Availability shall be not less than such amount,

d. Borrowers have provided Agent with its due diligence package relative to the proposed Acquisition, including forecasted balance sheets, profit and loss statements, and cash flow statements of the Person or assets to

be acquired, all prepared on a basis consistent with such Person's (or assets') historical financial statements, together with appropriate supporting details and a statement of underlying assumptions for the one (1) year period following the date of the proposed Acquisition, on a quarter by quarter basis), in form and substance (including as to scope and underlying assumptions) reasonably satisfactory to Agent,

e. the Acquisition shall be with respect to an operating company or division or line of business that engages in a line of business substantially similar, reasonably related or incidental to the business that Borrowers are engaged in and is located in the United States, Canada or the Netherlands (subject to the limitation set forth in clause (i) below),

f. the board of directors (or other comparable governing body) of the Person to be acquired shall have duly approved such Acquisition and such person shall not have announced that it will oppose such Acquisition or shall not have commenced any action which alleges that such Acquisition will violate applicable law,

g. Agent shall have received, at least fifteen (15) Business Days prior to the anticipated closing date of the proposed Acquisition and, not later than five (5) Business Days prior to the anticipated closing date of the proposed Acquisition, prior written notice of the proposed Acquisition and such information with respect thereto as Agent may reasonably request (in each case with such information to include (i) parties to such Acquisition, (ii) the proposed date and amount of the Acquisition, (iii) description of the assets or shares to be acquired and (iv) the total purchase price for the assets to be purchased and the terms of payment of such purchase price), together with copies of the acquisition agreement and other material documents relative to the proposed Acquisition, which agreement and documents must be reasonably acceptable to Agent,

h. Agent has received reasonably satisfactory projections for the twelve (12) month period after the date of such Acquisition showing, on a pro forma basis after giving effect to the Acquisition, minimum Excess Availability at all times during such period of not less than fifteen (15%) percent of the Maximum Credit and that the Fixed Charge Coverage Ratio is at all times not less than 1.10 to 1.00 during such period,

i. the assets being acquired (other than a de minimis amount of assets in relation to the assets being acquired) are located within the United States, Canada or the Netherlands, or the Person whose Stock is being acquired is organized in a jurisdiction located within the United States, Canada or the Netherlands, provided, that, the purchase price of any such assets located in the Netherlands or any such Stock of a Person organized in the Netherlands shall not exceed the aggregate amount of $1,000,000,

j. the subject assets or Stock, as applicable, are being acquired directly by a Borrower or one of its Subsidiaries that is a Loan Party, and, in connection therewith, such Borrower or the applicable Loan Party shall have complied with Section 5.11 or 5.12, as applicable, of the Agreement and, in the case of an acquisition of Stock, such Borrower or the applicable Loan Party shall have demonstrated to Agent that the new Loan Parties have received consideration sufficient to make the joinder documents binding and enforceable against such new Loan Parties, and

k. if Borrower Agent requests that any assets acquired pursuant to such Acquisition be included in the Borrowing Base, Agent shall have completed a field examination with respect to the business and assets subject to the Acquisition (the "Acquired Business") in accordance with Agent's customary procedures and practices and as otherwise required by the nature and circumstances of the business of the Acquired Business, the scope and results of which shall be reasonably satisfactory to Agent and any Accounts or Inventory of the Acquired Business shall only be Eligible Accounts or Eligible Inventory to the extent that Agent has so completed such field examination with respect thereto (and has completed customary legal due diligence with respect thereto with results reasonably satisfactory to Agent) and the criteria for Eligible Accounts and Eligible Inventory set forth herein are satisfied with respect thereto in accordance with this Agreement (or such other or additional criteria as Agent may, at its option, establish with respect thereto in accordance with the definitions of Eligible Accounts or Eligible Inventory, as applicable, and subject to such reserves as Agent may establish in connection with the Acquired Business in accordance with Section 2.1(d) hereof).

"Permitted Discretion" means, as such term is used with reference to Agent, a determination made in good faith in the exercise of its reasonable business judgment based on how an asset-based lender with similar rights providing a credit facility of the type set forth herein would act in similar circumstances at the time with the information then available to it.

"Permitted Dispositions" means:

a. sales, abandonment, or other dispositions of Equipment that is substantially worn, damaged, or obsolete in the ordinary course of business,

b. sales of Inventory to buyers in the ordinary course of business,

c. the use or transfer of money or Cash Equivalents in a manner that is not prohibited by the terms of the Agreement or the other Loan Documents,

d. the licensing, on a non-exclusive basis, of patents, trademarks, copyrights, and other intellectual property rights in the ordinary course of business,

e. the licensing, on an exclusive basis, of patents, trademarks, copyrights, and other intellectual property rights in the ordinary course of business so long as (other than for existing exclusive licenses in effect as of the Closing Date set forth on Schedule P-2) (i) the grant of such exclusive license does not adversely affect the ability of Agent or any Lender to sell or otherwise dispose of or realize upon any Inventory, Accounts or other Collateral in any material respect and (ii) in the event that either the amount of the royalties to be paid in respect of such license within any twelve (12) month period are reasonably anticipated to be more than $2,500,000 or the sales of assets pursuant to such license within any twelve (12) month period are reasonably anticipated to be more than $2,500,000, Agent shall have received five (5) Business Days prior written notice of the grant of such exclusive license, together with such information with respect thereto as Agent may reasonably request,

f. the granting of Permitted Liens,

g. the sale or discount, in each case without recourse, of Accounts arising in the ordinary course of business, but only in connection with the compromise or collection thereof,

h. any involuntary loss, damage or destruction of property,

i. any involuntary condemnation, seizure or taking, by exercise of the power of eminent domain or otherwise, or confiscation or requisition of use of property,

j. the leasing or subleasing of assets of any Borrower or its Subsidiaries in the ordinary course of business,

k. the sale or issuance of Stock (other than Prohibited Preferred Stock) of Parent,

l. the lapse of registered patents, trademarks and other intellectual property of any Borrower and its Subsidiaries to the extent not economically desirable in the conduct of their business and so long as such lapse is not adverse to the interests of the Lenders in any material respect,

m. the making of a Restricted Junior Payment that is expressly permitted to be made pursuant to the Agreement,

n. the making of a Permitted Investment,

o. dispositions of assets (other than Accounts, Inventory, intellectual property, licenses, Stock of Subsidiaries of Parent, or Material Contracts) acquired by Borrowers pursuant to a Permitted Acquisition consummated within 12 months of the date of the proposed Disposition so long as (i) the consideration received for the assets to be so disposed is at least equal to the fair market value thereof, (ii) not less than seventy (70%) percent of the consideration for such disposition is in the form of cash received by a Loan Party, (iii) the assets to be so disposed are not necessary or economically desirable in connection with the business of Borrowers, and (iv) the assets to be so disposed are readily identifiable as assets acquired pursuant to such Permitted Acquisition,

p. the sale by Parent of its joint venture interests in Audiovox Specialized Applications, LLC so long as (i) such sale is made at fair market value and (ii) not less than seventy (70%) percent of the consideration for such disposition is in the form of cash received by Parent, and

q. dispositions of assets (other than Accounts, Inventory, intellectual property, licenses, Stock of Subsidiaries of Parent, or Material Contracts) not otherwise permitted in clauses (a) through (p) above so long as (i) made at fair market value and the aggregate fair market value of all assets disposed of in all such dispositions since the Closing Date (including the proposed disposition) would not exceed $10,000,000, (ii) not less than seventy

(70%) percent of the consideration for such disposition is in the form of cash received by a Loan Party, and (iii) the assets to be so disposed are not necessary or economically desirable in connection with the principal business of Borrowers.

"Permitted Holders" means, as of the date of determination, (a) John J. Shalam, his spouse, their ancestors or lineal descendants (by blood or adoption) and the spouses of such ancestors or lineal descendants (by blood or adoption) (collectively, the "Shalam Associates"), (b) the heirs, executors, administrators, testamentary trustees, legatees or beneficiaries of John J. Shalam or any other Shalam Associates, (c) a trust or custodianship, to the extent that the beneficiaries of which, or a corporation or partnership, the stockholders or general or limited partners of which, include only John J. Shalam and any other Shalam Associates, (d) any charitable foundation a majority of whose members, trustees or directors, as the case may be, are John J. Shalam or any other Shalam Associates, and (e) any corporation, partnership or other Person controlled by, controlling or under common control with any Person controlled by any of the Persons included in clause (a) of this definition (as the term "controlled" is defined in the definition of the term "Affiliate" herein).

"Permitted Indebtedness" means:

a. Indebtedness evidenced by the Agreement or the other Loan Documents, as well as Indebtedness owed to Underlying Issuers with respect to Underlying Letters of Credit,

b. Indebtedness set forth on Schedule 4.19 and any Refinancing Indebtedness in respect of such Indebtedness,

c. Permitted Purchase Money Indebtedness and any Refinancing Indebtedness in respect of such Indebtedness,

d. endorsement of instruments or other payment items for deposit,

e. Indebtedness consisting of (i) unsecured guarantees incurred in the ordinary course of business with respect to surety and appeal bonds, performance bonds, bid bonds, appeal bonds, completion guarantee and similar obligations; (ii) unsecured guarantees arising with respect to customary indemnification obligations to purchasers in connection with Permitted Dispositions; and (iii) unsecured guarantees with respect to Indebtedness of a Loan Party, to the extent that the Person that is obligated under such guaranty is permitted hereunder to incur the Indebtedness that is subject to such guaranty,

f. unsecured Indebtedness of any Loan Party that is incurred on the date of the consummation of a Permitted Acquisition solely for the purpose of consummating such Permitted Acquisition so long as (i) no Event of Default has occurred and is continuing or would result therefrom, (ii) such unsecured Indebtedness is not incurred for working capital purposes, (iii) such unsecured Indebtedness does not mature prior to the date that is twelve (12) months after the Maturity Date, (iv) such Indebtedness is subordinated in right of payment to the Obligations on terms and conditions reasonably satisfactory to Agent; provided, that, principal payments shall be permitted to be made in respect of such Indebtedness only so long as, on the date of any such payment of principal and after giving effect thereto, (A) Excess Availability shall be not less than fifteen (15%) percent of the Maximum Credit and (B) no Default of Event of Default shall have occurred and be continuing, and (v) the only interest that accrues with respect to such Indebtedness is payable in kind,

g. Acquired Indebtedness in an amount not to exceed $5,000,000 outstanding at any one time,

h. Indebtedness incurred in the ordinary course of business under performance, surety, statutory, and appeal bonds,

i. Indebtedness owed to any Person providing property, casualty, liability, or other insurance to any Loan Party, so long as the amount of such Indebtedness is not in excess of the amount of the unpaid cost of, and shall be incurred only to defer the cost of, such insurance for the year in which such Indebtedness is incurred and such Indebtedness is outstanding only during such year,

j. the incurrence by any Loan Party of Indebtedness under Hedge Agreements that are incurred for the bona fide purpose of hedging the interest rate, commodity, or foreign currency risks associated with any Loan Party's operations and not for speculative purposes,

k. Indebtedness incurred in respect of credit cards, credit card processing services, debit cards, stored

value cards, purchase cards (including so-called "procurement cards" or "P-cards"), or Cash Management Services, in each case, incurred in the ordinary course of business,

l. unsecured Indebtedness of Parent owing to former employees, officers, or directors (or any spouses, ex-spouses, or estates of any of the foregoing) incurred in connection with the repurchase by Parent of the Stock of Parent that has been issued to such Persons, so long as (i) no Default or Event of Default has occurred and is continuing or would result from the incurrence of such Indebtedness, (ii) the aggregate amount of all such Indebtedness outstanding at any one time does not exceed $1,000,000, and (iii) such Indebtedness is subordinated to the Obligations on terms and conditions reasonably acceptable to Agent,

m. unsecured Indebtedness owing to sellers of assets or Stock to a Loan Party that is incurred by the applicable Loan Party in connection with the consummation of one or more Permitted Acquisitions so long as (i) the aggregate principal amount for all such unsecured Indebtedness does not exceed $10,000,000 at any one time outstanding, (ii) is subordinated to the Obligations on terms and conditions reasonably acceptable to Agent, and (iii) is otherwise on terms and conditions (including all economic terms and the absence of covenants) reasonably acceptable to Agent,

n. Indebtedness of any Loan Party arising pursuant to Permitted Intercompany Advances,

o. contingent liabilities in respect of any indemnification obligation, adjustment of purchase price, non-compete, or similar obligations of Borrowers or the applicable Loan Party incurred in connection with the consummation of one or more Permitted Acquisitions, and

p. Indebtedness consisting of Permitted Investments.

"Permitted Intercompany Advances" means loans made by (a) a Loan Party to another Loan Party (other than Mexican Guarantor, Venezuelan Guarantor or French Guarantor), (b) a Subsidiary of Parent that is not a Loan Party to another Subsidiary of Parent that is not a Loan Party, (c) a Subsidiary of Parent that is not a Loan Party to a Loan Party, provided, that, Agent shall have received an Intercompany Subordination Agreement as duly authorized, executed and delivered by such parties, and (d) a Loan Party to a Subsidiary of Parent that is not a Loan Party, provided, that, as to any such loan to which this clause (d) is applicable, each of the following conditions is satisfied: (i) the aggregate amount of all such loans shall not exceed $4,000,000 outstanding at any one time, (ii) as of the date of any such loan and after giving effect thereto, no Default or Event of Default shall exist or have occurred, and (iii) as of the date of any such loan and after giving effect thereto, Excess Availability shall be not less than twelve and one-half (12.5%) percent of the Maximum Credit, and (e) a Loan Party to Mexican Guarantor, Venezuelan Guarantor or French Guarantor, provided, that, as to any such loan each of the following conditions is satisfied: (i) the aggregate amount of all such loans shall not exceed $2,000,000 outstanding at any one time, (ii) as of the date of any such loan and after giving effect thereto, no Default or Event of Default shall exist or have occurred, and (iii) as of the date of any such loan and after giving effect thereto, Excess Availability shall be not less than twelve and one-half (12.5%) percent of the Maximum Credit.

"Permitted Investments" means:

a. Investments in cash and Cash Equivalents,

b. Investments in negotiable instruments deposited or to be deposited for collection in the ordinary course of business,

c. advances made in connection with purchases of goods or services in the ordinary course of business,

d. Investments received in settlement of amounts due to any Loan Party or any of its Subsidiaries effected in the ordinary course of business or owing to any Loan Party or any of its Subsidiaries as a result of Insolvency Proceedings involving an Account Debtor or upon the foreclosure or enforcement of any Lien in favor of any Loan Party or any of its Subsidiaries,

e. Investments owned by any Loan Party or any of its Subsidiaries on the Closing Date and set forth on Schedule P-1,

f. guarantees permitted under the definition of Permitted Indebtedness,

g. Permitted Intercompany Advances,

h. Stock or other securities acquired in connection with the satisfaction or enforcement of Indebtedness or claims due or owing to any Loan Party or any of its Subsidiaries (in bankruptcy of customers or suppliers or otherwise outside the ordinary course of business) or as security for any such Indebtedness or claims,

i. deposits of cash made in the ordinary course of business to secure performance of operating leases,

j. non-cash loans to employees, officers, and directors of Parent for the purpose of purchasing Stock in Parent so long as the proceeds of such loans are used in their entirety to purchase such stock in Parent,

k. Permitted Acquisitions,

l. Investments resulting from entering into (i) Bank Product Agreements, or (ii) agreements relative to Indebtedness that is permitted under clause (i) of the definition of Permitted Indebtedness,

m. Investments held by a Person acquired in a Permitted Acquisition to the extent that such Investments were not made in contemplation of or in connection with such Permitted Acquisition and were in existence on the date of such Permitted Acquisition, and

n. any other Investments in an aggregate amount not to exceed $2,000,000 during the term of the Agreement, provided, that, as of the date of any such Investment and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing.

"Permitted Liens" means

a. Liens granted to, or for the benefit of, Agent to secure the Obligations,

b. Liens for unpaid taxes, assessments, or other governmental charges or levies that either (i) are not yet delinquent, or (ii) do not have priority over Agent's Liens and the underlying taxes, assessments, or charges or levies are the subject of Permitted Protests,

c. judgment Liens arising solely as a result of the existence of judgments, orders, or awards that do not constitute an Event of Default under Section 8.3 of the Agreement,

d. Liens set forth on Schedule P-2; provided, that, in order to be a Permitted Lien, any such Lien described on Schedule P-2 shall only secure the Indebtedness that it secures on the Closing Date and any Refinancing Indebtedness in respect thereof,

e. the interests of lessors under operating leases and non-exclusive licensors under license agreements,

f. purchase money Liens or the interests of lessors under Capital Leases as to Equipment, Real Property or fixtures to the extent that such Liens or interests secure Permitted Purchase Money Indebtedness and so long as (i) such Lien attaches only to the Equipment, Real Property or fixtures purchased or acquired and the proceeds thereof, and (ii) such Lien only secures the Indebtedness that was incurred to acquire the asset purchased or acquired or any Refinancing Indebtedness in respect thereof,

g. Liens arising by operation of law in favor of warehousemen, landlords, carriers, mechanics, materialmen, laborers, or suppliers, incurred in the ordinary course of business and not in connection with the borrowing of money, and which Liens either (i) are for sums not yet delinquent, or (ii) are the subject of Permitted Protests,

h. Liens on amounts deposited to secure a Borrower's obligations in connection with worker's compensation or other unemployment insurance,

i. Liens on amounts deposited to secure a Borrower's obligations in connection with the making or entering into of bids, tenders, or leases in the ordinary course of business and not in connection with the borrowing of money,

j. Liens on amounts deposited to secure a Borrower's reimbursement obligations with respect to surety or appeal bonds obtained in the ordinary course of business,

k. with respect to any Real Property, easements, rights of way, and zoning restrictions that do not

materially interfere with or impair the use or operation thereof,

l. non-exclusive licenses and exclusive licenses of patents, trademarks, copyrights, and other intellectual property rights in the ordinary course of business, so long as, with respect to any such exclusive license (other than for existing exclusive licenses in effect as of the Closing Date set forth on Schedule P-2) (i) the grant of such exclusive license does not adversely affect the ability of Agent or any Lender to sell or otherwise dispose of or realize upon any Inventory, Accounts or other Collateral in any material respect and (ii) in the event that either the amount of the royalties to be paid in respect of such license within any twelve (12) month period are reasonably anticipated to be more than $2,500,000 or the sales of assets pursuant to such license within any twelve (12) month period are reasonably anticipated to be more than $2,500,000, Agent shall have received five (5) Business Days prior written notice of the grant of such exclusive license, together with such information with respect thereto as Agent may reasonably request,

m. Liens that are replacements of Permitted Liens to the extent that the original Indebtedness is the subject of permitted Refinancing Indebtedness and so long as the replacement Liens only encumber those assets that secured the original Indebtedness,

n. rights of setoff or bankers' liens upon deposits of cash in favor of banks or other depository institutions, solely to the extent incurred in connection with the maintenance of such deposit accounts in the ordinary course of business,

o. Liens granted in the ordinary course of business on the unearned portion of insurance premiums securing the financing of insurance premiums to the extent the financing is permitted under the definition of Permitted Indebtedness,

p. Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods,

q. Liens solely on any cash earnest money deposits made by any Borrower or any of its Subsidiaries in connection with any letter of intent or purchase agreement with respect to a Permitted Acquisition, and

r. Liens assumed by a Borrower or its Subsidiaries in connection with a Permitted Acquisition that secure Acquired Indebtedness.

"Permitted Preferred Stock" means and refers to any Preferred Stock issued by Parent (and not by one or more of its Subsidiaries) that is not Prohibited Preferred Stock.

"Permitted Protest" means the right of any Borrower or any of its Subsidiaries to protest any Lien (other than any Lien that secures the Obligations), taxes, or rental payment, provided that (a) a reserve with respect to such obligation is established on such Borrower's or its Subsidiaries' books and records in such amount as is required under GAAP, (b) any such protest is instituted promptly and prosecuted diligently by such Borrower or its Subsidiary, as applicable, in good faith, and (c) Agent is reasonably satisfied that, while any such protest is pending, there will be no impairment of the enforceability, validity, or priority of any of Agent's Liens.

"Permitted Purchase Money Indebtedness" means, as of any date of determination, Purchase Money Indebtedness incurred after the Closing Date in an aggregate principal amount outstanding at any one time not in excess of $7,500,000.

"Person" means natural persons, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, trusts, land trusts, business trusts, or other organizations, irrespective of whether they are legal entities, and governments and agencies and political subdivisions thereof.

"PPSA" means the Personal Property Security Act (Ontario), the Civil Code of Québec or any other applicable Canadian Federal or Provincial statute pertaining to the granting, perfecting, priority or ranking of security interests, liens, hypothecs on personal property, and any successor statutes, together with any regulations thereunder, in each case as in effect from time to time. References to sections of the PPSA shall be construed to also refer to any successor sections.

"Preferred Stock" means, as applied to the Stock of any Person, the Stock of any class or classes (however designated) that is preferred with respect to the payment of dividends, or as to the distribution of assets upon any

voluntary or involuntary liquidation or dissolution of such Person, over shares of Stock of any other class of such Person.

"Principal Obligations" means the Obligations other than the Parallel Debt.

"Priority Payables" means, as to any Borrower or Guarantor at any time, (a) the full amount of the liabilities of such Borrower or Guarantor at such time which (i) have a trust imposed to provide for payment or a security interest, pledge, lien, hypothec or charge ranking or capable of ranking senior to or pari passu with security interests, liens, hypothecs or charges securing the Obligations under Federal, Provincial, Territorial, county, district, municipal, or local law in Canada or (ii) have a right imposed to provide for payment ranking or capable of ranking senior to or pari passu with the Obligations under local or national law, regulation or directive, including, but not limited to, claims for unremitted and/or accelerated rents, taxes, wages, withholding taxes (including claims for debts due to Canada Revenue Agency), VAT and other amounts payable to an insolvency administrator, employee withholdings or deductions, severance pay, termination pay and vacation pay, workers' compensation obligations, government royalties or pension fund obligations or contributions, in each case to the extent such trust, or security interest, lien or charge has been or may be imposed and (b) the amount equal to the percentage applicable to Inventory in the calculation of the Borrowing Base multiplied by the aggregate Value of the Eligible Inventory which Agent, in good faith, considers is or may be subject to retention of title by a supplier or a right of a supplier to recover possession thereof, where such supplier's right has priority over the security interests, liens or charges securing the Obligations, including, without limitation, Eligible Inventory subject to a right of a supplier to repossess goods pursuant to Section 81.1 of the BIA or any applicable laws granting revendication or similar rights to unpaid suppliers or any similar laws of Canada or any other applicable jurisdiction (provided, that, to the extent such Inventory has been identified and has been excluded from Eligible Inventory, the amount owing to the supplier shall not be considered a Priority Payable).

"Prohibited Preferred Stock" means any Preferred Stock that by its terms is mandatorily redeemable or subject to any other payment obligation (including any obligation to pay dividends, other than dividends of shares of Preferred Stock of the same class and series payable in kind or dividends of shares of common stock) on or before a date that is less than 1 year after the Maturity Date, or, on or before the date that is less than 1 year after the Maturity Date, is redeemable at the option of the holder thereof for cash or assets or securities (other than distributions in kind of shares of Preferred Stock of the same class and series or of shares of common stock).

"Projections" means Borrowers' forecasted (a) balance sheets, (b) profit and loss statements, and (c) cash flow statements, all prepared on a basis consistent with Borrowers' historical financial statements, together with appropriate supporting details and a statement of underlying assumptions.

"Pro Rata Share" means, as to any Lender, the fraction (expressed as a percentage) the numerator of which is such Lender's Commitment and the denominator of which is the aggregate amount of all of the Commitments of the Lenders, as adjusted from time to time in accordance with the provisions hereof; provided, that, if the Commitments have been terminated, the numerator shall be the unpaid amount of such Lender's Advances and its interest in the Swing Loans, Protective Advances and Letters of Credit and the denominator shall be the aggregate amount of all unpaid Loans, Swing Loans, Protective Advances and Letters of Credit.

"Protective Advances" has the meaning specified therefor in Section 2.3(d)(i) of the Agreement.

"Purchase Money Indebtedness" means Indebtedness (other than the Obligations, but including Capitalized Lease Obligations), incurred at the time of, or within twenty (20) days after, the acquisition of any fixed assets for the purpose of financing all or any part of the acquisition cost thereof.

"Qualified Cash" means, as of any date of determination, the amount of unrestricted cash or, subject to the terms below, Cash Equivalents of Borrowers that are (a) subject to the valid, enforceable and first priority perfected security interest of Agent in Deposit Accounts or in Securities Accounts maintained at Wells Fargo, or any combination thereof, and which such Deposit Account or Securities Account is the subject of a Control Agreement (and for which Agent shall have received evidence, in form and substance reasonably satisfactory to Agent, of the amount of such cash or Cash Equivalents held in such deposit account or investment account as of the applicable date of the calculation of the Excess Availability), (b) free and clear of any other Lien other than (i) those permitted in clauses (b) and (c) of the definition of the term Permitted Liens (but as to liens referred to in clause (c) only to the extent that Agent has established a reserve in respect thereof) and (ii) any other liens permitted under this

Agreement that are subject to an intercreditor agreement in form and substance satisfactory to Agent between the holder of such Lien and Agent; provided, that, to the extent such amounts represent payments in respect of Accounts or other Collateral included in the Borrowing Base as of such date, such amounts shall not constitute Qualified Cash (and Borrower Agent shall provide such evidence thereof as Agent may reasonably request). For purposes of this definition, "Qualified Cash" shall only include Cash Equivalents maturing within ninety (90) days from the date of the acquisition thereof and in the case of obligations or indebtedness described in clauses (b) and (c) of the definition of the term Cash Equivalents, obligations or indebtedness having a rating of at least A-1 from S&P or at least P-1 from Moody's (or, if at any time neither S&P nor Moody's shall be rating such obligations, then an equivalent rating from another nationally recognized rating service).

"Quarterly Average Excess Availability" means, at any time, the average of the aggregate amount of the Excess Availability for the immediately preceding three (3) month period.

"Real Property" means any estates or interests in real property now owned or hereafter acquired by Borrowers or their Subsidiaries and the improvements thereto.

"Real Property Collateral" means the Real Property identified on Schedule R-1 and any Real Property hereafter acquired by Borrowers or their Subsidiaries having a fair market value of at least $2,500,000.

"Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

"Refinancing Indebtedness" means refinancings, renewals, or extensions of Indebtedness so long as:

a. Agent shall have received not less than ten (10) Business Days' prior written notice of the intention to incur such Indebtedness, which notice shall set forth in reasonable detail satisfactory to Agent, the amount of such Indebtedness, the schedule of repayments and maturity date with respect thereto and such other information with respect thereto as Agent may reasonably request,

b. promptly upon Agent's request, Agent shall have received true, correct and complete copies of all agreements, documents and instruments evidencing or otherwise related to such Indebtedness, as duly authorized, executed and delivered by the parties thereto,

c. the Refinancing Indebtedness shall have a Weighted Average Life to Maturity and a final maturity equal to or greater than the Weighted Average Life to Maturity and the final maturity, respectively, of the Indebtedness being extended, refinanced, replaced, or substituted for,

d. the Refinancing Indebtedness shall rank in right of payment no more senior than, and be at least subordinated (if subordinated) to, the Obligations as the Indebtedness being extended, refinanced, replaced or substituted for,

e. the Refinancing Indebtedness shall not include terms and conditions with respect to any Borrower or Guarantor which are more burdensome or restrictive in any material respect than those contained in this Agreement, taken as a whole,

f. such Indebtedness incurred by any Borrower or Guarantor shall be at rates and with fees or other charges that are commercially reasonable,

g. as of the date of incurring such Indebtedness and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing,

h. the principal amount of such Refinancing Indebtedness shall not exceed the principal amount of the Indebtedness so extended, refinanced, replaced or substituted for (plus the amount of reasonable refinancing fees and expenses incurred in connection therewith outstanding on the date of such event),

i. the Refinancing Indebtedness shall be secured by substantially the same assets, provided, that, such security interests (if any) with respect to the Refinancing Indebtedness shall have a priority no more senior than, and be at least as subordinated, if subordinated (on terms and conditions substantially similar to the subordination provisions applicable to the Indebtedness so extended, refinanced, replaced or substituted for or as is otherwise acceptable to Agent) as the security interest with respect to the Indebtedness so extended, refinanced, replaced or substituted for, and

j. Borrowers and Guarantors may only make payments of principal, interest and fees, if any, in respect of such Indebtedness to the extent such payments would have been permitted hereunder in respect of the Indebtedness so extended, refinanced, replaced or substituted for.

"Register" has the meaning set forth in Section 13.1(h) of the Agreement.

"Registered Loan" has the meaning set forth in Section 13.1(h) of the Agreement.

"Reimbursement Undertaking" has the meaning specified therefor in Section 2.11(a) of the Agreement.

"Related Fund" means, with respect to any Lender that is an investment fund, any other investment fund that invests in commercial loans and that is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"Remedial Action" means all actions taken to (a) clean up, remove, remediate, contain, treat, monitor, assess, evaluate, or in any way address Hazardous Materials in the indoor or outdoor environment, (b) prevent or minimize a release or threatened release of Hazardous Materials so they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment, (c) restore or reclaim natural resources or the environment, (d) perform any pre-remedial studies, investigations, or post-remedial operation and maintenance activities, or (e) conduct any other actions with respect to Hazardous Materials required by Environmental Laws.

"Replacement Lender" has the meaning specified therefor in Section 2.13(b) of the Agreement.

"Report" has the meaning specified therefor in Section 15.16 of the Agreement.

"Required Lenders" means, at any time, Lenders whose aggregate Pro Rata Shares exceed fifty (50%) percent, or if the Commitments shall have been terminated, Lenders to whom more than fifty (50%) percent of the then outstanding Advances and participation interests in other Obligations are owing; provided, that, at any time there are 2 or more Lenders, "Required Lenders" must include at least 2 Lenders.

"Restricted Junior Payment" means to (a) declare or pay any dividend or make any other payment or distribution on account of Stock issued by Parent (including any payment in connection with any merger or consolidation involving Parent) or to the direct or indirect holders of Stock issued by a Borrower in their capacity as such (other than dividends or distributions payable in Stock (other than Prohibited Preferred Stock) issued by Parent, or (b) purchase, redeem, or otherwise acquire or retire for value (including in connection with any merger or consolidation involving Parent) any Stock issued by Parent.

"Revolver Usage" means, as of any date of determination, the sum of (a) the amount of outstanding Advances, plus (b) the amount of the Letter of Credit Usage.

"Sanctioned Entity" means (a) a country or a government of a country, (b) an agency of the government of a country, (c) an organization directly or indirectly controlled by a country or its government, (d) a Person resident in or determined to be resident in a country, in each case, that is subject to a country sanctions program administered and enforced by OFAC.

"Sanctioned Person" means a person named on the list of Specially Designated Nationals maintained by OFAC.

"S&P" has the meaning specified therefor in the definition of Cash Equivalents.

"SEC" means the United States Securities and Exchange Commission and any successor thereto.

"Securities Account" means, as to each Loan Party, all of such Loan Party's now owned and hereafter existing or acquired accounts to which a financial asset is or may be credited in accordance with an agreement under which the person maintaining the account undertakes to treat the person for whom the account is maintained as entitled to exercise the rights that comprise the financial asset.

"Securities Act" means the Securities Act of 1933, as amended from time to time, and any successor statute.

"Security Agreement" means a Security Agreement, dated of even date herewith, in form and substance reasonably satisfactory to Agent, executed and delivered by each Loan Party to Agent.

"Seller" means, collectively, Klipsch Group, Inc. and each of its shareholders immediately prior to the

effectiveness of the Klipsch Acquisition.

"Settlement" has the meaning specified therefor in Section 2.3(e)(i) of the Agreement.

"Settlement Date" has the meaning specified therefor in Section 2.3(e)(i) of the Agreement.

"Solvent" means, with respect to any Person on a particular date, that, at fair valuations, the sum of such Person's assets is greater than all of such Person's debts.

"Stock" means all shares, options, warrants, interests, participations, or other equivalents (regardless of how designated) of or in a Person, whether voting or nonvoting, including common stock, preferred stock, or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the SEC under the Exchange Act).

"Subsidiary" of a Person means a corporation, partnership, limited liability company, or other entity in which that Person directly or indirectly owns or controls the shares of Stock having ordinary voting power to elect a majority of the board of directors (or appoint other comparable managers) of such corporation, partnership, limited liability company, or other entity.

"Swing Lender" means WFCF or any other Lender that, at the request of Borrowers and with the consent of Agent agrees, in such Lender's sole discretion, to become the Swing Lender under Section 2.3(b) of the Agreement.

"Swing Loan" has the meaning specified therefor in Section 2.3(b) of the Agreement.

"Taxes" means any taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein with respect to such payments and all interest, penalties or similar liabilities with respect thereto; provided, that, Taxes shall exclude (i) any tax imposed on the net income or net profits of any Lender or any Participant (including any branch profits taxes), in each case imposed by the jurisdiction (or by any political subdivision or taxing authority thereof) in which such Lender or such Participant is organized or the jurisdiction (or by any political subdivision or taxing authority thereof) in which such Lender's or such Participant's principal office is located in each case as a result of a present or former connection between such Lender or such Participant and the jurisdiction or taxing authority imposing the tax (other than any such connection arising solely from such Lender or such Participant having executed, delivered or performed its obligations or received payment under, or enforced its rights or remedies under the Agreement or any other Loan Document); (ii) taxes resulting from a Lender's or a Participant's failure to comply with the requirements of Section 16(c) or (d) of the Agreement, and (iii) any United States federal withholding taxes that would be imposed on amounts payable to a Foreign Lender based upon the applicable withholding rate in effect at the time such Foreign Lender becomes a party to the Agreement (or designates a new lending office), except that Taxes shall include (A) any amount that such Foreign Lender (or its assignor, if any) was previously entitled to receive pursuant to Section 16(a) of the Agreement, if any, with respect to such withholding tax at the time such Foreign Lender becomes a party to the Agreement (or designates a new lending office), and (B) additional United States federal withholding taxes that may be imposed after the time such Foreign Lender becomes a party to the Agreement (or designates a new lending office), as a result of a change in law, rule, regulation, order or other decision with respect to any of the foregoing by any Governmental Authority. For purposes of this definition, the Dodd-Frank Wall Street Reform and Consumer Protection Act and all rules, regulations, orders, requests, guidelines or directives in connection therewith are deemed to have been enacted and become effective after the Closing Date.

"Tax Lender" has the meaning specified therefor in Section 14.2(a) of the Agreement.

"Trademark Security Agreement" has the meaning specified therefor in the Security Agreement.

"Underlying Issuer" means Wells Fargo or one of its Affiliates.

"Underlying Letter of Credit" means a Letter of Credit that has been issued by an Underlying Issuer.

"United States" means the United States of America.

"Value" shall mean, as determined by Agent in good faith, with respect to Inventory, the lower of cost or market, with cost determined on a weighted moving average basis or on a standard cost basis, as applicable, consistent with the current practices of Borrowers, without regard to intercompany profit or increases for currency

exchange rates.

"Venezuelan Guarantor" means Audiovox Venezuela C.A., a company organized under the laws of Venezuela, and its successors and assigns.

"Voidable Transfer" has the meaning specified therefor in Section 17.8 of the Agreement.

"Weighted Average Life to Maturity" shall mean, when applied to any Indebtedness at any date, the number of years obtained by dividing (a) the then outstanding principal amount of such Indebtedness into (b) the total of the product obtained by multiplying (c) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (d) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment.

"Wells Fargo" means Wells Fargo Bank, National Association, a national banking association.

"WFCF" means Wells Fargo Capital Finance, LLC, a Delaware limited liability company.

Schedule 3.1

The obligation of each Lender to make its initial extension of credit provided for in the Agreement is subject to the fulfillment, to the satisfaction of each Lender (the making of such initial extension of credit by any Lender being conclusively deemed to be its satisfaction or waiver of the following), of each of the following conditions precedent:

a. the Closing Date shall occur on or before March 15, 2011;

b. Agent shall have received, in form and substance satisfactory to Agent, all releases, terminations and such other documents as Agent may request to evidence and effectuate the termination by JPMorgan Chase Bank, N.A. ("Existing Agent") and the lenders for which it is acting as agent of their respective financing arrangements with Borrowers and Guarantors and the termination and release by it or them, as the case may be, of any interest in and to any assets and properties of each Borrower and Guarantor, duly authorized, executed and delivered by it or each of them, including, but not limited to, (i) UCC (and PPSA) termination statements for all UCC (and PPSA) financing statements previously filed by it or any of them or their predecessors, as secured party and any Borrower or Guarantor, as debtor; and (ii) satisfactions and discharges of any mortgages, deeds of trust or deeds to secure debt by any Borrower or Guarantor in favor of it or any of them, in form acceptable for recording with the appropriate Governmental Authority;

c. Agent shall have received evidence, in form and substance satisfactory to Agent, that Agent has a valid perfected first priority security interest in all of the Collateral;

d. Agent shall have received each of Loan Documents, in form and substance satisfactory to Agent, duly executed, and each such document shall be in full force and effect, including each of the following:

i. this Agreement,

ii. the Controlled Account Agreements (subject to clause (o) below),

iii. the Control Agreements,

iv. the Security Agreement,

v. a disbursement letter executed and delivered by each Borrower to Agent regarding the extensions of credit to be made on the Closing Date, the form and substance of which is satisfactory to Agent,

vi. the Fee Letter,

vii. the Guaranty,

viii. a letter, in form and substance reasonably satisfactory to Agent, from Existing Agent to Agent respecting the amount necessary to repay in full all of the obligations of each Borrower and its Subsidiaries owing to Existing Agent and the lenders for which it is acting as agent and obtain a release of all of the Liens existing in favor of Existing Agent in and to the assets of such Borrower and its Subsidiaries, together with termination statements and other documentation evidencing the termination by Existing Agent of its Liens in and to the properties and assets of such Borrower and its Subsidiaries;

e. Agent shall have received a certificate from the Secretary of each Loan Party (i) attesting to the resolutions of such Loan Party's Board of Directors authorizing its execution, delivery, and performance of this Agreement and the other Loan Documents to which such Loan Party is a party, (ii) authorizing specific officers of such Loan Party to execute the same, and (iii) attesting to the incumbency and signatures of such specific officers of such Loan Party;

f. Agent shall have received copies of each Loan Party's Governing Documents, as amended, modified, or supplemented to the Closing Date, certified by the Secretary of such Loan Party;

g. Agent shall have received a certificate of status with respect to each Loan Party, dated within twenty (20) days of the Closing Date, such certificate to be issued by the appropriate officer of the jurisdiction of organization of such Loan Party, which certificate shall indicate that such Loan Party is in good standing in such jurisdiction;

h. Agent shall have received certificates of status with respect to each Loan Party, each dated within

thirty (30) days of the Closing Date, such certificates to be issued by the appropriate officer of the jurisdictions (other than the jurisdiction of organization of such Loan Party) in which its failure to be duly qualified or licensed would constitute a Material Adverse Change, which certificates shall indicate that such Loan Party is in good standing in such jurisdictions;

i. no (i) Material Adverse Change shall have occurred since August 31, 2010 and (ii) material pending or threatened litigation, proceeding, bankruptcy or insolvency, injunction, order or claims with respect to the Loan Parties, the Klipsch Acquisition or the financing provided for herein shall exist;

j. No Defaults or Events of Default on the Closing Date under any of the Loan Documents or on any other Indebtedness of Borrowers or Guarantors or any Material Contract of Borrowers or Guarantors shall exist;

k. Borrowers shall have complied with all of the terms and conditions of the Commitment Letter and the Fee Letter (except to the extent the terms thereof have been specifically modified herein) and Agent and Lenders shall have received the payment of all fees required to be paid under the terms of the Fee Letter and there shall be no material misstatements in or omissions from the materials previously furnished to Agent by the Loan Parties and Agent shall not become aware of any material information or other matter that is inconsistent in a material and adverse manner with any previous due diligence, information or matter (including any financial information).

l. Agent shall (i) be satisfied that on the date hereof and immediately after giving effect to the Klipsch Acquisition and the transactions contemplated to occur under this Agreement, (A) each Borrower is and Borrowers and Guarantors (taken as a whole) are solvent, (B) each Borrower is able to pay its debts as they mature, (C) each Borrower has sufficient capital (and not unreasonably small capital) to carry on its business and all businesses in which it is about to engage, and (D) the assets and properties of each Borrower at fair valuation (taken on a going concern basis) and at its present saleable value are greater than the Indebtedness of such Borrower, including subordinated and contingent liabilities computed at the amount which, to the best of such Borrower's knowledge, represents an amount which can reasonably be expected to become an actual or matured liability, (ii) have received an officer's certificate prepared by the chief financial officer of Parent as to the financial condition, solvency and related matters of Borrowers and Guarantors after giving effect to the initial borrowings under the Loan Documents, in form and substance reasonably satisfactory to Agent, and (iii) have received an officer's closing certificate prepared by the chief financial officer of Parent as to the consummation of the Klipsch Acquisition and related matters, the compliance by Borrowers with the covenant set forth in Section 7.1 after giving effect to the initial borrowings under the Loan Documents and the Klipsch Acquisition and such other matters as Agent may reasonably request, in form and substance reasonably satisfactory to Agent;

m. Agent shall have received certificates of insurance, together with the endorsements thereto, as are required by Section 5.6, in form and substance satisfactory to Agent;

n. Agent shall have received, in form and substance satisfactory to Agent, all consents, waivers, acknowledgments and other agreements from third persons which Lender may deem necessary or desirable in order to permit, protect and perfect its security interests in and liens upon the Collateral or to effectuate the provisions or purposes of this Agreement and the other Loan Documents; provided, that, the delivery of any Collateral Access Agreement shall not be a condition precedent to the initial credit extensions and after the Closing Date Borrowers shall, in the sole determination of Agent, use commercially reasonable efforts to obtain such Collateral Access Agreements within ninety (90) days after the Closing Date;

o. Agent shall have received, in form and substance satisfactory to Agent, Controlled Account Agreements by and among Agent, each Borrower and Guarantor, as the case may be and each bank where such Borrower (or Guarantor) has a deposit account, in each case, duly authorized, executed and delivered by such bank and Borrower or Guarantor, as the case may be; provided, that, other than with respect to principal concentration accounts, the delivery of any such Controlled Account Agreement shall not be a condition precedent to the initial credit extensions so long as Borrowers shall have, in the sole determination of Agent, used commercially reasonable efforts to obtain such Controlled Account Agreements prior to the date hereof;

p. Agent shall have received an opinion of Borrowers' counsel in form and substance reasonably satisfactory to Agent;

q. Borrowers shall have Excess Availability as of the date hereof, as determined by Agent, of not less

than $30,000,000 after giving effect to the initial extensions of credit hereunder and the payment of all fees and expenses required to be paid by Borrowers on the Closing Date under this Agreement or the other Loan Documents;

r. Agent shall have completed its business, legal, and collateral due diligence (the results of which shall be reasonably satisfactory to Agent), including (i) a collateral audit and review of each Loan Party's books and records and verification of such Loan Party's representations and warranties to Lender Group, the results of which shall be satisfactory to Agent, (ii) receipt of appraisals of the Inventory containing assumptions and appraisal methods reasonably satisfactory to Agent by an appraiser reasonably acceptable to Agent, the results of which shall be reasonably satisfactory to Agent and (iii) an inspection of each of the locations where each Loan Party's Inventory is located, the results of which shall be reasonably satisfactory to Agent;

s. Agent shall have completed (i) Patriot Act searches, OFAC/PEP searches and customary individual background checks for each Borrower, and (ii) OFAC/PEP searches and customary individual background searches for each Borrower's senior management and key principals, and each Guarantor, in each case, the results of which shall be satisfactory to Agent;

t. Agent shall have received (i) projected monthly balance sheets, income statements, statements of cash flows and availability of Borrowers and Guarantors for the period through the end of the 2011 fiscal year, (ii) projected annual balance sheets, income statements, statements of cash flows and availability of Borrowers and Guarantors through the end of the 2015 fiscal year, in each case as to the projections described in clauses (i) and (ii), with the results and assumptions set forth in all of such projections in form and substance reasonably satisfactory to Agent, and an opening pro forma balance sheet for Borrowers and Guarantors (including the companies acquired pursuant to the Klipsch Acquisition) in form and substance satisfactory to Agent, (iii) any updates or modifications to the projected financial statements of Borrowers and Guarantors previously received by Agent, in each case in form and substance reasonably satisfactory to Agent, and (v) copies of interim unaudited financial statements for each monthly period ended since the last audited financial statements for which financial statements are available;

u. Agent will be satisfied that after giving pro forma effect to the credit facility contemplated by this Agreement and the transactions contemplated hereby, the consolidated pro forma adjusted EBITDA of Parent and its Subsidiaries will be not less than $30,000,000 for the twelve (12) months ended as of the most recent month end prior to the Closing Date if the most recent month end prior to the Closing Date is thirty (30) days or more after such month end or for the second month end prior to the Closing Date if the Closing Date is less than thirty (30) days after such month end;

v. Borrowers shall have paid all Lender Group Expenses incurred in connection with the transactions evidenced by this Agreement;

w. Agent shall have received a Borrowing Base Certificate setting forth the Borrowing Base as of the date set forth therein, which shall be completed in a manner reasonably satisfactory to Agent and duly authorized, executed and delivered by an Authorized Person of Borrower Agent;

x. Agent shall have received originals of the stock certificates and membership interest certificates representing all of the issued and outstanding shares of the Capital Stock of each Borrower and Guarantor (other than Parent and subject to exceptions and limitations contained in the Loan Documents with respect to Foreign Subsidiaries) and owned by any Borrower or Guarantor, in each case together with stock powers duly executed in blank with respect thereto;

y. All of the Klipsch Acquisition Documents, including without limitation, the Klipsch Acquisition Agreement and all schedules thereto, the transition services agreement or other agreements with the Seller, employment agreements and any other material agreements, shall be reasonably satisfactory to Agent in all material respects and contemporaneously with the closing of the facility contemplated by this Agreement, the Klipsch Acquisition shall be consummated in accordance with the terms of the Klipsch Acquisition Agreement without any material amendment or waiver thereof except as consented to by Agent (which consent shall not be unreasonably withheld or delayed), and otherwise in compliance with material applicable law and regulatory approvals. Agent shall have received reliance letters with respect to opinions of counsel, if any, delivered in connection with the Klipsch Acquisition (to the extent counsel is prepared to do so), consent of the Seller to the collateral assignment of Borrowers and Guarantors rights under the Klipsch Acquisition Documents, and evidence of the consummation of

the Klipsch Acquisition.

z. Agent shall have received evidence, in form and substance satisfactory to Agent, that all of the "Closing Date Debt" as listed in Schedule 2.22 of the Disclosure Schedule to the Klipsch Acquisition Agreement has been paid and satisfied in full in cash.

aa. Agent shall have received evidence, in form and substance satisfactory to Agent, that Parent has made an intercompany loan to Soundtech LLC (from funds reflected on the balance sheet of Parent) in respect of the purchase price for the Klipsch Acquisition and that Soundtech LLC has paid all of such funds to the Seller in respect of the purchase price for the Klipsch Acquisition, subject to purchase price adjustments in accordance with the Klipsch Acquisition Agreement;

ab. Agent shall have received and reviewed lien and judgment search results for the jurisdiction of organization of each Borrower and Guarantor, the jurisdiction of the chief executive office of each Borrower and Guarantor and all jurisdictions in which assets of Borrowers and Guarantors are located, which search results shall be in form and substance satisfactory to Lender;

ac. The Loan Parties shall have received all licenses, approvals or evidence of other actions required by any Governmental Authority in connection with the execution and delivery by the Loan Parties of the Loan Documents or with the consummation of the transactions contemplated thereby;

ad. Agent shall have received (i) a "Life-of-Loan" Federal Emergency Management Agency Standard Flood Hazard Determination with respect to any Collateral consisting of real property, and (ii) in the event any such Collateral is located in an area identified by the Federal Emergency Management Agency (or any successor agency) as a special flood hazard area, (A) a notice about special flood hazard area status and flood disaster assistance, duly executed by Borrowers and (B) evidence of flood insurance with a financially sound and reputable insurer, in an amount and otherwise sufficient to comply with all applicable rules and regulations promulgated pursuant to the Flood Insurance Laws and the payment of premiums in respect thereof, in each case in form and substance satisfactory to Agent; and

ae. all other documents and legal matters in connection with the transactions contemplated by this Agreement shall have been delivered, executed, or recorded and shall be in form and substance reasonably satisfactory to Agent.

Schedule A-1

Agent Payment Account

Account Related to Borrower Collections and Payments:

Bank:

Wells Fargo Bank, N.A.

420 Montgomery Street

San Francisco, CA

ABA # 121-000-248

Account Name:

Wells Fargo Capital Finance, LLC

A/C # 37072820231200971

Ref: AUDIOVOX CORPORATION

Account Related to Lender Settlements:

Bank:

Wells Fargo Bank, N.A.

420 Montgomery Street

San Francisco, CA

ABA # 121-000-248

Account Name:

Wells Fargo Capital Finance, LLC

A/C # 4124923707

Ref: Audiovox Corporation

Swift: WFBIUS6S

Schedule C-1

Commitments

Lender		Commitment
Wells Fargo Capital Finance, LLC	$	75,000,000
TD Bank, N.A.	$	25,000,000
Siemens Financial Services, Inc.	$	25,000,000
HSBC Bank USA, National Association	$	25,000,000
Capital One Leverage Finance Corp.	$	25,000,000
TOTAL:	$	175,000,000

EXHIBIT A-1

FORM OF ASSIGNMENT AND ACCEPTANCE AGREEMENT

This **ASSIGNMENT AND ACCEPTANCE AGREEMENT** ("Assignment Agreement") is entered into as of _____ between _____ ("Assignor") and _____ ("Assignee"). Reference is made to the Agreement described in Annex I hereto (the "Credit Agreement"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Credit Agreement.

1. In accordance with the terms and conditions of Section 13 of the Credit Agreement, the Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, that interest in and to the Assignor's rights and obligations under the Loan Documents as of the date hereof with respect to the Obligations owing to the Assignor, and Assignor's portion of the Commitments, all to the extent specified on Annex I.

2. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim and (ii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment Agreement and to consummate the transactions contemplated hereby; (b) makes no representation or warranty and assumes no responsibility with respect to (i) any statements, representations or warranties made in or in connection with the Loan Documents, or (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any other instrument or document furnished pursuant thereto; (c) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or any Guarantor or the performance or observance by any Borrower or any Guarantor of any of their respective obligations under the Loan Documents or any other instrument or document furnished pursuant thereto, and (d) represents and warrants that the amount set forth as the Purchase Price on Annex I represents the amount owed by Borrower to Assignor with respect to Assignor's share of the Advances assigned hereunder, as reflected on Assignor's books and records.

3. The Assignee (a) confirms that it has received copies of the Credit Agreement and the other Loan Documents, together with copies of the financial statements referred to therein and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment Agreement; (b) agrees that it will, independently and without reliance upon Agent, Assignor, or any other Lender, based upon such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under the Loan Documents; (c) confirms that it is an Eligible Transferee; (d) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (e) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender; [and (f) attaches the forms prescribed by the Internal Revenue Service of the United States certifying as to the Assignee's status for purposes of determining exemption from United States withholding taxes with respect to all payments to be made to the Assignee under the Credit Agreement or such other documents as are necessary to indicate that all such payments are subject to such rates at a rate reduced by an applicable tax treaty.]

4. Following the execution of this Assignment Agreement by the Assignor and Assignee, the Assignor will deliver this Assignment Agreement to the Agent for recording by the Agent. The effective date of this Assignment (the "Settlement Date") shall be the latest to occur of (a) the date of the execution and delivery hereof by the Assignor and the Assignee, (b) the receipt by Agent for its sole and separate account a processing fee in the amount of $3,500 (if required by the Credit Agreement), (c) the receipt of any required consent of the Agent, and (d) the date specified in Annex I.

5. As of the Settlement Date (a) the Assignee shall be a party to the Credit Agreement and, to the extent of the interest assigned pursuant to this Assignment Agreement, have the rights and obligations of a Lender thereunder and under the other Loan Documents, and (b) the Assignor shall, to the extent of the interest assigned pursuant to this Assignment Agreement, relinquish its rights and be released from its obligations under the Credit Agreement and the other Loan Documents, provided, however, that nothing contained herein shall release any assigning Lender from obligations that survive the termination of this Agreement, including such assigning Lender's obligations under Article 15 and Section 17.9(a) of the Credit Agreement.

6. Upon the Settlement Date, Assignee shall pay to Assignor the Purchase Price (as set forth in Annex I). From and after the Settlement Date, Agent shall make all payments that are due and payable to the holder of the interest assigned hereunder (including payments of principal, interest, fees and other amounts) to Assignor for amounts which have accrued up to but excluding the Settlement Date and to Assignee for amounts which have accrued from and after the Settlement Date. On the Settlement Date, Assignor shall pay to Assignee an amount equal to the portion of any interest, fee, or any other charge that was paid to Assignor prior to the Settlement Date on account of the interest assigned hereunder and that are due and payable to Assignee with respect thereto, to the extent that such interest, fee or other charge relates to the period of time from and after the Settlement Date.

7. This Assignment Agreement may be executed in counterparts and by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. This Assignment Agreement may be executed and delivered by telecopier or other facsimile transmission all with the same force and effect as if the same were a fully executed and delivered original manual counterpart.

8. THIS ASSIGNMENT AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment Agreement and Annex I hereto to be executed by their respective officers, as of the first date written above.

[NAME OF ASSIGNOR]

as Assignor

By _____

Name:

Title:

[NAME OF ASSIGNEE]

as Assignee

By _____

Name:

Title:

ACCEPTED THIS ____ DAY OF

_____

WELLS FARGO CAPITAL FINANCE, LLC,

a Delaware limited liability company, as Agent

By _____

Name:

Title:

ANNEX FOR ASSIGNMENT AND ACCEPTANCE

ANNEX I

1. Borrowers:

Audiovox Accessories Corp., Audiovox Electronics Corporation, Audiovox Consumer Electronics, Inc., American Radio Corp., Code Systems, Inc., Invision Automotive Systems, Inc., Batteries.Com, LLC and Klipsch Group, Inc.

2. Name and Date of Credit Agreement:

Credit Agreement, dated as of _____, 2011, by and among Audiovox Corporation, as Parent, Borrowers, the lenders from time to time a party thereto (the "Lenders"), Wells Fargo Capital Finance, LLC, a Delaware limited liability company, as the agent for the Lenders

3. Date of Assignment Agreement: _____

4. Amounts:

   a. Assigned Amount of Commitment $_____

   b. Assigned Amount of Advances $_____

5. Settlement Date: _____

6. Purchase Price $_____

7. Notice and Payment Instructions, etc.

Assignee:	Assignor:
_____	_____
_____	_____
_____	_____

8. Agreed and Accepted:

[ASSIGNOR]	[ASSIGNEE]
By: _____	By:_____
Title: _____	Title:_____

Accepted:

WELLS FARGO CAPITAL FINANCE, LLC,

a Delaware limited liability company, as Agent

By _____

Name:

Title:

EXHIBIT B-2

FORM OF BANK PRODUCTS PROVIDER LETTER AGREEMENT

[Letterhead of Specified Bank Products Provider]

[Date]

Wells Fargo Capital Finance, LLC as Agent

140 East 45th Street

New York, New York 10017

Attention: Portfolio Manager

Fax No.: 212-545-4283

Reference is hereby made to that certain Credit Agreement, dated as of _____, 2011 (as amended, restated, supplemented, or modified from time to time, the "Credit Agreement"), by and among the lenders party thereto (such lenders, together with their respective successors and assigns, are referred to hereinafter each individually as a "Lender" and collectively as the "Lenders"), WELLS FARGO CAPITAL FINANCE, LLC, a Delaware limited liability company, as agent for the Lenders (together with its successors and assigns in such capacity, "Agent"), AUDIOVOX ACCESSORIES CORP., AUDIOVOX ELECTRONICS CORPORATION, AUDIOVOX CONSUMER ELECTRONICS, INC., AMERICAN RADIO CORP., CODE SYSTEMS, INC., INVISION AUTOMOTIVE SYSTEMS, INC., KLIPSCH GROUP, INC. and BATTERIES.COM, LLC (each individually, a "Borrower" and collectively, "Borrowers") and AUDIOVOX CORPORATION, as Parent. Capitalized terms used herein but not specifically defined herein shall have the meanings ascribed to them in the Credit Agreement.

Reference is also made to that certain [describe the Bank Product Agreement or Agreements] (the " Specified Bank Product Agreement [Agreements]") dated as of [_____] by and between [Lender or Affiliate of Lender] (the " Specified Bank Products Provider") and [identify the Loan Party or Subsidiary].

1. Appointment of Agent. The Specified Bank Products Provider hereby designates and appoints Agent, and Agent by its signature below hereby accepts such appointment, as its agent under the Credit Agreement and the other Loan Documents. The Specified Bank Products Provider hereby acknowledges that it has reviewed Sections 15.1, 15.2, 15.3, 15.4, 15.6, 15.7, 15.8, 15.9, 15.11, 15.12, 15.13, 15.14, 15.15 , and 17.5 (collectively such sections are referred to herein as the "Agency Provisions") , including, as applicable, the defined terms referenced therein (but only to the extent used therein), and agrees to be bound by the provisions thereof. Specified Bank Products Provider and Agent each agree that the Agency Provisions which govern the relationship, and certain representations, acknowledgements, appointments, rights, restrictions, and agreements, between the Agent, on the one hand, and the Lenders or the Lender Group, on the other hand, shall, from and after the date of this letter agreement also apply to and govern, *mutatis mutandis*, the relationship between the Agent, on the one hand, and the Specified Bank Product Provider with respect to the Bank Products provided pursuant to the Specified Bank Product Agreement[s], on the other hand.

2. Acknowledgement of Certain Provisions of Credit Agreement . The Specified Bank Products Provider hereby acknowledges that it has reviewed the provisions of Sections 2.4(b)(ii), 14.1, 15.10, 15.11,17.5 and 17.9 of the Credit Agreement, including, as applicable, the defined terms referenced therein, and agrees to be bound by the provisions thereof. Without limiting the generality of any of the foregoing referenced provisions, Specified Bank Product Provider understands and agrees that its rights and benefits under the Loan Documents consist solely of it being a beneficiary of the Liens and security interests granted to Agent and the right to share in Collateral as set forth in the Credit Agreement.

3. Reporting Requirements. Agent shall have no obligation to calculate the amount due and payable with respect to any Bank Products. On a monthly basis (not later than the 10th Business Day of each calendar month) or as more frequently as Agent shall request, the Specified Bank Products Provider agrees to provide Agent with a written report, in form and substance satisfactory to Agent, detailing Specified Bank Products Provider's reasonable determination of the credit exposure (and mark- to-market exposure) of each Borrower and its Subsidiaries in respect of the Bank Products provided by Specified Bank Products Provider pursuant to the Specified Bank Products Agreement[s]. If Agent does not receive such written report within the time period provided above, Agent shall be entitled to assume that the reasonable determination of the credit exposure of each Borrower and its Subsidiaries with respect to the Bank Products provided pursuant to the Specified Bank Products Agreement[s] is zero.

4. Bank Product Reserve Conditions. Specified Bank Products Provider further acknowledges and agrees that Agent shall have the right, but shall have no obligation to establish, maintain, relax or release reserves in respect of any of the Bank Product Obligations and that if reserves are established there is no obligation on the part of the Agent to determine or insure whether the amount of any such reserve is appropriate or not. If Agent so chooses to implement a reserve, Specified Bank Products Provider acknowledges and agrees that Agent shall be entitled to rely on the information in the reports described above to establish the Bank Product Reserve Amount.

5. Bank Product Obligations. From and after the delivery to Agent of this letter agreement duly executed by Specified Bank Product Provider and the acknowledgement of this letter agreement by Agent and Borrower Agent (on behalf of the Borrowers), the obligations and liabilities of each Loan Party to Specified Bank Product Provider in respect of Bank Products evidenced by the Specified Bank Product Agreement[s] shall constitute Bank Product Obligations (and which, in turn, shall constitute Obligations), and Specified Bank Product Provider shall constitute a Bank Product Provider until such time as Specified Bank Products Provider or its affiliate is no longer a Lender. Specified Bank Products Provider acknowledges that other Bank Products (which may or may not be Specified Bank Products) may exist at any time.

6. Notices. All notices and other communications provided for hereunder shall be given in the form and manner provided in Section 11 of the Credit Agreement, and, if to Agent, shall be mailed, sent, or delivered to Agent in accordance with Section 11 in the Credit Agreement, if to Borrower Agent (on behalf of each Borrower), shall be mailed, sent, or delivered to Borrower Agent (on behalf of each Borrower) in accordance with Section 11 in the Credit Agreement, and, if to Specified Bank Products Provider, shall be mailed, sent or delivered to the address set forth below, or, in each case as to any party, at such other address as shall be designated by such party in a written notice to the other party.

If to Specified Bank

Products Provider: _____

_____

_____

Attn: _____

Fax No. _____

7. Miscellaneous. This letter agreement is for the benefit of the Agent, the Specified Bank Products Provider, the Borrowers and each of their respective successors and assigns (including any successor agent pursuant to Section 15.9 of the Credit Agreement, but excluding any successor or assignee of a Specified Bank Products Provider that does not qualify as a Bank Product Provider). Unless the context of this letter agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms "includes" and "including" are not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." This letter agreement may be executed in any number of counterparts and by different parties on separate counterparts. Each of such counterparts shall be deemed to be an original, and all of such counterparts, taken together, shall constitute but one and the same agreement. Delivery of an executed counterpart of this letter by telefacsimile or other means of electronic transmission shall be equally effective as delivery of a manually executed counterpart.

8. Governing Law.

(a) THE VALIDITY OF THIS LETTER AGREEMENT, THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF, AND THE RIGHTS OF THE PARTIES HERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR RELATED HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(b) THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS LETTER AGREEMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE COURTS, AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, FEDERAL COURTS, LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK. EACH OF BORROWERS, SPECIFIED BANK PRODUCTS PROVIDER, AND AGENT WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 8(b).

(c) TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH BORROWER, SPECIFIED BANK PRODUCTS PROVIDER, AND AGENT EACH HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS LETTER AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS.EACH OF BORROWERS, SPECIFIED BANK PRODUCTS PROVIDER, AND AGENT EACH REPRESENTS TO THE OTHERS THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSELIN THE EVENT OF LITIGATION, A COPY OF THIS LETTER AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

[signature pages to follow]

Sincerely,

[SPECIFIED BANK PRODUCTS PROVIDER]

By: _____

Name: _____

Title: _____

Acknowledged, accepted, and agreed

as of the date first written above:

AUDIOVOX CORPORATION, as Borrower Agent

By: _____

Name: _____

Title: _____

Acknowledged, accepted, and

agreed as of _____, 20__:

WELLS FARGO CAPITAL FINANCE, LLC,

a Delaware limited liability company,

as Agent

By: _____

Name: _____

Title: _____

EXHIBIT C-1

FORM OF COMPLIANCE CERTIFICATE

[on Borrower's letterhead]

To: Wells Fargo Capital Finance, LLC

140 East 45th Street

New York, New York 10017

Attention: Portfolio Manager

Re: Compliance Certificate dated _____

Ladies and Gentlemen:

Reference is hereby made to that certain Credit Agreement, dated as of _____, 2011 (as amended, restated, supplemented, or modified from time to time, the "Credit Agreement"), by and among the lenders party thereto (such lenders, together with their respective successors and assigns, are referred to hereinafter each individually as a "Lender" and collectively as the "Lenders"), WELLS FARGO CAPITAL FINANCE, LLC, a Delaware limited liability company, as agent for the Lenders (together with its successors and assigns in such capacity, "Agent"), AUDIOVOX ACCESSORIES CORP., AUDIOVOX ELECTRONICS CORPORATION, AUDIOVOX CONSUMER ELECTRONICS, INC., AMERICAN RADIO CORP., CODE SYSTEMS, INC., INVISION AUTOMOTIVE SYSTEMS, INC., KLIPSCH GROUP, INC. and BATTERIES.COM, LLC (each individually, a "Borrower" and collectively, "Borrowers") and AUDIOVOX CORPORATION ("Parent"). Capitalized terms used in this Compliance Certificate have the meanings set forth in the Credit Agreement unless specifically defined herein.

Pursuant to Schedule 5.1 of the Credit Agreement, the undersigned officer of Borrower Agent hereby certifies that:

1. The financial information of Parent and its Subsidiaries furnished in Schedule 1 attached hereto, has been prepared in accordance with GAAP (except for year-end adjustments and the lack of footnotes), and fairly presents in all material respects the financial condition of Parent and its Subsidiaries.

2. Such officer has reviewed the terms of the Credit Agreement and has made, or caused to be made under his/her supervision, a review in reasonable detail of the transactions and condition of Parent and its Subsidiaries during the accounting period covered by the financial statements delivered pursuant to Schedule 5.1 of the Credit Agreement.

3. Such review has not disclosed the existence on and as of the date hereof, and the undersigned does not have knowledge of the existence as of the date hereof, of any event or condition that constitutes a Default or Event of Default, except for such conditions or events listed on Schedule 2 attached hereto, specifying the nature and period of existence thereof and what action Parent, Borrowers and their Subsidiaries have taken, are taking, or propose to take with respect thereto.

4. The representations and warranties of the Loan Parties set forth in the Credit Agreement and the other Loan Documents are true and correct in all material respects on and as of the date hereof (except to the extent they relate to a specified date), except as set forth on Schedule 3 attached hereto.

5. Borrowers are in compliance with the covenant contained in Section 7.1 of the Credit Agreement as demonstrated on Schedule 4 hereof.

IN WITNESS WHEREOF, this Compliance Certificate is executed by the undersigned this _____ day of _____, _____.

AUDIOVOX CORPORATION, as Borrower Agent

By: _____

Name: _____

Title: _____

SCHEDULE 1

Financial Information

SCHEDULE 2

Default or Event of Default

SCHEDULE 3

Representations and Warranties

SCHEDULE 4

Financial Covenants

Fixed Charge Coverage Ratio.

Parent and its Subsidiaries' Fixed Charge Coverage Ratio, measured on a month-end basis, for the [___] month period ending _____, _____ is ___:1.0, which **[is/is not]** greater than or equal to the amount set forth in Section 7 of the Credit Agreement for the corresponding period.

EXHIBIT L-1

FORM OF LIBOR NOTICE

Wells Fargo Capital Finance, LLC, as Agent

under the below referenced Credit Agreement

140 East 45th Street

New York, New York 10017

Ladies and Gentlemen:

Reference hereby is made to that certain Credit Agreement, dated as of _____ (the " Credit Agreement"), among AUDIOVOX ACCESSORIES CORP., AUDIOVOX ELECTRONICS CORPORATION, AUDIOVOX CONSUMER ELECTRONICS, INC., AMERICAN RADIO CORP., CODE SYSTEMS, INC., INVISION AUTOMOTIVE SYSTEMS, INC., KLIPSCH GROUP, INC., BATTERIES.COM, LLC (each individually, a "Borrower" and collectively, "Borrowers"), AUDIOVOX CORPORATION, as Parent, the lenders signatory thereto (the "Lenders"), and WELLS FARGO CAPITAL FINANCE, LLC, a Delaware limited liability company, as the agent for the Lenders ("Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

This LIBOR Notice represents Borrower Agent's request to elect the LIBOR Option with respect to outstanding Advances in the amount of $_____ (the "LIBOR Rate Advance"), and if applicable, is a written confirmation of the telephonic notice of such election given to Agent.

The LIBOR Rate Advance will have an Interest Period of [1, 2, [or] 3] month(s) commencing on _____.

This LIBOR Notice further confirms Borrower Agent's acceptance, for purposes of determining the rate of interest based on the LIBOR Rate under the Credit Agreement, of the LIBOR Rate as determined pursuant to the Credit Agreement.

Borrower Agent (on behalf of the Borrowers) represents and warrants that (i) as of the date hereof, each representation or warranty contained in or pursuant to any Loan Document or any agreement, instrument, certificate, document or other writing furnished at any time under or in connection with any Loan Document, and as of the effective date of any advance, continuation or conversion requested above, is true and correct in all material respects (except to the extent any representation or warranty expressly related to an earlier date), (ii) each of the covenants and agreements contained in any Loan Document have been performed (to the extent required to be performed on or before the date hereof or each such effective date), and (iii) no Default or Event of Default has occurred and is continuing on the date hereof, nor will any thereof occur after giving effect to the request above.

Dated: _____

AUDIOVOX CORPORATION, a Delaware corporation, as Borrower Agent

By _____

Name: _____

Title: _____

Acknowledged by:

WELLS FARGO CAPITAL FINANCE, LLC,

a Delaware limited liability company, as Agent

By: _____

Name: _____

Title: _____

Schedule 5.1

Deliver to Agent, with copies to each Lender, each of the financial statements, reports, or other items set forth set forth below at the following times in form satisfactory to Agent:

as soon as available, but in any event within 30 days (45 days in the case of a month that is the end of one of the fiscal quarters of a Borrower) after the end of each month during each of Borrowers' fiscal years	17.1 an unaudited consolidated and consolidating balance sheet, income statement, and statement of cash flow covering Parent's and its Subsidiaries' operations during such period, and 17.2 a Compliance Certificate.
as soon as available, but in any event within 90 days after the end of each of Borrowers' fiscal years	17.3 consolidated and consolidating financial statements of Parent and its Subsidiaries for each such fiscal year, audited by independent certified public accountants reasonably acceptable to Agent and certified, without any qualifications (including any (A) "going concern" or like qualification or exception, (B) qualification or exception as to the scope of such audit, or (C) qualification which relates to the treatment or classification of any item and which, as a condition to the removal of such qualification, would require an adjustment to such item, the effect of which would be to cause any noncompliance with the provisions of Section 6.16), by such accountants to have been prepared in accordance with GAAP (such audited financial statements to include a balance sheet, income statement, and statement of cash flow and, if prepared, such accountants' letter to management), and 17.4 a Compliance Certificate.
as soon as available, but in any event within 45 days after the start of each of the fiscal years of Borrowers,	17.5 copies of Borrowers' Projections, in form and substance (including as to scope and underlying assumptions) satisfactory to Agent, in its Permitted Discretion, for the forthcoming fiscal year, month by month, certified by the chief financial officer of Borrowers as being such officer's good faith estimate of the financial performance of Borrowers during the period covered thereby.
if and when filed by Parent or Borrowers,	17.6 Form 10-Q quarterly reports, Form 10-K annual reports, Form 8-K current reports, registration statements and proxy statements, 17.7 any other material filings made by Parent or Borrowers with the SEC, and 17.8 any other information that is provided by Parent or Borrowers to its shareholders generally.
promptly, but in any event within 5 days after Parent or any Borrower has knowledge of any event or condition that constitutes a Default or an Event of Default,	17.9 notice of such event or condition and a statement of the curative action that Borrowers propose to take with respect thereto.
promptly after the commencement thereof, but in any event within 5 days after the service of process with respect thereto on Parent or any of its Subsidiaries,	17.10 notice of all actions, suits, or proceedings brought by or against Parent or any of its Subsidiaries before any Governmental Authority which reasonably could be expected to result in a Material Adverse Change.
upon the request of Agent,	17.11 any other information reasonably requested relating to the financial condition of Parent, any Borrower or its Subsidiaries.

Schedule 5.2

Provide Agent (and if so requested by Agent, with copies for each Lender) with each of the documents set forth below at the following times in form satisfactory to Agent:

Monthly (no later than the 20th day of each month), unless (i) Excess Availability is less than twelve and one-half (12.5%) percent of the Maximum Revolver Amount or (ii) a Default or Event of Default has occurred and is continuing, then weekly	17.1 a Borrowing Base Certificate, 17.2 a detailed aging, by total, of each Borrower's Accounts, together with a reconciliation and supporting documentation for any reconciling items noted (delivered electronically in an acceptable format, if Borrowers have implemented electronic reporting), 17.3 an Account roll-forward with supporting details supplied from sales journals, collection journals, credit registers and any other records, 17.4 a detailed calculation of those Accounts that are not eligible for the Borrowing Base, if Borrowers have not implemented electronic reporting, 17.5 a detailed Inventory system/perpetual report together with a reconciliation to each Borrower's general ledger accounts (delivered electronically in an acceptable format, if Borrowers have implemented electronic reporting), 17.6 Inventory system/perpetual reports specifying the cost and the wholesale market value of each Borrower's and its Subsidiaries' Inventory, by category, with additional detail showing additions to and deletions therefrom (delivered electronically in an acceptable format, if Borrowers have implemented electronic reporting), 17.7 a detailed calculation of Inventory categories that are not eligible for the Borrowing Base, if Borrowers have not implemented electronic reporting, 17.8 a summary aging, by vendor, of each Borrower's and its Subsidiaries' accounts payable and any book overdraft (delivered electronically in an acceptable format, if Borrowers have implemented electronic reporting) and an aging, by vendor, of any held checks, 17.9 a detailed report regarding each Borrower's and its Subsidiaries' cash and Cash Equivalents, including an indication of which amounts constitute Qualified Cash, 17.10 a monthly Account roll-forward, in a format acceptable to Agent in its discretion, tied to the beginning and ending account receivable balances of each Borrower's general ledger, and 17.11 a detailed report regarding (i) sales cutoff for FOB destination Accounts less COGS, (ii) credit card payments not on aging, (iii) accrual for warranty returns not processed, (iv) accrual video warranty returns, (v) GL #0226 credit reserve, (vi) GL #0229 post B/S credits, (vii) GL #1680 reserve for MDF/Co-Op, (viii) GL #1681 reserve for cash discounts, (ix) meet competition/promotional GL accrual, (x) warranty GL reserve and (xi) royalty GL reserve.
Monthly (no later than the 30th day of each month)	17.12 a reconciliation of Accounts, trade accounts payable, and Inventory of each Borrower's general ledger accounts to its monthly financial statements including any book reserves related to each category.
Quarterly	17.13 a report regarding each Borrower's and its Subsidiaries' accrued, but unpaid, ad valorem taxes.
Annually	17.14a detailed list of each Borrower's and its Subsidiaries' customers, with address and contact information.
	17.15 copies of purchase orders and invoices for Inventory and Equipment acquired by any Borrower or its Subsidiaries, 17.16 notice of all claims, offsets, or disputes asserted by Account Debtors with respect to each Borrower's and its Subsidiaries' Accounts, 17.17 copies of invoices together with corresponding shipping and delivery documents, and credit memos together with corresponding supporting documentation, with respect to invoices

	and credit memos in excess of an amount determined in the sole discretion of Agent, from time to time, and
Upon request by Agent	17.18 such other reports as to the Collateral or the financial condition of any Borrower and its Subsidiaries, as Agent may reasonably request.

[EXECUTION]

SECURITY AGREEMENT

This **SECURITY AGREEMENT** (this "Agreement"), dated as of March 1, 2011, among the Grantors listed on the signature pages hereof and those additional entities that hereafter become parties hereto by executing the form of Joinder attached hereto as Annex 1 (each, a "Grantor"), and **WELLS FARGO CAPITAL FINANCE, LLC**, a Delaware limited liability company ("WFCF"), in its capacity as agent for the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, " Agent").

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, dated of even date herewith (as amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement"), by and among Audiovox Corporation, a Delaware corporation (" Parent"), Audiovox Accessories Corp., a Delaware corporation ("ACC"), Audiovox Electronics Corporation, a Delaware corporation (" AEC"), Audiovox Consumer Electronics, Inc., a Delaware corporation ("ACEI"), American Radio Corp., a Georgia corporation (" ARC"), Code Systems, Inc., a Delaware corporation (" CSI"), Invision Automotive Systems, Inc., a Delaware corporation ("IAS"), Klipsch Group, Inc., an Indiana corporation (" Klipsch") and Batteries.com, LLC, an Indiana limited liability company (" Batteries" and together with each of ACC, AEC, ACEI, ARC, CSI, IAS and Klipsch, each, individually, a "Borrower" and, collectively, "Borrowers"), the lenders party thereto as "Lenders" (such Lenders, together with their respective successors and assigns in such capacity, each, individually, a "Lender" and, collectively, the "Lenders") and Agent, the Lender Group has agreed to make certain financial accommodations available to Borrowers from time to time pursuant to the terms and conditions thereof; and

WHEREAS, Agent has agreed to act as agent for the benefit of the Lender Group and the Bank Product Providers in connection with the transactions contemplated by the Credit Agreement and this Agreement; and

WHEREAS, in order to induce the Lender Group to enter into the Credit Agreement and the other Loan Documents and to induce the Lender Group to make financial accommodations to Borrowers as provided for in the Credit Agreement, Grantors have agreed to grant a continuing security interest in and to the Collateral in order to secure the prompt and complete payment, observance and performance of, among other things, the Secured Obligations.

NOW, THEREFORE, for and in consideration of the recitals made above and other good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. All initially capitalized terms used herein (including in the preamble and recitals hereof) without definition shall have the meanings ascribed thereto in the Credit Agreement. Any terms (whether capitalized or lower case) used in this Agreement that are defined in the Code shall be construed and defined as set forth in the Code unless otherwise defined herein or in the Credit Agreement; provided, however, that to the extent that the Code is used to define any term used herein and if such term is defined differently in different Articles of the Code, the definition of such term contained in Article 9 of the Code shall govern. In addition to those terms defined elsewhere in this Agreement, as used in this Agreement, the following terms shall have the following meanings:

(a) "Account" means an account (as that term is defined in Article 9 of the Code).

(b) "Account Debtor" means an account debtor (as that term is defined in the Code).

(c) "Activation Instruction" has the meaning specified therefor in Section 6(k).

(d) "Agent" has the meaning specified therefor in the preamble to this Agreement.

(e) "Agent's Lien" has the meaning specified therefor in the Credit Agreement.

(f) "Agreement" has the meaning specified therefor in the preamble to this Agreement.

(g) "Bank Product Obligations" has the meaning specified therefor in the Credit Agreement.

(h) "Bank Product Provider" has the meaning specified therefor in the Credit Agreement.

(i) "Books" means books and records (including each Grantor's Records indicating, summarizing, or evidencing such Grantor's assets (including the Collateral) or liabilities, each Grantor's Records relating to such Grantor's business operations or financial condition, and each Grantor's goods or General Intangibles related to such information).

(j) "Borrowers" has the meaning specified therefor in the recitals to this Agreement.

(k) "Cash Dominion Event" has the meaning specified therefor in the Credit Agreement.

(l) "Cash Equivalents" has the meaning specified therefor in the Credit Agreement.

(m) "Chattel Paper" means chattel paper (as that term is defined in the Code), and includes tangible chattel paper and electronic chattel paper.

(n) "Code" means the New York Uniform Commercial Code, as in effect from time to time; provided, however, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, priority, or remedies with respect to Agent's Lien on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority, or remedies.

(o) "Collateral" has the meaning specified therefor in Section 2.

(p) "Collections" has the meaning specified therefor in the Credit Agreement.

(q) "Commercial Tort Claims" means commercial tort claims (as that term is defined in the Code), and includes those commercial tort claims listed on Schedule 1.

(r) "Controlled Account" has the meaning specified therefor in Section 6(k).

(s) "Controlled Account Agreements" means those certain cash management agreements, in form and substance reasonably satisfactory to Agent, each of which is executed and delivered by a Grantor, Agent, and one of the Controlled Account Banks.

(t) "Controlled Account Bank" has the meaning specified therefor in Section 6(k).

(u) "Copyrights" means any and all rights in any works of authorship, including (i) copyrights and moral rights, (ii) copyright registrations and recordings thereof and all applications in connection therewith including those listed on Schedule 2, (iii) income, license fees, royalties, damages, and payments now and hereafter due or payable under and with respect thereto, including payments under all licenses entered into in connection therewith and damages and payments for past, present, or future infringements thereof, (iv) the right to sue for past, present, and future infringements thereof, and (v) all of each Grantor's rights corresponding thereto throughout the world.

(v) "Copyright Security Agreement" means each Copyright Security Agreement executed and delivered by Grantors, or any of them, and Agent, in substantially the form of Exhibit A.

(w) "Credit Agreement" has the meaning specified therefor in the recitals to this Agreement.

(x) "Deposit Account" means a deposit account (as that term is defined in the Code).

(y) "Equipment" means equipment (as that term is defined in the Code).

(z) "Event of Default" has the meaning specified therefor in the Credit Agreement.

(aa) "Fixtures" means fixtures (as that term is defined in the Code).

(ab) "General Intangibles" means general intangibles (as that term is defined in the Code), and includes payment intangibles, contract rights, rights to payment, rights arising under common law, statutes, or regulations, choses or things in action, goodwill, Intellectual Property, Intellectual Property Licenses, purchase orders, customer lists, monies due or recoverable from pension funds, route lists, rights to payment and other rights under any royalty or licensing agreements, including Intellectual Property Licenses, infringement claims, pension plan refunds, pension plan refund claims, insurance premium rebates, tax refunds, and tax refund claims, interests in a partnership or limited liability company which do not constitute a security under Article 8 of the Code, and any other personal

property other than Commercial Tort Claims, money, Accounts, Chattel Paper, Deposit Accounts, goods, Investment Related Property, Negotiable Collateral, and oil, gas, or other minerals before extraction.

(ac) "Grantor" and "Grantors" have the respective meanings specified therefor in the preamble to this Agreement.

(ad) "Guaranty" has the meaning specified therefor in the Credit Agreement.

(ae) "Insolvency Proceeding" has the meaning specified therefor in the Credit Agreement.

(af) "Intellectual Property" means any and all Patents, Copyrights, Trademarks, trade secrets, know-how, inventions (whether or not patentable), algorithms, software programs (including source code and object code), processes, product designs, industrial designs, blueprints, drawings, data, customer lists, URLs and domain names, specifications, documentations, reports, catalogs, literature, and any other forms of technology or proprietary information of any kind, including all rights therein and all applications for registration or registrations thereof.

(ag) "Intellectual Property Licenses" means, with respect to any Person (the "Specified Party"), (i) any licenses or other similar rights provided to the Specified Party in or with respect to Intellectual Property owned or controlled by any other Person, and (ii) any licenses or other similar rights provided to any other Person in or with respect to Intellectual Property owned or controlled by the Specified Party, in each case, including (A) any software license agreements (other than license agreements for commercially available off-the-shelf software that is generally available to the public which have been licensed to a Grantor pursuant to end-user licenses), (B) the license agreements listed on Schedule 3, and (C) the right to use any of the licenses or other similar rights described in this definition in connection with the enforcement of the Lender Group's rights under the Loan Documents.

(ah) "Inventory" means inventory (as that term is defined in the Code).

(ai) "Investment Related Property" means (i) any and all investment property (as that term is defined in the Code), and (ii) any and all of the following (regardless of whether classified as investment property under the Code): all Pledged Interests, Pledged Operating Agreements, and Pledged Partnership Agreements.

(aj) "Joinder" means each Joinder to this Agreement executed and delivered by Agent and each of the other parties listed on the signature pages thereto, in substantially the form of Annex 1.

(ak) "Lender Group" has the meaning specified therefor in the Credit Agreement.

(al) "Lender" and "Lenders" have the respective meanings specified therefor in the recitals to this Agreement.

(am) "Loan Document" has the meaning specified therefor in the Credit Agreement.

(an) "Negotiable Collateral" means letters of credit, letter-of-credit rights, instruments, promissory notes, drafts and documents (as each such term is defined in the Code).

(ao) "Obligations" has the meaning specified therefor in the Credit Agreement.

(ap) "Parent" has the meaning specified therefor in the recitals to this Agreement.

(aq) "Patents" means patents and patent applications, including (i) the patents and patent applications listed on Schedule 4, (ii) all continuations, divisionals, continuations-in-part, re-examinations, reissues, and renewals thereof and improvements thereon, (iii) all income, royalties, damages and payments now and hereafter due or payable under and with respect thereto, including payments under all licenses entered into in connection therewith and damages and payments for past, present, or future infringements thereof, (iv) the right to sue for past, present, and future infringements thereof, and (v) all of each Grantor's rights corresponding thereto throughout the world.

(ar) "Patent Security Agreement" means each Patent Security Agreement executed and delivered by Grantors, or any of them, and Agent, in substantially the form of Exhibit B.

(as) "Permitted Liens" has the meaning specified therefor in the Credit Agreement.

(at) "Person" has the meaning specified therefor in the Credit Agreement.

(au) "Pledged Companies" means each Person listed on Schedule 6 as a "Pledged Company", together with each other Person, all or a portion of whose Stock is acquired or otherwise owned by a Grantor after the Closing Date.

(av) "Pledged Interests" means all of each Grantor's right, title and interest in and to all of the Stock now owned or hereafter acquired by such Grantor, regardless of class or designation, including in each of the Pledged Companies, and all substitutions therefor and replacements thereof, all proceeds thereof and all rights relating thereto, also including any certificates representing the Stock, the right to receive any certificates representing any of the Stock, all warrants, options, share appreciation rights and other rights, contractual or otherwise, in respect thereof and the right to receive all dividends, distributions of income, profits, surplus, or other compensation by way of income or liquidating distributions, in cash or in kind, and all cash, instruments, and other property from time to time received, receivable, or otherwise distributed in respect of or in addition to, in substitution of, on account of, or in exchange for any or all of the foregoing.

(aw) "Pledged Interests Addendum" means a Pledged Interests Addendum substantially in the form of Exhibit C.

(ax) "Pledged Operating Agreements" means all of each Grantor's rights, powers, and remedies under the limited liability company operating agreements of each of the Pledged Companies that are limited liability companies.

(ay) "Pledged Partnership Agreements" means all of each Grantor's rights, powers, and remedies under the partnership agreements of each of the Pledged Companies that are partnerships.

(az) "Proceeds" has the meaning specified therefor in Section 2.

(ba) "PTO" means the United States Patent and Trademark Office.

(bb) "Real Property" means any estates or interests in real property now owned or hereafter acquired by any Grantor or any Subsidiary of any Grantor and the improvements thereto.

(bc) "Records" means information that is inscribed on a tangible medium or which is stored in an electronic or other medium and is retrievable in perceivable form.

(bd) "Rescission" has the meaning specified therefor in Section 6(k).

(be) "Secured Obligations" means each and all of the following: (a) all of the present and future obligations of each of the Grantors arising from, or owing under or pursuant to, this Agreement, the Credit Agreement, or any of the other Loan Documents (including any Guaranty), (b) all Bank Product Obligations, and (c) all Obligations of Grantors (including, in the case of each of clauses (a), (b) and (c), reasonable attorneys fees and expenses and any interest, fees, or expenses that accrue after the filing of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any Insolvency Proceeding).

(bf) "Securities Account" means a securities account (as that term is defined in the Code).

(bg) "Security Interest" has the meaning specified therefor in Section 2.

(bh) "Stock" has the meaning specified therefor in the Credit Agreement.

(bi) "Supporting Obligations" means supporting obligations (as such term is defined in the Code), and includes letters of credit and guaranties issued in support of Accounts, Chattel Paper, documents, General Intangibles, instruments or Investment Related Property.

(bj) "Trademarks" means any and all trademarks, trade names, registered trademarks, trademark applications, service marks, registered service marks and service mark applications, including (i) the trade names, registered trademarks, trademark applications, registered service marks and service mark applications listed on Schedule 5, (ii) all renewals thereof, (iii) all income, royalties, damages and payments now and hereafter due or payable under and with respect thereto, including payments under all licenses entered into in connection therewith and damages and payments for past or future infringements or dilutions thereof, (iv) the right to sue for past, present and future infringements and dilutions thereof, (v) the goodwill of each Grantor's business symbolized by the foregoing or connected therewith, and (vi) all of each Grantor's rights corresponding thereto throughout the world.

(bk) "Trademark Security Agreement" means each Trademark Security Agreement executed and delivered by Grantors, or any of them, and Agent, in substantially the form of Exhibit D.

(bl) "URL" means "uniform resource locator," an internet web address.

2. Grant of Security. Each Grantor hereby unconditionally grants, assigns, and pledges to Agent, for the benefit of each member of the Lender Group and each of the Bank Product Providers, to secure the Secured Obligations, a continuing security interest (hereinafter referred to as the "Security Interest") in all of such Grantor's right, title, and interest in and to the following, whether now owned or hereafter acquired or arising and wherever located (the "Collateral"):

(a) all of such Grantor's Accounts;

(b) all of such Grantor's Books;

(c) all of such Grantor's Chattel Paper;

(d) all of such Grantor's Deposit Accounts (but not deposit accounts exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of any Grantor's employees);

(e) all of such Grantor's Equipment and Fixtures;

(f) all of such Grantor's General Intangibles;

(g) all of such Grantor's Inventory;

(h) all of such Grantor's Investment Related Property;

(i) all of such Grantor's Negotiable Collateral;

(j) all of such Grantor's Supporting Obligations;

(k) all of such Grantor's Commercial Tort Claims;

(l) all of such Grantor's money, Cash Equivalents, or other assets of such Grantor that now or hereafter come into the possession, custody, or control of Agent (or its agent or designee) or any other member of the Lender Group; and

(m) all of the proceeds (as such term is defined in the Code) and products, whether tangible or intangible, of any of the foregoing, including proceeds of insurance or Commercial Tort Claims covering or relating to any or all of the foregoing, and any and all Accounts, Books, Chattel Paper, Deposit Accounts, Equipment, Fixtures, General Intangibles, Inventory, Investment Related Property, Negotiable Collateral, Supporting Obligations, money, or other tangible or intangible property resulting from the sale, lease, license, exchange, collection, or other disposition of any of the foregoing, the proceeds of any award in condemnation with respect to any of the foregoing, any rebates or refunds, whether for taxes or otherwise, and all proceeds of any such proceeds, or any portion thereof or interest therein, and the proceeds thereof, and all proceeds of any loss of, damage to, or destruction of the above, whether insured or not insured, and, to the extent not otherwise included, any indemnity, warranty, or guaranty payable by reason of loss or damage to, or otherwise with respect to any of the foregoing (the " Proceeds"). Without limiting the generality of the foregoing, the term "Proceeds" includes whatever is receivable or received when Investment Related Property or proceeds are sold, exchanged, collected, or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes proceeds of any indemnity or guaranty payable to any Grantor or Agent from time to time with respect to any of the Investment Related Property.

Notwithstanding anything contained in this Agreement to the contrary, the term "Collateral" shall not include: (i) Stock of any Subsidiary that is a Controlled Foreign Corporation in excess of sixty-five (65%) percent of all of the issued and outstanding shares of Stock of such Subsidiary entitled to vote (within the meaning of Treasury Regulation Section 1.956-2) if a pledge of a greater percentage would result in material adverse tax consequences to Parent or the assets of such Controlled Foreign Corporation if it would result in material adverse tax consequences to Parent; or (ii) any rights or interest in any contract, lease, permit, license, or license agreement covering real or personal property of any Grantor if under the terms of such contract, lease, permit, license, or license agreement, or applicable law with respect thereto, the grant of a security interest or lien therein is prohibited as a matter of law or under the terms of such contract, lease, permit, license, or license agreement and such

prohibition or restriction has not been waived or the consent of the other party to such contract, lease, permit, license, or license agreement has not been obtained (provided, that, (A) the foregoing exclusions of this clause (ii) shall in no way be construed (1) to apply to the extent that any described prohibition or restriction is unenforceable under Section 9-406, 9-407, 9-408, or 9-409 of the Code or other applicable law, or (2) to apply to the extent that any consent or waiver has been obtained that would permit Agent's security interest or lien notwithstanding the prohibition or restriction on the pledge of such contract, lease, permit, license, or license agreement and (B) the foregoing exclusions of clauses (i) and (ii) shall in no way be construed to limit, impair, or otherwise affect any of Agent's, any other member of the Lender Group's or any Bank Product Provider's continuing security interests in and liens upon any rights or interests of any Grantor in or to (1) monies due or to become due under or in connection with any described contract, lease, permit, license, license agreement, or Stock (including any Accounts or Stock), or (2) any proceeds from the sale, license, lease, or other dispositions of any such contract, lease, permit, license, license agreement, or Stock); or (iii) any United States intent-to-use trademark applications to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark applications under applicable federal law, provided that upon submission and acceptance by the PTO of an amendment to allege use pursuant to 15 U.S.C. Section 1060(a) (or any successor provision), such intent-to-use trademark application shall be considered Collateral.

3. Security for Secured Obligations. The Security Interest created hereby secures the payment and performance of the Secured Obligations, whether now existing or arising hereafter. Without limiting the generality of the foregoing, this Agreement secures the payment of all amounts which constitute part of the Secured Obligations and would be owed by Grantors, or any of them, to Agent, the Lender Group, the Bank Product Providers or any of them, but for the fact that they are unenforceable or not allowable (in whole or in part) as a claim in an Insolvency Proceeding involving any Grantor due to the existence of such Insolvency Proceeding.

4. Grantors Remain Liable. Anything herein to the contrary notwithstanding, (a) each of the Grantors shall remain liable under the contracts and agreements included in the Collateral, including the Pledged Operating Agreements and the Pledged Partnership Agreements, to perform all of the duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by Agent or any other member of the Lender Group of any of the rights hereunder shall not release any Grantor from any of its duties or obligations under such contracts and agreements included in the Collateral, and (c) none of the members of the Lender Group shall have any obligation or liability under such contracts and agreements included in the Collateral by reason of this Agreement, nor shall any of the members of the Lender Group be obligated to perform any of the obligations or duties of any Grantors thereunder or to take any action to collect or enforce any claim for payment assigned hereunder. Until an Event of Default shall occur and be continuing, except as otherwise provided in, and subject to the terms of, this Agreement, the Credit Agreement, or any other Loan Document, Grantors shall have the right to possession and enjoyment of the Collateral for the purpose of conducting the ordinary course of their respective businesses. Without limiting the generality of the foregoing, it is the intention of the parties hereto that record and beneficial ownership of the Pledged Interests, including all voting, consensual, dividend, and distribution rights, shall remain in the applicable Grantor until (i) the occurrence and continuance of an Event of Default and (ii) Agent has notified the applicable Grantor of Agent's election to exercise such rights with respect to the Pledged Interests pursuant to Section 15.

5. Representations and Warranties. Each Grantor hereby represents and warrants to Agent, for the benefit of the Lender Group and the Bank Product Providers, which representations and warranties shall be true, correct, and complete, in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof), as of the Closing Date, and shall be true, correct, and complete, in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof), as of the date of the making of each Advance (or other extension of credit) made thereafter, as though made on and as of the date of such Advance (or other extension of credit) (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true, correct and complete in all material respects as of such earlier date) and such representations and warranties shall survive the execution and delivery of this Agreement:

(a) The exact legal name of each of the Grantors is set forth on the signature pages of this Agreement

or a written notice provided to Agent pursuant to Section 6.5 of the Credit Agreement.

(b) Schedule 7 sets forth all Real Property owned by any of the Grantors as of the Closing Date.

(c) As of the Closing Date: (i) Schedule 2 provides a complete and correct list of all registered Copyrights owned by any Grantor, all applications for registration of Copyrights owned by any Grantor, and all other Copyrights owned by any Grantor and material to the conduct of the business of any Grantor; (ii) Schedule 3 provides a complete and correct list of all Intellectual Property Licenses entered into by any Grantor pursuant to which (A) any Grantor has provided any license or other rights in Intellectual Property owned or controlled by such Grantor to any other Person other than non-exclusive software licenses granted in the ordinary course of business or (B) any Person has granted to any Grantor any license or other rights in Intellectual Property owned or controlled by such Person that is material to the business of such Grantor, including any Intellectual Property that is incorporated in any Inventory, software, or other product marketed, sold, licensed, or distributed by such Grantor; (iii) Schedule 4 provides a complete and correct list of all Patents owned by any Grantor and all applications for Patents owned by any Grantor; and (iv) Schedule 5 provides a complete and correct list of all registered Trademarks owned by any Grantor, all applications for registration of Trademarks owned by any Grantor, and all other Trademarks owned by any Grantor and material to the conduct of the business of any Grantor.

(d) (i) (A) each Grantor, to its knowledge, owns exclusively or holds licenses in all Intellectual Property that is necessary to the conduct of its business, and (B) all contractors of each Grantor who were involved in the creation or development of any Intellectual Property for such Grantor that is necessary to the business of such Grantor have signed agreements containing assignment of Intellectual Property rights to such Grantor and obligations of confidentiality;

(ii) to each Grantor's knowledge after reasonable inquiry, no Person has infringed or misappropriated or is currently infringing or misappropriating any Intellectual Property rights owned by such Grantor, in each case, that either individually or in the aggregate could reasonably be expected to result in a Material Adverse Change;

(iii) (A) to each Grantor's knowledge after reasonable inquiry, (1) such Grantor is not currently infringing or misappropriating any Intellectual Property rights of any Person, and (2) no product manufactured, used, distributed, licensed, or sold by or service provided by such Grantor is currently infringing or misappropriating any Intellectual Property rights of any Person, in each case, except where such infringement either individually or in the aggregate could not reasonably be expected to result in a Material Adverse Change, and (A) there are no pending, or to any Grantor's knowledge after reasonable inquiry, threatened, infringement or misappropriation claims or proceedings pending against any Grantor, and no Grantor has received any notice or other communication of any actual or alleged infringement or misappropriation of any Intellectual Property rights of any Person, in each case, except where such infringement either individually or in the aggregate could not reasonably be expected to result in a Material Adverse Change;

(iv) to each Grantor's knowledge after reasonable inquiry, (A) all registered Copyrights, registered Trademarks, and issued Patents that are owned by such Grantor and necessary in to the conduct of its business are valid, subsisting and enforceable and in compliance with all legal requirements, filings, and payments and other actions that are required to maintain such Intellectual Property in full force and effect; and

(v) each Grantor has taken reasonable steps to maintain the confidentiality of and otherwise protect and enforce its rights in all trade secrets owned by such Grantor that are necessary in the business of such Grantor;

(e) This Agreement creates a valid security interest in the Collateral of each Grantor, to the extent a security interest therein can be created under the Code, securing the payment of the Secured Obligations. Except to the extent a security interest in the Collateral cannot be perfected by the filing of a financing statement under the Code, all filings and other actions necessary or desirable to perfect and protect such security interest have been duly taken or will have been taken upon the filing of financing statements listing each applicable Grantor, as a debtor, and Agent, as secured party, in the jurisdictions listed next to such Grantor's name on Schedule 8. Upon the making of such filings, Agent shall have a first priority perfected security interest in the Collateral of each Grantor to the extent such security interest can be perfected by the filing of a financing statement. Upon filing of the Copyright Security Agreement with the United States Copyright Office, filing of the Patent Security Agreement and the

Trademark Security Agreement with the PTO, and the filing of appropriate financing statements in the jurisdictions listed on Schedule 8, all action necessary or desirable to protect and perfect the Security Interest in and to on each Grantor's Patents, Trademarks, or Copyrights has been taken and such perfected Security Interest is enforceable as such as against any and all creditors of and purchasers from any Grantor. All action by any Grantor necessary to protect and perfect such security interest on each item of Collateral has been duly taken.

(f) (i) Except for the Security Interest created hereby, each Grantor is and will at all times be the sole holder of record and the legal and beneficial owner, free and clear of all Liens other than Permitted Liens, of the Pledged Interests indicated on Schedule 6 as being owned by such Grantor and, when acquired by such Grantor, any Pledged Interests acquired after the Closing Date; (ii) all of the Pledged Interests are duly authorized, validly issued, fully paid and nonassessable and the Pledged Interests constitute or will constitute the percentage of the issued and outstanding Stock of the Pledged Companies of such Grantor identified on Schedule 6 as supplemented or modified by any Pledged Interests Addendum or any Joinder to this Agreement; (iii) such Grantor has the right and requisite authority to pledge, the Investment Related Property pledged by such Grantor to Agent as provided herein; (iv) all actions necessary or desirable to perfect and establish the first priority of, or otherwise protect, Agent's Liens in the Investment Related Property, and the proceeds thereof, have been duly taken, upon (A) the execution and delivery of this Agreement; (B) the taking of possession by Agent (or its agent or designee) of any certificates representing the Pledged Interests, together with undated powers (or other documents of transfer acceptable to Agent) endorsed in blank by the applicable Grantor; (C) the filing of financing statements in the applicable jurisdiction set forth on Schedule 8 for such Grantor with respect to the Pledged Interests of such Grantor that are not represented by certificates, and (D) with respect to any Securities Accounts, the delivery of Control Agreements with respect thereto; and (v) each Grantor has delivered to and deposited with Agent all certificates representing the Pledged Interests owned by such Grantor to the extent such Pledged Interests are represented by certificates, and undated powers (or other documents of transfer acceptable to Agent) endorsed in blank with respect to such certificates. None of the Pledged Interests owned or held by such Grantor has been issued or transferred in violation of any securities registration, securities disclosure, or similar laws of any jurisdiction to which such issuance or transfer may be subject.

(g) No consent, approval, authorization, or other order or other action by, and no notice to or filing with, any Governmental Authority or any other Person is required (i) for the grant of a Security Interest by such Grantor in and to the Collateral pursuant to this Agreement or for the execution, delivery, or performance of this Agreement by such Grantor, or (ii) for the exercise by Agent of the voting or other rights provided for in this Agreement with respect to the Investment Related Property or the remedies in respect of the Collateral pursuant to this Agreement, except as may be required in connection with such disposition of Investment Related Property by laws affecting the offering and sale of securities generally. No Intellectual Property License of any Grantor that is necessary to the conduct of such Grantor's business requires any consent of any other Person in order for such Grantor to grant the security interest granted hereunder in such Grantor's right, title or interest in or to such Intellectual Property License.

(h) As to all limited liability company or partnership interests, issued under any Pledged Operating Agreement or Pledged Partnership Agreement, each Grantor hereby represents and warrants that the Pledged Interests issued pursuant to such agreement (A) are not dealt in or traded on securities exchanges or in securities markets, (B) do not constitute investment company securities, and (C) are not held by such Grantor in a securities account. In addition, none of the Pledged Operating Agreements, the Pledged Partnership Agreements, or any other agreements governing any of the Pledged Interests issued under any Pledged Operating Agreement or Pledged Partnership Agreement, provide that such Pledged Interests are securities governed by Article 8 of the Uniform Commercial Code as in effect in any relevant jurisdiction.

6. Covenants. Each Grantor, jointly and severally, covenants and agrees with Agent that from and after the date of this Agreement and until the date of termination of this Agreement in accordance with Section 22:

(a) Possession of Collateral. In the event that any Collateral, including Proceeds, is evidenced by or consists of Negotiable Collateral, Investment Related Property, or Chattel Paper, in each case, having an aggregate value or face amount of $500,000 or more for all such Negotiable Collateral, Investment Related Property, or Chattel Paper, the Grantors shall promptly (and in any event within five (5) Business Days after receipt thereof), notify Agent thereof, and if and to the extent that perfection or priority of Agent's Security Interest is dependent on

or enhanced by possession, the applicable Grantor, promptly (and in any event within three (3) Business Days) after request by Agent, shall execute such other documents and instruments as shall be requested by Agent or, if applicable, endorse and deliver physical possession of such Negotiable Collateral, Investment Related Property, or Chattel Paper to Agent, together with such undated powers (or other relevant document of transfer acceptable to Agent) endorsed in blank as shall be reasonably requested by Agent, and shall do such other acts or things reasonably deemed necessary or desirable by Agent to protect Agent's Security Interest therein;

(b) Chattel Paper.

i. Promptly (and in any event within five (5) Business Days) after request by Agent, each Grantor shall take all steps reasonably necessary to grant Agent control of all electronic Chattel Paper in accordance with the Code and all "transferable records" as that term is defined in Section 16 of the Uniform Electronic Transaction Act and Section 201 of the federal Electronic Signatures in Global and National Commerce Act as in effect in any relevant jurisdiction, to the extent that the aggregate value or face amount of such electronic Chattel Paper equals or exceeds $500,000;

ii. If any Grantor retains possession of any Chattel Paper or instruments (which retention of possession shall be subject to the extent permitted hereby and by the Credit Agreement), promptly upon the request of Agent, such Chattel Paper and instruments shall be marked with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the Security Interest of Wells Fargo Capital Finance, LLC, as Agent for the benefit of the Lender Group and the Bank Product Providers";

(c) Control Agreements.

i. Except to the extent otherwise excused by the Credit Agreement, each Grantor shall obtain an authenticated Control Agreement (which may include a Controlled Account Agreement), from each bank maintaining a Deposit Account for such Grantor;

ii. Except to the extent otherwise excused by the Credit Agreement, each Grantor shall obtain an authenticated Control Agreement, from each issuer of uncertificated securities, securities intermediary, or commodities intermediary issuing or holding any financial assets or commodities to or for any Grantor;

iii. Except to the extent otherwise excused by the Credit Agreement, each Grantor shall obtain an authenticated Control Agreement with respect to all of such Grantor's investment property;

(d) Letter-of-Credit Rights. If the Grantors (or any of them) are or become the beneficiary of letters of credit having a face amount or value of $500,000 or more in the aggregate, then the applicable Grantor or Grantors shall promptly (and in any event within five (5) Business Days after becoming a beneficiary), notify Agent thereof and, promptly (and in any event within three (3) Business Days) after request by Agent, enter into a tri-party agreement with Agent and the issuer or confirming bank with respect to letter-of-credit rights assigning such letter-of-credit rights to Agent and directing all payments thereunder to Agent's Account, all in form and substance reasonably satisfactory to Agent;

(e) Commercial Tort Claims. If the Grantors (or any of them) obtain Commercial Tort Claims having a value, or involving an asserted claim, in the amount of $500,000 or more in the aggregate for all Commercial Tort Claims, then the applicable Grantor or Grantors shall promptly (and in any event within five (5) Business Days of obtaining such Commercial Tort Claim), notify Agent upon incurring or otherwise obtaining such Commercial Tort Claims and, promptly (and in any event within three (3) Business Days) after request by Agent, amend Schedule 1 to describe such Commercial Tort Claims in a manner that reasonably identifies such Commercial Tort Claims and which is otherwise reasonably satisfactory to Agent, and hereby authorizes the filing of additional financing statements or amendments to existing financing statements describing such Commercial Tort Claims, and agrees to do such other acts or things reasonably deemed necessary or desirable by Agent to give Agent a first priority, perfected security interest in any such Commercial Tort Claim;

(f) Government Contracts. Other than Accounts and Chattel Paper the aggregate value of which does not at any one time exceed $500,000, if any Account or Chattel Paper arises out of a contract or contracts with the United States of America or any department, agency, or instrumentality thereof, Grantors shall promptly (and in any event within five (5) Business Days of the creation thereof) notify Agent thereof and, promptly (and in any event within three (3) Business Days) after request by Agent, execute any instruments or take any steps reasonably

required by Agent in order that all moneys due or to become due under such contract or contracts shall be assigned to Agent, for the benefit of the Lender Group and the Bank Product Providers, and shall provide written notice thereof under the Assignment of Claims Act or other applicable law;

(g) Intellectual Property.

i. Upon the request of Agent, in order to facilitate filings with the United States Patent and Trademark Office and the United States Copyright Office, each Grantor shall execute and deliver to Agent one or more Copyright Security Agreements, Trademark Security Agreements, or Patent Security Agreements to further evidence Agent's Lien on such Grantor's Patents, Trademarks, or Copyrights, and the General Intangibles of such Grantor relating thereto or represented thereby;

ii. Each Grantor shall have the duty, with respect to Intellectual Property that is necessary in the conduct of such Grantor's business, to protect and diligently enforce and defend at such Grantor's expense its Intellectual Property, including (A) with respect to Trademarks and Copyrights (and Patents, to the extent commercially reasonable to do so) to diligently enforce and defend, including promptly suing for infringement, misappropriation, or dilution and to recover any and all damages for such infringement, misappropriation, or dilution, and filing for opposition, interference, and cancellation against conflicting Intellectual Property rights of any Person, (B) to prosecute diligently any trademark application or service mark application that is part of the Trademarks pending as of the date hereof or hereafter until the termination of this Agreement, unless the Patent and Trademark Office has issued a final refusal to register the Trademark which is the subject of such trademark application or service mark application, (C) to prosecute diligently any patent application that is part of the Patents pending as of the date hereof or hereafter until the termination of this Agreement, unless the Patent and Trademark Office has issued a final refusal to issue the Patent which is the subject of such patent application, (D) to take all reasonable and necessary action to preserve and maintain all of such Grantor's Trademarks, Patents, Copyrights, Intellectual Property Licenses, and its rights therein, including paying all maintenance fees and filing of applications for renewal, affidavits of use, and affidavits of noncontestability, provided, that, a Grantor may abandon, cancel, not renew or otherwise not maintain a Trademark so long as (1) such Trademark is no longer used or useful in the business of such Grantor or any other Loan Party, (2) such Trademark has not been used in the business of such Grantor or any other Loan Party for a period of three (3) consecutive months, (3) such Trademark is not otherwise material to the business of such Grantor or any other Loan Party, and (4) no Default or Event of Default shall have occurred as of such time, and (E) to require all consultants, and contractors of each Grantor who were involved in the creation or development of such Intellectual Property to sign agreements containing assignment of Intellectual Property rights and obligations of confidentiality. Each Grantor further agrees not to abandon any Intellectual Property or Intellectual Property License that is necessary in the conduct of such Grantor's business. Each Grantor hereby agrees to take the steps described in this Section 6(g)(ii) with respect to all new or acquired Intellectual Property to which it is now or later becomes entitled that is necessary in the conduct of such Grantor's business;

iii. Grantors acknowledge and agree that the Lender Group shall have no duties with respect to any Intellectual Property or Intellectual Property Licenses of any Grantor. Without limiting the generality of this Section 6(g)(iii), Grantors acknowledge and agree that no member of the Lender Group shall be under any obligation to take any steps necessary to preserve rights in the Collateral consisting of Intellectual Property or Intellectual Property Licenses against any other Person, but any member of the Lender Group may do so at its option from and after the occurrence and during the continuance of an Event of Default, and all expenses incurred in connection therewith (including reasonable fees and expenses of attorneys and other professionals) shall be for the sole account of Borrower and shall be chargeable to the Loan Account;

iv. Each Grantor shall promptly file an application with the United States Copyright Office for any Copyright owned by such Grantor that has not been registered with the United States Copyright Office if such Copyright is necessary in connection with the conduct of such Grantor's business. Any expenses incurred in connection with the foregoing shall be borne by the Grantors;

v. On each date on which an IP Reporting Certificate is delivered by Borrowers pursuant to Section 5.2 of the Credit Agreement, each Grantor shall provide Agent with a written report of all new Patents or Trademarks that are registered or the subject of pending applications for registrations, and of all Intellectual Property License Agreements that are material to the conduct of such Grantor's business, in each case, which were

acquired, registered, or for which applications for registration were filed by any Grantor during the prior period and any statement of use or amendment to allege use with respect to intent-to-use trademark applications. In the case of such registrations or applications therefor, which were acquired by any Grantor, each such Grantor shall file the necessary documents with the appropriate Governmental Authority identifying the applicable Grantor as the owner (or as a co-owner thereof, if such is the case) of such Intellectual Property. In each of the foregoing cases, the applicable Grantor shall promptly cause to be prepared, executed, and delivered to Agent supplemental schedules to the applicable Loan Documents to identify such Patent and Trademark registrations and applications therefor (with the exception of Trademark applications filed on an intent-to-use basis for which no statement of use or amendment to allege use has been filed) and Intellectual Property Licenses as being subject to the security interests created thereunder;

vi. Anything to the contrary in this Agreement notwithstanding, in no event shall any Grantor, either itself or through any agent, employee, licensee, or designee, file an application for the registration of any Copyright with the United States Copyright Office or any similar office or agency in another country without giving Agent written notice thereof at least three (3) Business Days prior to such filing and complying with Section 6(g)(i). Upon receipt from the United States Copyright Office of notice of registration of any Copyright, each Grantor shall promptly (but in no event later than three (3) Business Days following such receipt) notify (but without duplication of any notice required by Section 6(g)(vi)) Agent of such registration by delivering, or causing to be delivered, to Agent, documentation sufficient for Agent to perfect Agent's Liens on such Copyright. If any Grantor acquires from any Person any Copyright registered with the United States Copyright Office or an application to register any Copyright with the United States Copyright Office, such Grantor shall promptly (but in no event later than seven (7) Business Days following such acquisition) notify Agent of such acquisition and deliver, or cause to be delivered, to Agent, documentation sufficient for Agent to perfect Agent's Liens on such Copyright. In the case of such Copyright registrations or applications therefor which were acquired by any Grantor, each such Grantor shall promptly (but in no event later than three (3) Business Days following such acquisition) file the necessary documents with the appropriate Governmental Authority identifying the applicable Grantor as the owner (or as a co-owner thereof, if such is the case) of such Copyrights;

vii. Each Grantor shall take reasonable steps to maintain the confidentiality of, and otherwise protect and enforce its rights in, the Intellectual Property that is necessary in the conduct of such Grantor's business, including, as applicable (A) protecting the secrecy and confidentiality of its confidential information and trade secrets by having and enforcing a policy requiring all current employees, consultants, licensees, vendors and contractors with access to such information to execute appropriate confidentiality agreements; (B) taking actions reasonably necessary to ensure that no trade secret falls into the public domain; and (C) protecting the secrecy and confidentiality of the source code of all software programs and applications of which it is the owner or licensee by having and enforcing a policy requiring any licensees (or sublicensees) of such source code to enter into license agreements with commercially reasonable use and non-disclosure restrictions; and

viii. No Grantor shall enter into any Intellectual Property License to receive any license or rights in any Intellectual Property of any other Person unless such Grantor has used commercially reasonable efforts to permit the assignment of or grant of a security interest in such Intellectual Property License (and all rights of Grantor thereunder) to the (and any transferees of Agent);

(h) Investment Related Property.

i. If any Grantor shall acquire, obtain, receive or become entitled to receive any Pledged Interests after the Closing Date, it shall promptly (and in any event within ten (10) Business Days of acquiring or obtaining such Collateral) deliver to Agent a duly executed Pledged Interests Addendum identifying such Pledged Interests; provided, that, only sixty-five (65%) percent of the total outstanding voting Stock of any Subsidiary of any Grantor that is a controlled foreign corporation (and none of the Stock of any Subsidiary of such controlled foreign corporation) shall be required to be pledged if pledging a greater amount would result in adverse tax consequences or the costs to the Grantors of providing such pledge or perfecting the security interests created thereby are unreasonably excessive (as determined by Agent in consultation with Grantors) in relation to the benefits of Agent and the Lenders of the security or guarantee afforded thereby (which pledge, if reasonably requested by Agent, shall be governed by the laws of the jurisdiction of such Subsidiary);

ii. Upon the occurrence and during the continuance of an Event of Default, following the

request of Agent, all sums of money and property paid or distributed in respect of the Investment Related Property that are received by any Grantor shall be held by the Grantors in trust for the benefit of Agent segregated from such Grantor's other property, and such Grantor shall deliver it forthwith to Agent in the exact form received;

iii. Each Grantor shall promptly deliver to Agent a copy of each material notice or other material communication received by it in respect of any Pledged Interests;

iv. No Grantor shall make or consent to any amendment or other modification or waiver with respect to any Pledged Interests, Pledged Operating Agreement, or Pledged Partnership Agreement, or enter into any agreement or permit to exist any restriction with respect to any Pledged Interests if the same is prohibited pursuant to the Loan Documents;

v. Each Grantor agrees that it will cooperate with Agent in obtaining all necessary approvals and making all necessary filings under federal, state, local, or foreign law to effect the perfection of the Security Interest on the Investment Related Property or to effect any sale or transfer thereof;

vi. As to all limited liability company or partnership interests, issued under any Pledged Operating Agreement or Pledged Partnership Agreement, each Grantor hereby covenants that the Pledged Interests issued pursuant to such agreement (A) are not and shall not be dealt in or traded on securities exchanges or in securities markets, (B) do not and will not constitute investment company securities, and (C) are not and will not be held by such Grantor in a securities account. In addition, none of the Pledged Operating Agreements, the Pledged Partnership Agreements, or any other agreements governing any of the Pledged Interests issued under any Pledged Operating Agreement or Pledged Partnership Agreement, provide or shall provide that such Pledged Interests are securities governed by Article 8 of the Uniform Commercial Code as in effect in any relevant jurisdiction.

(i) Real Property; Fixtures. Each Grantor covenants and agrees that upon the acquisition of any fee interest in Real Property with a fair market value in excess of $2,500,000, it will promptly (and in any event within five (5) Business Days of acquisition) notify Agent of the acquisition of such Real Property and will grant to Agent, for the benefit of the Lender Group and the Bank Product Providers, a first priority Mortgage on each fee interest in Real Property now or hereafter owned by such Grantor and shall deliver such other documentation and opinions, in form and substance reasonably satisfactory to Agent, in connection with the grant of such Mortgage as Agent shall request in its Permitted Discretion, including title insurance policies, financing statements, fixture filings and environmental audits and such Grantor shall pay all recording costs, intangible taxes and other fees and costs (including reasonable attorneys fees and expenses) incurred in connection therewith. Each Grantor acknowledges and agrees that, to the extent permitted by applicable law, all of the Collateral shall remain personal property regardless of the manner of its attachment or affixation to real property;

(j) Transfers and Other Liens. Grantors shall not (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral, except as expressly permitted by the Credit Agreement, or (ii) create or permit to exist any Lien upon or with respect to any of the Collateral of any Grantor, except for Permitted Liens. The inclusion of Proceeds in the Collateral shall not be deemed to constitute Agent's consent to any sale or other disposition of any of the Collateral except as expressly permitted in this Agreement or the other Loan Documents; and

(k) Controlled Accounts.

i. Each Grantor shall (A) establish (within ninety (90) days after the Closing Date with respect to Wells Fargo Bank) and maintain cash management services of a type and on terms reasonably satisfactory to Agent at one or more of the banks set forth on Schedule 6(k) (each a "Controlled Account Bank"), and shall take reasonable steps to ensure that all of its and its Subsidiaries' Account Debtors forward payment of the amounts owed by them directly to such Controlled Account Bank, and (B) deposit or cause to be deposited promptly, and in any event no later than the second Business Day after the date of receipt thereof, all of their Collections (including those sent directly by their Account Debtors to a Grantor) into a bank account of such Grantor (each, a "Controlled Account") at one of the Controlled Account Banks.

ii. Each Grantor shall establish and maintain Controlled Account Agreements with Agent and the applicable Controlled Account Bank, in form and substance reasonably acceptable to Agent. Each such Controlled Account Agreement shall provide, among other things, that (A) the Controlled Account Bank will

comply with any instructions originated by Agent directing the disposition of the funds in such Controlled Account without further consent by the applicable Grantor, (B) the Controlled Account Bank waives, subordinates, or agrees not to exercise any rights of setoff or recoupment or any other claim against the applicable Controlled Account other than for payment of its service fees and other charges directly related to the administration of such Controlled Account and for returned checks or other items of payment, and (C) upon the instruction of Agent (an " Activation Instruction"), the Controlled Account Bank will forward by daily sweep all available amounts in the applicable Controlled Account to the Agent's Account. Agent agrees not to issue an Activation Instruction with respect to the Controlled Accounts unless a Cash Dominion Event has occurred and is continuing at the time such Activation Instruction is issued. Agent agrees to promptly rescind an Activation Instruction (the "Rescission") if: (1) the Cash Dominion Event upon which such Activation Instruction was issued has been waived in writing in accordance with the terms of the Credit Agreement or no longer exists in accordance with the terms of the definition of Cash Dominion Event, and (2) no additional Cash Dominion Event has occurred and is continuing prior to the date of the Rescission.

iii. So long as no Default or Event of Default has occurred and is continuing, Borrowers may amend Schedule 6(k) to add or replace a Controlled Account Bank or Controlled Account; provided, however, that (A) such prospective Controlled Account Bank shall be reasonably satisfactory to Agent, and (B) prior to the time of the opening of such Controlled Account, the applicable Grantor and such prospective Controlled Account Bank shall have executed and delivered to Agent a Controlled Account Agreement. Each Grantor shall close any of its Controlled Accounts (and establish replacement Controlled Account accounts in accordance with the foregoing sentence) as promptly as practicable and in any event within forty-five (45) days of notice from Agent that the operating performance, funds transfer, or availability procedures or performance of the Controlled Account Bank with respect to Controlled Account Accounts or Agent's liability under any Controlled Account Agreement with such Controlled Account Bank is no longer acceptable in Agent's reasonable judgment.

7. Relation to Other Security Documents. The provisions of this Agreement shall be read and construed with the other Loan Documents referred to below in the manner so indicated.

(a) Credit Agreement. In the event of any conflict between any provision in this Agreement and a provision in the Credit Agreement, such provision of the Credit Agreement shall control.

(b) Patent, Trademark, Copyright Security Agreements. The provisions of the Copyright Security Agreements, Trademark Security Agreements, and Patent Security Agreements are supplemental to the provisions of this Agreement, and nothing contained in the Copyright Security Agreements, Trademark Security Agreements, or the Patent Security Agreements shall limit any of the rights or remedies of Agent hereunder. In the event of any conflict between any provision in this Agreement and a provision in a Copyright Security Agreement, Trademark Security Agreement or Patent Security Agreement, such provision of this Agreement shall control.

8. Further Assurances.

(a) Each Grantor agrees that from time to time, at its own expense, such Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that Agent may reasonably request, in order to perfect and protect the Security Interest granted hereby, to create, perfect or protect the Security Interest purported to be granted hereby or to enable Agent to exercise and enforce its rights and remedies hereunder with respect to any of the Collateral.

(b) Each Grantor authorizes the filing by Agent of financing or continuation statements, or amendments thereto, and such Grantor will execute and deliver to Agent such other instruments or notices, as Agent may reasonably request, in order to perfect and preserve the Security Interest granted or purported to be granted hereby.

(c) Each Grantor authorizes Agent at any time and from time to time to file, transmit, or communicate, as applicable, financing statements and amendments (i) describing the Collateral as "all personal property of debtor" or "all assets of debtor" or words of similar effect, (ii) describing the Collateral as being of equal or lesser scope or with greater detail, or (iii) that contain any information required by part 5 of Article 9 of the Code for the sufficiency or filing office acceptance. Each Grantor also hereby ratifies any and all financing statements or amendments previously filed by Agent in any jurisdiction.

(d) Each Grantor acknowledges that it is not authorized to file any financing statement or amendment

or termination statement with respect to any financing statement filed in connection with this Agreement without the prior written consent of Agent, subject to such Grantor's rights under Section 9-509(d)(2) of the Code.

9. Agent's Right to Perform Contracts, Exercise Rights, etc. Upon the occurrence and during the continuance of an Event of Default, Agent (or its designee) (a) may proceed to perform any and all of the obligations of any Grantor contained in any contract, lease, or other agreement and exercise any and all rights of any Grantor therein contained as fully as such Grantor itself could, (b) shall have the right to use any Grantor's rights under Intellectual Property Licenses in connection with the enforcement of Agent's rights hereunder, including the right to prepare for sale and sell any and all Inventory and Equipment now or hereafter owned by any Grantor and now or hereafter covered by such licenses, and (c) shall have the right to request that any Stock that is pledged hereunder be registered in the name of Agent or any of its nominees.

10. Agent Appointed Attorney-in-Fact. Each Grantor hereby irrevocably appoints Agent its attorney-in-fact, with full authority in the place and stead of such Grantor and in the name of such Grantor or otherwise, at such time as an Event of Default has occurred and is continuing under the Credit Agreement, to take any action and to execute any instrument which Agent may reasonably deem necessary or advisable to accomplish the purposes of this Agreement, including:

(a) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in connection with the Accounts or any other Collateral of such Grantor;

(b) to receive and open all mail addressed to such Grantor and to notify postal authorities to change the address for the delivery of mail to such Grantor to that of Agent;

(c) to receive, indorse, and collect any drafts or other instruments, documents, Negotiable Collateral or Chattel Paper;

(d) to file any claims or take any action or institute any proceedings which Agent may deem necessary or desirable for the collection of any of the Collateral of such Grantor or otherwise to enforce the rights of Agent with respect to any of the Collateral;

(e) to repair, alter, or supply goods, if any, necessary to fulfill in whole or in part the purchase order of any Person obligated to such Grantor in respect of any Account of such Grantor;

(f) to use any Intellectual Property or Intellectual Property Licenses of such Grantor, including but not limited to any labels, Patents, Trademarks, trade names, URLs, domain names, industrial designs, Copyrights, or advertising matter, in preparing for sale, advertising for sale, or selling Inventory or other Collateral and to collect any amounts due under Accounts, contracts or Negotiable Collateral of such Grantor; and

(g) Agent, on behalf of the Lender Group or the Bank Product Providers, shall have the right, but shall not be obligated, to bring suit in its own name to enforce the Intellectual Property and Intellectual Property Licenses and, if Agent shall commence any such suit, the appropriate Grantor shall, at the request of Agent, do any and all lawful acts and execute any and all proper documents reasonably required by Agent in aid of such enforcement.

To the extent permitted by law, each Grantor hereby ratifies all that such attorney-in-fact shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest and shall be irrevocable until this Agreement is terminated.

11. Agent May Perform. If any Grantor fails to perform any agreement contained herein, Agent may itself perform, or cause performance of, such agreement, and the reasonable expenses of Agent incurred in connection therewith shall be payable, jointly and severally, by Grantors.

12. Agent's Duties. The powers conferred on Agent hereunder are solely to protect Agent's interest in the Collateral, for the benefit of the Lender Group and the Bank Product Providers, and shall not impose any duty upon Agent to exercise any such powers. Except for the safe custody of any Collateral in its actual possession and the accounting for moneys actually received by it hereunder, Agent shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Agent shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its actual possession if such Collateral is accorded treatment substantially equal to that which Agent accords its own property.

13. Collection of Accounts, General Intangibles and Negotiable Collateral. At any time upon the occurrence and during the continuance of an Event of Default (but at no other time), Agent or Agent's designee may (a) notify Account Debtors of any Grantor that the Accounts, General Intangibles, Chattel Paper or Negotiable Collateral of such Grantor have been assigned to Agent, for the benefit of the Lender Group and the Bank Product Providers, or that Agent has a security interest therein, and (b) collect the Accounts, General Intangibles and Negotiable Collateral of any Grantor directly, and any collection costs and expenses shall constitute part of such Grantor's Secured Obligations under the Loan Documents.

14. Disposition of Pledged Interests by Agent. None of the Pledged Interests existing as of the date of this Agreement are, and none of the Pledged Interests hereafter acquired on the date of acquisition thereof will be, registered or qualified under the various federal or state securities laws of the United States and disposition thereof after an Event of Default and during the continuance thereof may be restricted to one or more private (instead of public) sales in view of the lack of such registration. Each Grantor understands that in connection with such disposition, Agent may approach only a restricted number of potential purchasers and further understands that a sale under such circumstances may yield a lower price for the Pledged Interests than if the Pledged Interests were registered and qualified pursuant to federal and state securities laws and sold on the open market. Each Grantor, therefore, agrees that: (a) if Agent shall, pursuant to the terms of this Agreement, sell or cause the Pledged Interests or any portion thereof to be sold at a private sale, Agent shall have the right to rely upon the advice and opinion of any nationally recognized brokerage or investment firm (but shall not be obligated to seek such advice and the failure to do so shall not be considered in determining the commercial reasonableness of such action) as to the best manner in which to offer the Pledged Interest or any portion thereof for sale and as to the best price reasonably obtainable at the private sale thereof; and (b) such reliance shall be conclusive evidence that Agent has handled the disposition in a commercially reasonable manner.

15. Voting and Other Rights in Respect of Pledged Interests.

(a) Upon the occurrence and during the continuation of an Event of Default, (i) Agent may, at its option, and with two (2) Business Days prior notice to any Grantor, and in addition to all rights and remedies available to Agent under any other agreement, at law, in equity, or otherwise, exercise all voting rights, or any other ownership or consensual rights (including any dividend or distribution rights) in respect of the Pledged Interests owned by such Grantor, but under no circumstances is Agent obligated by the terms of this Agreement to exercise such rights, and (ii) if Agent duly exercises its right to vote any of such Pledged Interests, each Grantor hereby appoints Agent, such Grantor's true and lawful attorney-in-fact and IRREVOCABLE PROXY to vote such Pledged Interests in any manner Agent deems advisable for or against all matters submitted or which may be submitted to a vote of shareholders, partners or members, as the case may be. The power-of-attorney and proxy granted hereby is coupled with an interest and shall be irrevocable prior to the payment in full of the Secured Obligations in accordance with the provisions of the Credit Agreement and the expiration or termination of the Commitments.

(b) For so long as any Grantor shall have the right to vote the Pledged Interests owned by it, such Grantor covenants and agrees that it will not, without the prior written consent of Agent, vote or take any consensual action with respect to such Pledged Interests which would materially adversely affect the rights of Agent, the other members of the Lender Group, or the Bank Product Providers, or the value of the Pledged Interests.

16. Remedies. Upon the occurrence and during the continuance of an Event of Default:

(a) Agent may, and, at the instruction of the Required Lenders, shall exercise in respect of the Collateral, in addition to other rights and remedies provided for herein, in the other Loan Documents, or otherwise available to it, all the rights and remedies of a secured party on default under the Code or any other applicable law. Without limiting the generality of the foregoing, each Grantor expressly agrees that, in any such event, Agent without demand of performance or other demand, advertisement or notice of any kind (except a notice specified below of time and place of public or private sale) to or upon any Grantor or any other Person (all and each of which demands, advertisements and notices are hereby expressly waived to the maximum extent permitted by the Code or any other applicable law), may take immediate possession of all or any portion of the Collateral and (i) require Grantors to, and each Grantor hereby agrees that it will at its own expense and upon request of Agent forthwith, assemble all or part of the Collateral as directed by Agent and make it available to Agent at one or more locations where such Grantor regularly maintains Inventory, and (ii) without notice except as specified below, sell the

Collateral or any part thereof in one or more parcels at public or private sale, at any of Agent's offices or elsewhere, for cash, on credit, and upon such other terms as Agent may, in good faith, deem commercially reasonable. Each Grantor agrees that, to the extent notice of sale shall be required by law, at least ten (10) days notice to the applicable Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification and specifically such notice shall constitute a reasonable "authenticated notification of disposition" within the meaning of Section 9-611 of the Code. Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Grantor agrees that the internet shall constitute a "place" for purposes of Section 9-610(b) of the Code. Each Grantor agrees that any sale of Collateral to a licensor pursuant to the terms of a license agreement between such licensor and a Grantor is sufficient to constitute a commercially reasonable sale (including as to method, terms, manner, and time) within the meaning of Section 9-610 of the Code.

(b) Agent is hereby granted a license or other right to use, without liability for royalties or any other charge, each Grantor's Intellectual Property, including but not limited to, any labels, Patents, Trademarks, trade names, URLs, domain names, industrial designs, Copyrights, and advertising matter, whether owned by any Grantor or with respect to which any Grantor has rights under license, sublicense, or other agreements (including any Intellectual Property License), as it pertains to the Collateral, in preparing for sale, advertising for sale and selling any Collateral, and each Grantor's rights under all licenses and all franchise agreements shall inure to the benefit of Agent.

(c) Agent may, in addition to other rights and remedies provided for herein, in the other Loan Documents, or otherwise available to it under applicable law and without the requirement of notice to or upon any Grantor or any other Person (which notice is hereby expressly waived to the maximum extent permitted by the Code or any other applicable law), (i) with respect to any Grantor's Deposit Accounts in which Agent's Liens are perfected by control under Section 9-104 of the Code, instruct the bank maintaining such Deposit Account for the applicable Grantor to pay the balance of such Deposit Account to or for the benefit of Agent, and (ii) with respect to any Grantor's Securities Accounts in which Agent's Liens are perfected by control under Section 9-106 of the Code, instruct the securities intermediary maintaining such Securities Account for the applicable Grantor to (A) transfer any cash in such Securities Account to or for the benefit of Agent, or (B) liquidate any financial assets in such Securities Account that are customarily sold on a recognized market and transfer the cash proceeds thereof to or for the benefit of Agent.

(d) Any cash held by Agent as Collateral and all cash proceeds received by Agent in respect of any sale of, collection from, or other realization upon all or any part of the Collateral shall be applied against the Secured Obligations in the order set forth in the Credit Agreement. In the event the proceeds of Collateral are insufficient to satisfy all of the Secured Obligations in full, each Grantor shall remain jointly and severally liable for any such deficiency.

(e) Each Grantor hereby acknowledges that the Secured Obligations arise out of a commercial transaction, and agrees that if an Event of Default shall occur and be continuing, Agent shall have the right to an immediate writ of possession without notice of a hearing. Agent shall have the right to the appointment of a receiver for the properties and assets of each Grantor, and each Grantor hereby consents to such rights and such appointment and hereby waives any objection such Grantor may have thereto or the right to have a bond or other security posted by Agent.

17. Remedies Cumulative. Each right, power, and remedy of Agent as provided for in this Agreement or in the other Loan Documents or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power, or remedy provided for in this Agreement or in the other Loan Documents or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by Agent, of any one or more of such rights, powers, or remedies shall not preclude the simultaneous or later exercise by Agent of any or all such other rights, powers, or remedies.

18. Marshaling. Agent shall not be required to marshal any present or future collateral security (including but not limited to the Collateral) for, or other assurances of payment of, the Secured Obligations or any

of them or to resort to such collateral security or other assurances of payment in any particular order, and all of its rights and remedies hereunder and in respect of such collateral security and other assurances of payment shall be cumulative and in addition to all other rights and remedies, however existing or arising. To the extent that it lawfully may, each Grantor hereby agrees that it will not invoke any law relating to the marshaling of collateral which might cause delay in or impede the enforcement of Agent's rights and remedies under this Agreement or under any other instrument creating or evidencing any of the Secured Obligations or under which any of the Secured Obligations is outstanding or by which any of the Secured Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, each Grantor hereby irrevocably waives the benefits of all such laws.

19. Indemnity and Expenses.

(a) Each Grantor agrees to indemnify Agent and the other members of the Lender Group from and against all claims, lawsuits and liabilities (including reasonable attorneys fees) growing out of or resulting from this Agreement (including enforcement of this Agreement) or any other Loan Document to which such Grantor is a party, except claims, losses or liabilities resulting from the gross negligence or willful misconduct of the party seeking indemnification as determined by a final non-appealable order of a court of competent jurisdiction. This provision shall survive the termination of this Agreement and the Credit Agreement and the repayment of the Secured Obligations.

(b) Grantors, jointly and severally, shall, upon demand, pay to Agent (or Agent, may charge to the Loan Account) all the Lender Group Expenses which Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or, upon an Event of Default, the sale of, collection from, or other realization upon, any of the Collateral in accordance with this Agreement and the other Loan Documents, (iii) the exercise or enforcement of any of the rights of Agent hereunder or (iv) the failure by any Grantor to perform or observe any of the provisions hereof.

20. Merger, Amendments; Etc. THIS AGREEMENT, TOGETHER WITH THE OTHER LOAN DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN AGREEMENTS BETWEEN THE PARTIES. No waiver of any provision of this Agreement, and no consent to any departure by any Grantor herefrom, shall in any event be effective unless the same shall be in writing and signed by Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No amendment of any provision of this Agreement shall be effective unless the same shall be in writing and signed by Agent and each Grantor to which such amendment applies.

21. Addresses for Notices. All notices and other communications provided for hereunder shall be given in the form and manner and delivered to Agent at its address specified in the Credit Agreement, and to any of the Grantors at their respective addresses specified in the Credit Agreement or Guaranty, as applicable, or, as to any party, at such other address as shall be designated by such party in a written notice to the other party.

22. Continuing Security Interest: Assignments under Credit Agreement . This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the Obligations have been paid in full in accordance with the provisions of the Credit Agreement and the Commitments have expired or have been terminated, (b) be binding upon each Grantor, and their respective successors and assigns, and (c) inure to the benefit of, and be enforceable by, Agent, and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), any Lender may, in accordance with the provisions of the Credit Agreement, assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise. Upon payment in full of the Secured Obligations in accordance with the provisions of the Credit Agreement and the expiration or termination of the Commitments, the Security Interest granted hereby shall terminate and all rights to the Collateral shall revert to Grantors or any other Person entitled thereto. At such time, Agent will immediately authorize the filing of appropriate termination statements to terminate such Security Interests. No transfer or renewal, extension, assignment, or termination of this Agreement or of the Credit Agreement, any other Loan Document, or any other instrument or document executed and delivered by any Grantor to Agent nor any additional Advances or other loans made by any Lender to Borrowers, nor the taking of further

security, nor the retaking or re-delivery of the Collateral to Grantors, or any of them, by Agent, nor any other act of the Lender Group or the Bank Product Providers, or any of them, shall release any Grantor from any obligation that exists, except a release or discharge executed in writing by Agent in accordance with the provisions of the Credit Agreement. Agent shall not by any act, delay, omission or otherwise, be deemed to have waived any of its rights or remedies hereunder, unless such waiver is in writing and signed by Agent and then only to the extent therein set forth. A waiver by Agent of any right or remedy on any occasion shall not be construed as a bar to the exercise of any such right or remedy which Agent would otherwise have had on any other occasion.

23. Governing Law.

(a) **THE VALIDITY OF THIS AGREEMENT, THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF, AND THE RIGHTS OF THE PARTIES HERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR RELATED HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.**

(b) **THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, FEDERAL COURTS, LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE AGENT ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. AGENT AND EACH GRANTOR WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 23(b).**

(c) **TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, AGENT AND EACH GRANTOR HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS.AGENT AND EACH GRANTOR REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.**

24. New Subsidiaries. Pursuant to Section 5.11 of the Credit Agreement, certain Subsidiaries (whether by acquisition or creation) of any Grantor are required to enter into this Agreement by executing and delivering in favor of Agent a Joinder to this Agreement in substantially the form of Annex 1. Upon the execution and delivery of Annex 1 by any such new Subsidiary, such Subsidiary shall become a Grantor hereunder with the same force and effect as if originally named as a Grantor herein. The execution and delivery of any instrument adding an additional Grantor as a party to this Agreement shall not require the consent of any Grantor hereunder. The rights and obligations of each Grantor hereunder shall remain in full force and effect notwithstanding the addition of any new Grantor hereunder.

25. Agent. Each reference herein to any right granted to, benefit conferred upon or power exercisable by the "Agent" shall be a reference to Agent, for the benefit of each member of the Lender Group and each of the Bank Product Providers.

26. Miscellaneous.

(a) This Agreement is a Loan Document. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this Agreement by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering

an executed counterpart of this Agreement by telefacsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement. The foregoing shall apply to each other Loan Document *mutatis mutandis*.

(b) Any provision of this Agreement which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof in that jurisdiction or affecting the validity or enforceability of such provision in any other jurisdiction. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

(c) Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each Section applies equally to this entire Agreement.

(d) Neither this Agreement nor any uncertainty or ambiguity herein shall be construed against any member of the Lender Group or any Grantor, whether under any rule of construction or otherwise. This Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to accomplish fairly the purposes and intentions of all parties hereto.

(e) The pronouns used herein shall include, when appropriate, either gender and both singular and plural, and the grammatical construction of sentences shall conform thereto.

(f) Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms “includes” and “including” are not limiting, and the term “or” has, except where otherwise indicated, the inclusive meaning represented by the phrase “and/or”. The words “hereof”, “herein”, “hereby”, “hereunder”, and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Section, subsection, clause, schedule, and exhibit references herein are to this Agreement unless otherwise specified. Any reference in this Agreement to any agreement, instrument, or document shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). The words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts, and contract rights. Any reference herein to the satisfaction, repayment, or payment in full of the Secured Obligations shall mean the repayment in full in cash (or, in the case of Letters of Credit or Bank Products, providing Letter of Credit Collateralization or Bank Product Collateralization, as applicable) of all Secured Obligations other than unasserted contingent indemnification Secured Obligations and other than any Bank Product Obligations that, at such time, are allowed by the applicable Bank Product Provider to remain outstanding and that are not required by the provisions of the Credit Agreement to be repaid or cash collateralized. Any reference herein to any Person shall be construed to include such Person's successors and assigns. Any requirement of a writing contained herein shall be satisfied by the transmission of a Record.

(g) All of the annexes, schedules and exhibits attached to this Agreement shall be deemed incorporated herein by reference.

[signature pages follow]

[SIGNATURE PAGE TO SECURITY AGREEMENT]

IN WITNESS WHEREOF, the undersigned parties hereto have caused this Agreement to be executed and delivered as of the day and year first above written.

GRANTORS:

AUDIOVOX CORPORATION
By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Sr. Vice President

AUDIOVOX ACCESSORIES CORP.
By:s/Loriann Shelton
Name: Loriann Shelton
Title: CFO/Secretary/Treasurer

AUDIOVOX ELECTRONICS CORPORATION
By:s/Loriann Shelton
Name: Loriann Shelton
Title: CFO/Secretary/Treasurer

AUDIOVOX CONSUMER ELECTRONICS, INC.
By:s/Loriann Shelton
Name: Loriann Shelton
Title: CFO/Secretary/Treasurer

AMERICAN RADIO CORP.,
By:s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

CODE SYSTEMS, INC.
By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: CFO

INVISION AUTOMOTIVE SYSTEMS, INC.
By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

[SIGNATURES CONTINUED ON NEXT PAGE]

[SIGNATURES CONTINUED FROM PREVIOUS PAGE]

KLIPSCH GROUP, INC.

By: s/Frederick L. Farrar
Name: Frederick L. Farrar
Title: Executive Vice President/CFO/ Treasurer/Assistant Secretary

BATTERIES.COM, LLC

By: s/Loriann Shelton
Name: Loriann Shelton
Title: Secretary

SOUNDTECH LLC

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President/Treasurer

AUDIOVOX WEBSALES LLC

By: s/Charles M. Stoehr
Name: Charles M Stoehr
Title: Vice President

CARIBBEAN TECHNICAL EXPORT, INC.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: President

LATIN AMERICA EXPORTS CORP.

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Treasurer

OMEGA RESEARCH AND DEVELOPMENT TECHNOLOGY LLC

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Treasurer

TECHNUITY, INC.

By: s/Loriann Shelton
Name: Loriann Shelton
Title: Secretary

ELECTRONICS TRADEMARK HOLDING COMPANY, LLC

By:s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Secretary

KLIPSCH GROUP EUROPE - DENMARK

By:s/Frederick L. Farrar
Name: Frederick L. Farrar
Title: Manager

KLIPSCH GROUP EUROPE - FRANCE

By:s/Frederick L. Farrar
Name: Frederick L. Farrar
Title: Co-Manager

AUDIOVOX MEXICO S. DE R.L. DE C.V.

By:s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Manager

AUDIOVOX VENEZUELA C.A.

By:s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

KLIPSCH GROUP EUROPE, B.V.

By:s/Frederick L. Farrar
Name: Frederick L. Farrar
Title: Managing Director

AGENT:

WELLS FARGO CAPITAL FINANCE, LLC, a Delaware limited liability company

By: s/Richard K. Schultz

Name: Richard K. Schultz

Title: Director

SCHEDULE 1

COMMERCIAL TORT CLAIMS

[include specific case caption or descriptions per Official Code Comment 5 to Section 9-108 of the Code]

SCHEDULE 2

COPYRIGHTS

SCHEDULE 3

INTELLECTUAL PROPERTY LICENSES

SCHEDULE 4

PATENTS

SCHEDULE 5

TRADEMARKS

SCHEDULE 6

PLEDGED COMPANIES

Name of Grantor	Name of Pledged Company	Number of Shares/Units	Class of Interests	Percentage of Class Owned	Certificate Nos.
Audiovox Corporation	Audiovox Accessories Corporation	10	NPV	100%	1
Audiovox Corporation	Audiovox Consumer Electronics, Inc.	10	NPV	100%	1
Audiovox Corporation	Audiovox Electronics Corporation	100	NPV	100%	1
Audiovox Corporation	American Radio Corp.	10	NPV	100%	1
Audiovox Corporation	Soundtech LLC	1		100%	1
Audiovox Corporation	Latin America Exports Corp.	10	NPV	100%	1
Audiovox Corporation	Electronics Trademark Holding Company, LLC	2		100%	4
Soundtech LLC	Klipsch Group, Inc.	1,719,834.70	Non-Voting Common		NV-53
Soundtech LLC	Klipsch Group, Inc.	187,315.30	Voting Common		V-44
Soundtech LLC	Klipsch Group, Inc.	1,450,557	Series A Preferred		A-16
Audiovox Electronics Corporation	Invision Automotive Systems Inc.	10	NPV	100%	1
Audiovox Electronics Corporation	Code Systems, Inc.	4,005	NPV	100%	1
Audiovox Electronics Corporation	Audiovox Websales LLC	100%		100%	1
Audiovox Electronics Corporation	Omega Research and Development Technology LLC	100		100%	1
Audiovox Accessories Corporation	Batteries.com, LLC	1		100%	1
Audiovox Accessories Corporation	Technuity, Inc.	10	NPV	100%	1
Audiovox Corporation	Audiovox Canada Limited	1,000	NPV	100%	COM-1
Klipsch Group, Inc.	Audio Products International Corp.	1,000		100%	C-1
Klipsch Group, Inc.	Klipsch Group Europe, B.V.			100%	
Klipsch Group Europe, B.V.	Klipsch Group Europe - France			100%	
Klipsch Group Europe, B.V.	Klipsch Group Europe - Denmark			100%	

SCHEDULE 6(k)

CONTROLLED ACCOUNT BANKS

SCHEDULE 7

OWNED REAL PROPERTY

SCHEDULE 8

LIST OF UNIFORM COMMERCIAL CODE FILING JURISDICTIONS

Grantor	Jurisdictions
Audiovox Corporation	Delaware
Audiovox Accessories Corporation	Delaware
Audiovox Consumer Electronics, Inc.	Delaware
Audiovox Electronics Corporation	Delaware
American Radio Corp.	Georgia
Code Systems, Inc.	Delaware
Invision Automotive Systems Inc.	Delaware
Klipsch Group, Inc.	Indiana
Batteries.Com, LLC	Indiana
Soundtech LLC	Delaware
Audiovox Websales LLC	Delaware
Omega Research and Development Technology LLC	Delaware
Latin America Exports Corp.	Delaware
Technuity, Inc.	Indiana
Carribean Technical Export, Inc.	Delaware
Electronics Trademark Holding Company, LLC	Delaware
Audiovox Venezuela C.A.	District of Columbia
Audiovox Mexico, S. de R.L. de C.V.	District of Columbia
Klipsch Group Europe - Denmark	District of Columbia
Klipsch Group Europe - France Sarl	District of Columbia

ANNEX 1 TO SECURITY AGREEMENT

FORM OF JOINDER

Joinder No. ____ (this "Joinder"), dated as of _____, to the Security Agreement, dated as of _____ __, 20__ (as amended, restated, supplemented, or otherwise modified from time to time, the " Security Agreement"), by and among each of the parties listed on the signature pages thereto and those additional entities that thereafter become parties thereto (collectively, jointly and severally, " Grantors" and each, individually, a "Grantor") and **WELLS FARGO CAPITAL FINANCE, LLC**, a Delaware limited liability company ("WFCF"), in its capacity as agent for the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, " Agent").

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, dated _____, 2011 (as amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement"), by and among Audiovox Corporation, a Delaware corporation (" Parent"), Audiovox Accessories Corp., a Delaware corporation ("ACC"), Audiovox Electronics Corporation, a Delaware corporation (" AEC"), Audiovox Consumer Electronics, Inc., a Delaware corporation ("ACEI"), American Radio Corp., a Delaware corporation (" ARC"), Code Systems, Inc., a Delaware corporation (" CSI"), Invision Automotive Systems, Inc., a Delaware corporation ("IAS"), Batteries.com, LLC, an Indiana limited liability company (" Batteries") and Klipsch Group, Inc. ("Klipsch" and together with each of ACC, AEC, ACEI, ARC, CSI, IAS and Batteries, each, individually, a " Borrower" and, collectively, "Borrowers"), the lenders party thereto as "Lenders" (such Lenders, together with their respective successors and assigns in such capacity, each, individually, a "Lender" and, collectively, the "Lenders") and Agent, the Lender Group has agreed to make certain financial accommodations available to Borrowers from time to time pursuant to the terms and conditions thereof; and

WHEREAS, initially capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement or, if not defined therein, in the Credit Agreement; and

WHEREAS, Grantors have entered into the Security Agreement in order to induce the Lender Group to make certain financial accommodations to Borrower; and

WHEREAS, pursuant to Section 5.11 of the Credit Agreement and Section 24 of the Security Agreement, certain Subsidiaries of the Loan Parties, must execute and deliver certain Loan Documents, including the Security Agreement, and the joinder to the Security Agreement by the undersigned new Grantor or Grantors (collectively, the "New Grantors") may be accomplished by the execution of this Joinder in favor of Agent, for the benefit of the Lender Group and the Bank Product Providers; and

WHEREAS, each New Grantor (a) is [an Affiliate] [a Subsidiary] of [Parent] [Borrowers] and, as such, will benefit by virtue of the financial accommodations extended to Borrowers by the Lender Group and (b) by becoming a Loan Party will benefit from certain rights granted to the Loan Parties pursuant to the terms of the Loan Documents;

NOW, THEREFORE, for and in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each New Grantor hereby agrees as follows:

1. In accordance with Section 24 of the Security Agreement, each New Grantor, by its signature below, becomes a "Grantor" under the Security Agreement with the same force and effect as if originally named therein as a "Grantor" and each New Grantor hereby (a) agrees to all of the terms and provisions of the Security Agreement applicable to it as a "Grantor" thereunder and (b) represents and warrants that the representations and warranties made by it as a "Grantor" thereunder are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that are already qualified or modified by materiality in the text thereof) on and as of the date hereof. In furtherance of the foregoing, each New Grantor does hereby unconditionally grant, assign, and pledge to Agent, for the benefit of the Lender Group and the Bank Product Providers, to secure the Secured Obligations, a continuing security interest in and to all of such New Grantor's right, title and interest in and to the Collateral. Schedule 1, "Commercial Tort Claims", Schedule 2, "Copyrights", Schedule 3, "Intellectual Property Licenses", Schedule 4, "Patents", Schedule 5, "Trademarks", Schedule 6, "Pledged Companies", Schedule 6(k), "Controlled Account Banks", Schedule 7, "Owned Real

Property", and Schedule 8, "List of Uniform Commercial Code Filing Jurisdictions" attached hereto supplement Schedule 1, Schedule 2, Schedule 3, Schedule 4, Schedule 5, Schedule 6, Schedule 6(k), Schedule 7, and Schedule 8, respectively, to the Security Agreement and shall be deemed a part thereof for all purposes of the Security Agreement. Each reference to a "Grantor" in the Security Agreement shall be deemed to include each New Grantor. The Security Agreement is incorporated herein by reference. Each New Grantor authorizes Agent at any time and from time to time to file, transmit, or communicate, as applicable, financing statements and amendments thereto (i) describing the Collateral as "all personal property of debtor" or "all assets of debtor" or words of similar effect, (ii) describing the Collateral as being of equal or lesser scope or with greater detail, or (iii) that contain any information required by part 5 of Article 9 of the Code for the sufficiency or filing office acceptance. Each New Grantor also hereby ratifies any and all financing statements or amendments previously filed by Agent in any jurisdiction in connection with the Loan Documents.

2. Each New Grantor represents and warrants to Agent, the Lender Group and the Bank Product Providers that this Joinder has been duly executed and delivered by such New Grantor and constitutes its legal, valid, and binding obligation, enforceable against it in accordance with its terms, except as enforceability thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium, or other similar laws affecting creditors' rights generally and general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

3. This Joinder is a Loan Document. This Joinder may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Joinder. Delivery of an executed counterpart of this Joinder by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Joinder. Any party delivering an executed counterpart of this Joinder by telefacsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Joinder but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Joinder.

4. The Security Agreement, as supplemented hereby, shall remain in full force and effect.

5. THE VALIDITY OF THIS JOINDER, THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF, AND THE RIGHTS OF THE PARTIES HERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR RELATED HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

6. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS JOINDER SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW FEDERAL COURTS LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE AGENT ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND.AGENT AND EACH NEW GRANTOR WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 6.

7. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, AGENT AND EACH NEW GRANTOR HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS JOINDER OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS.AGENT AND EACH NEW GRANTOR REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSELIN THE EVENT OF LITIGATION, A COPY OF THIS JOINDER MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

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[SIGNATURE PAGE TO JOINDER NO. ___ TO SECURITY AGREEMENT]

IN WITNESS WHEREOF, the parties hereto have caused this Joinder to the Security Agreement to be executed and delivered as of the day and year first above written.

NEW GRANTORS:

[NAME OF NEW GRANTOR]
By:_____
Name:
Title:

[NAME OF NEW GRANTOR]
By:_____
Name:
Title:

AGENT:

WELLS FARGO CAPITAL FINANCE, LLC, a Delaware limited liability company
By:_____
Name:
Title:

EXHIBIT A

COPYRIGHT SECURITY AGREEMENT

This COPYRIGHT SECURITY AGREEMENT (this "Copyright Security Agreement") is made this ___ day of _____, 2011, by and among Grantors listed on the signature pages hereof (collectively, jointly and severally, " Grantors" and each individually "Grantor"), and **WELLS FARGO CAPITAL FINANCE, LLC**, a Delaware limited liability company (" WFCF"), in its capacity as agent for the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, " Agent").

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, dated of even date herewith (as amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement"), by and among Audiovox Corporation, a Delaware corporation (" Parent"), Audiovox Accessories Corp., a Delaware corporation ("ACC"), Audiovox Electronics Corporation, a Delaware corporation (" AEC"), Audiovox Consumer Electronics, Inc., a Delaware corporation ("ACEI"), American Radio Corp., a Delaware corporation (" ARC"), Code Systems, Inc., a Delaware corporation (" CSI"), Invision Automotive Systems, Inc., a Delaware corporation ("IAS"), Batteries.com, LLC, an Indiana limited liability company (" Batteries") and Klipsch Group, Inc. ("Klipsch" and together with each of ACC, AEC, ACEI, ARC, CSI, IAS and Batteries, each, individually, a " Borrower" and, collectively, "Borrowers"), the lenders party thereto as "Lenders" (such Lenders, together with their respective successors and assigns in such capacity, each, individually, a "Lender" and, collectively, the "Lenders") and Agent, the Lender Group has agreed to make certain financial accommodations available to Borrowers from time to time pursuant to the terms and conditions thereof; and

WHEREAS, the members of the Lender Group are willing to make the financial accommodations to Borrowers as provided for in the Credit Agreement, but only upon the condition, among others, that Grantors shall have executed and delivered to Agent, for the benefit of the Lender Group and the Bank Product Providers, the Security Agreement, dated of even date herewith (including all annexes, exhibits or schedules thereto, as from time to time amended, restated, supplemented or otherwise modified, the " Security Agreement"); and

WHEREAS, pursuant to the Security Agreement, Grantors are required to execute and deliver to Agent, for the benefit of the Lender Group and the Bank Product Providers, this Copyright Security Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantors hereby agree as follows:

1. DEFINED TERMS. All initially capitalized terms used but not otherwise defined herein have the meanings given to them in the Security Agreement or, if not defined therein, in the Credit Agreement.

2. GRANT OF SECURITY INTEREST IN COPYRIGHT COLLATERAL. Each Grantor hereby unconditionally grants, assigns, and pledges to Agent, for the benefit each member of the Lender Group and each of the Bank Product Providers, to secure the Secured Obligations, a continuing security interest (referred to in this Copyright Security Agreement as the "Security Interest") in all of such Grantor's right, title and interest in and to the following, whether now owned or hereafter acquired or arising (collectively, the " Copyright Collateral"):

a. all of such Grantor's Copyrights and Copyright Intellectual Property Licenses to which it is a party including those referred to on Schedule I;

b. all renewals or extensions of the foregoing; and

c. all products and proceeds of the foregoing, including any claim by such Grantor against third parties for past, present or future infringement of any Copyright or any Copyright exclusively licensed under any Intellectual Property License, including the right to receive damages, or the right to receive license fees, royalties, and other compensation under any Copyright Intellectual Property License.

3. SECURITY FOR SECURED OBLIGATIONS. This Copyright Security Agreement and the Security Interest created hereby secures the payment and performance of the Secured Obligations, whether now existing or arising hereafter. Without limiting the generality of the foregoing, this Copyright Security Agreement

secures the payment of all amounts which constitute part of the Secured Obligations and would be owed by Grantors, or any of them, to Agent, the Lender Group, the Bank Product Providers or any of them, whether or not they are unenforceable or not allowable due to the existence of an Insolvency Proceeding involving any Grantor.

4. SECURITY AGREEMENT. The Security Interest granted pursuant to this Copyright Security Agreement is granted in conjunction with the security interests granted to Agent, for the benefit of the Lender Group and the Bank Product Providers, pursuant to the Security Agreement. Each Grantor hereby acknowledges and affirms that the rights and remedies of Agent with respect to the Security Interest in the Copyright Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein. To the extent there is any inconsistency between this Copyright Security Agreement and the Security Agreement, the Security Agreement shall control.

5. AUTHORIZATION TO SUPPLEMENT. Grantors shall give Agent prior written notice of no less than three (3) Business Days before filing any additional application for registration of any copyright and prompt notice in writing of any additional copyright registrations granted therefor after the date hereof. Without limiting Grantors' obligations under this Section, Grantors hereby authorize Agent unilaterally to modify this Copyright Security Agreement by amending Schedule I to include any future United States registered copyrights or applications therefor of each Grantor. Notwithstanding the foregoing, no failure to so modify this Copyright Security Agreement or amend Schedule I shall in any way affect, invalidate or detract from Agent's continuing security interest in all Collateral, whether or not listed on Schedule I.

6. COUNTERPARTS. This Copyright Security Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Copyright Security Agreement. Delivery of an executed counterpart of this Copyright Security Agreement by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Copyright Security Agreement. Any party delivering an executed counterpart of this Copyright Security Agreement by telefacsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Copyright Security Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Copyright Security Agreement.

7. CONSTRUCTION. This Copyright Security Agreement is a Loan Document. Unless the context of this Copyright Security Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms “includes” and “including” are not limiting, and the term “or” has, except where otherwise indicated, the inclusive meaning represented by the phrase “and/or”. The words “hereof”, “herein”, “hereby”, “hereunder”, and similar terms in this Copyright Security Agreement refer to this Copyright Security Agreement as a whole and not to any particular provision of this Copyright Security Agreement. Section, subsection, clause, schedule, and exhibit references herein are to this Copyright Security Agreement unless otherwise specified. Any reference in this Copyright Security Agreement to any agreement, instrument, or document shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). The words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts, and contract rights. Any reference herein to the satisfaction, repayment, or payment in full of the Secured Obligations shall mean the repayment in full in cash (or, in the case of Letters of Credit or Bank Products, providing Letter of Credit Collateralization or Bank Product Collateralization, as applicable) of all Secured Obligations other than unasserted contingent indemnification Secured Obligations and other than any Bank Product Obligations that, at such time, are allowed by the applicable Bank Product Provider to remain outstanding and that are not required by the provisions of the Credit Agreement to be repaid or cash collateralized. Any reference herein to any Person shall be construed to include such Person's successors and assigns. Any requirement of a writing contained herein shall be satisfied by the transmission of a Record.

8. **THE VALIDITY OF THIS COPYRIGHT SECURITY AGREEMENT, THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF, AND THE RIGHTS OF THE PARTIES HERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR RELATED**

HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

9. **THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS COPYRIGHT SECURITY AGREEMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, FEDERAL COURTS LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE AGENT ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. AGENT AND EACH GRANTOR WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 9.**

10. **TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, AGENT AND EACH GRANTOR HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. AGENT AND EACH GRANTOR REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS COPYRIGHT SECURITY AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.**

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Copyright Security Agreement to be executed and delivered as of the day and year first above written.

NEW GRANTORS:

_____
By:_____
Name:
Title:

_____
By:_____
Name:
Title:

AGENT:

ACCEPTED AND ACKNOWLEDGED BY:
WELLS FARGO CAPITAL FINANCE, LLC, a Delaware limited liability company
By:_____
Name:
Title:

SCHEDULE I

TO

COPYRIGHT SECURITY AGREEMENT

COPYRIGHT REGISTRATIONS

Grantor	Country	Copyright	Registration No.	Registration Date

Copyright Licenses

EXHIBIT B

PATENT SECURITY AGREEMENT

This PATENT SECURITY AGREEMENT (this "Patent Security Agreement") is made this ___ day of _____, 2011, by and among the Grantors listed on the signature pages hereof (collectively, jointly and severally, " Grantors" and each individually "Grantor"), and **WELLS FARGO CAPITAL FINANCE, LLC**, a Delaware limited liability company ("WFCF"), in its capacity as agent for the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, "Agent").

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, dated of even date herewith (as amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement"), by and among Audiovox Corporation, a Delaware corporation (" Parent"), Audiovox Accessories Corp., a Delaware corporation ("ACC"), Audiovox Electronics Corporation, a Delaware corporation (" AEC"), Audiovox Consumer Electronics, Inc., a Delaware corporation ("ACEI"), American Radio Corp., a Delaware corporation (" ARC"), Code Systems, Inc., a Delaware corporation (" CSI"), Invision Automotive Systems, Inc., a Delaware corporation ("IAS"), Batteries.com, LLC, an Indiana limited liability company (" Batteries") and Klipsch Group, Inc. ("Klipsch" and together with each of ACC, AEC, ACEI, ARC, CSI, IAS and Batteries, each, individually, a " Borrower" and, collectively, "Borrowers"), the lenders party thereto as "Lenders" (such Lenders, together with their respective successors and assigns in such capacity, each, individually, a "Lender" and, collectively, the "Lenders") and Agent, the Lender Group has agreed to make certain financial accommodations available to Borrowers from time to time pursuant to the terms and conditions thereof; and

WHEREAS, the members of Lender Group are willing to make the financial accommodations to Borrowers as provided for in the Credit Agreement, but only upon the condition, among others, that the Grantors shall have executed and delivered to Agent, for the benefit of the Lender Group and the Bank Product Providers, the Security Agreement, dated of even date herewith (including all annexes, exhibits or schedules thereto, as from time to time amended, restated, supplemented or otherwise modified, the " Security Agreement"); and

WHEREAS, pursuant to the Security Agreement, Grantors are required to execute and deliver to Agent, for the benefit of the Lender Group and the Bank Product Providers, this Patent Security Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Grantor hereby agrees as follows:

1. DEFINED TERMS. All initially capitalized terms used but not otherwise defined herein have the meanings given to them in the Security Agreement or, if not defined therein, in the Credit Agreement.

2. GRANT OF SECURITY INTEREST IN PATENT COLLATERAL. Each Grantor hereby unconditionally grants, assigns, and pledges to Agent, for the benefit each member of the Lender Group and each of the Bank Product Providers, to secure the Secured Obligations, a continuing security interest (referred to in this Patent Security Agreement as the " Security Interest") in all of such Grantor's right, title and interest in and to the following, whether now owned or hereafter acquired or arising (collectively, the " Patent Collateral"):

a. all of its Patents and Patent Intellectual Property Licenses to which it is a party including those referred to on Schedule I;

b. all divisionals, continuations, continuations-in-part, reissues, reexaminations, or extensions of the foregoing; and

c. all products and proceeds of the foregoing, including any claim by such Grantor against third parties for past, present or future infringement of any Patent or any Patent exclusively licensed under any Intellectual Property License, including the right to receive damages, or right to receive license fees, royalties, and other compensation under any Patent Intellectual Property License.

3. SECURITY FOR SECURED OBLIGATIONS. This Patent Security Agreement and the Security Interest created hereby secures the payment and performance of the Secured Obligations, whether now existing or

arising hereafter. Without limiting the generality of the foregoing, this Patent Security Agreement secures the payment of all amounts which constitute part of the Secured Obligations and would be owed by Grantors, or any of them, to Agent, the Lender Group, the Bank Product Providers or any of them, whether or not they are unenforceable or not allowable due to the existence of an Insolvency Proceeding involving any Grantor.

4. SECURITY AGREEMENT. The Security Interest granted pursuant to this Patent Security Agreement is granted in conjunction with the security interests granted to Agent, for the benefit of the Lender Group and the Bank Product Providers, pursuant to the Security Agreement. Each Grantor hereby acknowledges and affirms that the rights and remedies of Agent with respect to the Security Interest in the Patent Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein. To the extent there is any inconsistency between this Patent Security Agreement and the Security Agreement, the Security Agreement shall control.

5. AUTHORIZATION TO SUPPLEMENT. If any Grantor shall obtain rights to any new patent application or issued patent or become entitled to the benefit of any patent application or patent for any divisional, continuation, continuation-in-part, reissue, or reexamination of any existing patent or patent application, the provisions of this Patent Security Agreement shall automatically apply thereto. Grantors shall give prompt notice in writing to Agent with respect to any such new patent rights. Without limiting Grantors' obligations under this Section, Grantors hereby authorize Agent unilaterally to modify this Patent Security Agreement by amending Schedule I to include any such new patent rights of each Grantor. Notwithstanding the foregoing, no failure to so modify this Patent Security Agreement or amend Schedule I shall in any way affect, invalidate or detract from Agent's continuing security interest in all Collateral, whether or not listed on Schedule I.

6. COUNTERPARTS. This Patent Security Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Patent Security Agreement. Delivery of an executed counterpart of this Patent Security Agreement by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Patent Security Agreement. Any party delivering an executed counterpart of this Patent Security Agreement by telefacsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Patent Security Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Patent Security Agreement.

7. CONSTRUCTION. This Patent Security Agreement is a Loan Document. Unless the context of this Patent Security Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms “includes” and “including” are not limiting, and the term “or” has, except where otherwise indicated, the inclusive meaning represented by the phrase “and/or”. The words “hereof”, “herein”, “hereby”, “hereunder”, and similar terms in this Patent Security Agreement refer to this Patent Security Agreement as a whole and not to any particular provision of this Patent Security Agreement. Section, subsection, clause, schedule, and exhibit references herein are to this Patent Security Agreement unless otherwise specified. Any reference in this Patent Security Agreement to any agreement, instrument, or document shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). The words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts, and contract rights. Any reference herein to the satisfaction, repayment, or payment in full of the Secured Obligations shall mean the repayment in full in cash (or, in the case of Letters of Credit or Bank Products, providing Letter of Credit Collateralization or Bank Product Collateralization, as applicable) of all Secured Obligations other than unasserted contingent indemnification Secured Obligations and other than any Bank Product Obligations that, at such time, are allowed by the applicable Bank Product Provider to remain outstanding and that are not required by the provisions of this Patent Security Agreement to be repaid or cash collateralized. Any reference herein to any Person shall be construed to include such Person's successors and assigns. Any requirement of a writing contained herein shall be satisfied by the transmission of a Record.

8. **THE VALIDITY OF THIS PATENT SECURITY AGREEMENT, THE CONSTRUCTION,**

INTERPRETATION, AND ENFORCEMENT HEREOF, AND THE RIGHTS OF THE PARTIES HERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR RELATED HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

9. **THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS PATENT SECURITY AGREEMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, FEDERAL COURTS LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE AGENT ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. AGENT AND EACH GRANTOR WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 9.**

10. **TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, AGENT AND EACH GRANTOR HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. AGENT AND EACH GRANTOR REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS PATENT SECURITY AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.**

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE TO PATENT SECURITY AGREEMENT]

IN WITNESS WHEREOF, the parties hereto have caused this Patent Security Agreement to be executed and delivered as of the day and year first above written.

GRANTORS:

_____
By:_____
Name:
Title:

_____
By:_____
Name:
Title:

AGENT:

ACCEPTED AND ACKNOWLEDGED BY:
WELLS FARGO CAPITAL FINANCE, LLC,
a Delaware limited liability company
By:_____
Name:
Title:

SCHEDULE I

to

PATENT SECURITY AGREEMENT

Patents

Grantor	Country	Patent	Application/ Patent No.	Filing Date

Patent Licenses

EXHIBIT C

PLEDGED INTERESTS ADDENDUM

This Pledged Interests Addendum, dated as of _____ ___, 20___ (this " Pledged Interests Addendum"), is delivered pursuant to Section 6 of the Security Agreement referred to below. The undersigned hereby agrees that this Pledged Interests Addendum may be attached to the Security Agreement, dated as of _____, 2011, (as amended, restated, supplemented, or otherwise modified from time to time, the " Security Agreement"), made by the undersigned, together with the other Grantors named therein, to **WELLS FARGO CAPITAL FINANCE, LLC**, a Delaware limited liability company, as Agent. Initially capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Security Agreement or, if not defined therein, in the Credit Agreement. The undersigned hereby agrees that the additional interests listed on Schedule I shall be and become part of the Pledged Interests pledged by the undersigned to Agent in the Security Agreement and any pledged company set forth on Schedule I shall be and become a "Pledged Company" under the Security Agreement, each with the same force and effect as if originally named therein.

This Pledged interests Addendum is a Loan Document. Delivery of an executed counterpart of this Pledged Interests Addendum by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Pledged Interests Addendum. If the undersigned delivers an executed counterpart of this Pledged Interests Addendum by telefacsimile or other electronic method of transmission, the undersigned shall also deliver an original executed counterpart of this Pledged Interests Addendum but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Pledged Interests Addendum.

The undersigned hereby certifies that the representations and warranties set forth in Section 5 of the Security Agreement of the undersigned are true and correct as to the Pledged Interests listed herein on and as of the date hereof.

THE VALIDITY OF THIS PLEDGED INTERESTS ADDENDUM, THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF, AND THE RIGHTS OF THE PARTIES HERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR RELATED HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS PLEDGED INTERESTS ADDENDUM SHALL BE TRIED AND LITIGATED ONLY IN THE STATE, AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, FEDERAL COURTS LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE AGENT ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. AGENT AND EACH GRANTOR WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS PARAGRAPH.

TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, AGENT AND EACH GRANTOR HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS PLEDGED INTERESTS ADDENDUM OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. AGENT AND EACH GRANTOR REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSELIN THE EVENT OF LITIGATION, A COPY OF THIS PLEDGED INTERESTS ADDENDUM MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE TO PLEDGED INTERESTS ADDENDUM]

IN WITNESS WHEREOF, the undersigned has caused this Pledged Interests Addendum to be executed and delivered as of the day and year first above written.

[_____]
By:_____
Name:
Title:

1,787,854.4

SCHEDULE I

TO

PLEDGED INTERESTS ADDENDUM

Pledged Interests

Name of Grantor	Name of Pledged Company	Number of Shares/Units	Class of Interests	Percentage of Class Owned	Certificate Nos.

EXHIBIT D

TRADEMARK SECURITY AGREEMENT

This TRADEMARK SECURITY AGREEMENT (this "Trademark Security Agreement") is made this ___ day of _____, 20__, by and among Grantors listed on the signature pages hereof (collectively, jointly and severally, " Grantors" and each individually "Grantor"), and **WELLS FARGO CAPITAL FINANCE, LLC**, a Delaware limited liability company ("WFCF"), in its capacity as agent for the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, " Agent").

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, dated of even date herewith (as amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement"), by and among Audiovox Corporation, a Delaware corporation (" Parent"), Audiovox Accessories Corp., a Delaware corporation ("ACC"), Audiovox Electronics Corporation, a Delaware corporation (" AEC"), Audiovox Consumer Electronics, Inc., a Delaware corporation ("ACEI"), American Radio Corp., a Delaware corporation (" ARC"), Code Systems, Inc., a Delaware corporation (" CSI"), Invision Automotive Systems, Inc., a Delaware corporation ("IAS"), Batteries.com, LLC, an Indiana limited liability company (" Batteries") and Klipsch Group, Inc. ("Klipsch" and together with each of ACC, AEC, ACEI, ARC, CSI, IAS and Batteries, each, individually, a " Borrower" and, collectively, "Borrowers"), the lenders party thereto as "Lenders" (such Lenders, together with their respective successors and assigns in such capacity, each, individually, a "Lender" and, collectively, the "Lenders"), and Agent, the Lender Group has agreed to make certain financial accommodations available to Borrowers from time to time pursuant to the terms and conditions thereof; and

WHEREAS, the members of the Lender Group are willing to make the financial accommodations to Borrowers as provided for in the Credit Agreement, but only upon the condition, among others, that Grantors shall have executed and delivered to Agent, for the benefit of Lender Group and the Bank Product Providers, that certain Security Agreement, dated as of even date herewith (including all annexes, exhibits or schedules thereto, as from time to time amended, restated, supplemented or otherwise modified, the " Security Agreement"); and

WHEREAS, pursuant to the Security Agreement, Grantors are required to execute and deliver to Agent, for the benefit of Lender Group and the Bank Product Providers, this Trademark Security Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Grantor hereby agrees as follows:

1. DEFINED TERMS. All initially capitalized terms used but not otherwise defined herein have the meanings given to them in the Security Agreement or, if not defined therein, in the Credit Agreement.

2. GRANT OF SECURITY INTEREST IN TRADEMARK COLLATERAL. Each Grantor hereby unconditionally grants, assigns, and pledges to Agent, for the benefit each member of the Lender Group and each of the Bank Product Providers, to secure the Secured Obligations, a continuing security interest (referred to in this Trademark Security Agreement as the " Security Interest") in all of such Grantor's right, title and interest in and to the following, whether now owned or hereafter acquired or arising (collectively, the " Trademark Collateral"):

a. all of its Trademarks and Trademark Intellectual Property Licenses to which it is a party including those referred to on Schedule I;

b. all goodwill of the business connected with the use of, and symbolized by, each Trademark and each Trademark Intellectual Property License; and

c. all products and proceeds (as that term is defined in the Code) of the foregoing, including any claim by such Grantor against third parties for past, present or future (i) infringement or dilution of any Trademark or any Trademarks exclusively licensed under any Intellectual Property License, including right to receive any damages, (ii) injury to the goodwill associated with any Trademark, or (iii) right to receive license fees, royalties, and other compensation under any Trademark Intellectual Property License.

3. SECURITY FOR SECURED OBLIGATIONS. This Trademark Security Agreement and the

Security Interest created hereby secures the payment and performance of the Secured Obligations, whether now existing or arising hereafter. Without limiting the generality of the foregoing, this Trademark Security Agreement secures the payment of all amounts which constitute part of the Secured Obligations and would be owed by Grantors, or any of them, to Agent, the Lender Group, the Bank Product Providers or any of them, whether or not they are unenforceable or not allowable due to the existence of an Insolvency Proceeding involving any Grantor.

4. SECURITY AGREEMENT. The Security Interest granted pursuant to this Trademark Security Agreement is granted in conjunction with the security interests granted to Agent, for the benefit of the Lender Group and the Bank Product Providers, pursuant to the Security Agreement. Each Grantor hereby acknowledges and affirms that the rights and remedies of Agent with respect to the Security Interest in the Trademark Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein. To the extent there is any inconsistency between this Trademark Security Agreement and the Security Agreement, the Security Agreement shall control.

5. AUTHORIZATION TO SUPPLEMENT. If any Grantor shall obtain rights to any new trademarks, the provisions of this Trademark Security Agreement shall automatically apply thereto. Grantors shall give prompt notice in writing to Agent with respect to any such new trademarks or renewal or extension of any trademark registration. Without limiting Grantors' obligations under this Section, Grantors hereby authorize Agent unilaterally to modify this Trademark Security Agreement by amending Schedule I to include any such new trademark rights of each Grantor. Notwithstanding the foregoing, no failure to so modify this Trademark Security Agreement or amend Schedule I shall in any way affect, invalidate or detract from Agent's continuing security interest in all Collateral, whether or not listed on Schedule I.

6. COUNTERPARTS. This Trademark Security Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Trademark Security Agreement. Delivery of an executed counterpart of this Trademark Security Agreement by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Trademark Security Agreement. Any party delivering an executed counterpart of this Trademark Security Agreement by telefacsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Trademark Security Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Trademark Security Agreement.

7. CONSTRUCTION. This Trademark Security Agreement is a Loan Document. Unless the context of this Trademark Security Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms “includes” and “including” are not limiting, and the term “or” has, except where otherwise indicated, the inclusive meaning represented by the phrase “and/or”. The words “hereof”, “herein”, “hereby”, “hereunder”, and similar terms in this Trademark Security Agreement refer to this Trademark Security Agreement as a whole and not to any particular provision of this Trademark Security Agreement. Section, subsection, clause, schedule, and exhibit references herein are to this Agreement unless otherwise specified. Any reference in this Trademark Security Agreement to any agreement, instrument, or document shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). The words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts, and contract rights. Any reference herein to the satisfaction, repayment, or payment in full of the Secured Obligations shall mean the repayment in full in cash (or, in the case of Letters of Credit or Bank Products, providing Letter of Credit Collateralization or Bank Product Collateralization, as applicable) of all Secured Obligations other than unasserted contingent indemnification Secured Obligations and other than any Bank Product Obligations that, at such time, are allowed by the applicable Bank Product Provider to remain outstanding and that are not required by the provisions of this Trademark Security Agreement to be repaid or cash collateralized. Any reference herein to any Person shall be construed to include such Person's successors and assigns. Any requirement of a writing contained herein or in any other Loan Document shall be satisfied by the transmission of a Record.

8. **THE VALIDITY OF THIS TRADEMARK SECURITY AGREEMENT, THE**

CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF, AND THE RIGHTS OF THE PARTIES HERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR RELATED HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

9. **THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS TRADEMARK SECURITY AGREEMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, FEDERAL COURTS LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE AGENT ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. AGENT AND EACH GRANTOR WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 9.**

10. **TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, AGENT AND EACH GRANTOR HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. AGENT AND EACH GRANTOR REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS TRADEMARK SECURITY AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.**

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE TO TRADEMARK SECURITY AGREEMENT]

IN WITNESS WHEREOF, the parties hereto have caused this Trademark Security Agreement to be executed and delivered as of the day and year first above written.

GRANTORS:

_____
By:_____
Name:
Title:

_____
By:_____
Name:
Title:

ACCEPTED AND ACKNOWLEDGED BY:
WELLS FARGO CAPITAL FINANCE, LLC,
a Delaware limited liability company

AGENT:

By:_____
Name:
Title:

SCHEDULE I

to

TRADEMARK SECURITY AGREEMENT

Trademark Registrations/Applications

Grantor	Country	Mark	Application/ Registration No.	App/Reg Date

Trade Names

Common Law Trademarks

Trademarks Not Currently In Use

Trademark Licenses

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of February 3, 2011, by and between KLIPSCH GROUP, INC., an Indiana corporation, and T. PAUL JACOBS, an individual (the "Executive").

Recitals

WHEREAS, Audiovox Corporation ("Audiovox") intends to purchase all of the issued and outstanding shares of Klipsch Group, Inc. (referred to herein as "KGI" or "Employer") pursuant to a Share Purchase Agreement and;

WHEREAS, Executive has an existing employment agreement with the Employer dated February 11, 2005, and wishes to continue uninterrupted service and to continue employment by the Employer following the closing of the share purchase by Soundtech LLC, the subsidiary of Audiovox on the terms and conditions set out herein and;

WHEREAS, in addition to the consideration set forth in this agreement, Audiovox, through its subsidiary, will also be purchasing Executives shares in KGI for a considerable sum and;

WHEREAS, Audiovox would not purchase all the shares of KGI and in particular the shares owned by Executive unless Executive enters this agreement and thereby agrees to abide with its terms.

Statement of Agreement

This Agreement is conditioned on the successful completion of the share purchase by Audiovox through its subsidiary of all of the issued and outstanding shares by KGI. In the event the share acquisition is not accomplished, this Agreement shall for all purposes be null and void. This Agreement shall not commence until the signing of this Agreement and the successful completion of the share purchase by Audiovox through its subsidiary.

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

§ 1. ***Definitions.***

For the purposes of this Agreement, the following terms have the meanings specified or referred to in this § 1.

"Affiliate" means a corporation or other entity controlling, controlled by or under common control with the Employer.

"Agreement" has the meaning set forth in the preamble.

"Audiovox" the sole owner of Soundtech LLC, which is the sole shareholder of the Employer.

"Base Compensation" has the meaning set forth in § 3(a).

"Benefits" has the meaning set forth in § 3(c).

"Board of Directors" means the Board of Directors of the Employer.

"Business" means the (i) the speaker and sound business, and (ii) any other consumer electronics business as engaged in from time to time by the Employer and its Affiliates.

"Cause" means: (i) the Executive's continued willful failure to perform in a material respect (other than any such failure resulting from incapacity due to Disability) the explicitly stated duties to be performed by the Executive under this Agreement for a period of 10 days following delivery of written notice to the Executive from the Chief Executive Officer of Audiovox specifying in reasonable detail key elements of such failure; (ii) the appropriation (or attempted appropriation) of a material business opportunity of the Employer or Audiovox or their Affiliates, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Employer or Audiovox or any Affiliate; (iii) the willful disclosure by the Executive of Confidential Information of the Employer or Audiovox or any of their Affiliates, other than in the ordinary course of business in connection with the performance of the Executive's duties in accordance with this Agreement; (iv) the misappropriation (or attempted misappropriation) of any of the Employer's or Audiovox's or any of their Affiliates funds or property; or (v) the conviction of, or the entering of a guilty plea or plea of no contest with respect to, any offense that is a felony.

"Confidential Information" means any and all information concerning the business and affairs of the Employer

and Audiovox and their Affiliates including, but not limited to, customer lists, supplier lists, Inventions, Works, Proprietary Items, trade secrets, financial statements, business and financial projections and budgets, historical and projected sales, capital spending budgets and plans, business and marketing plans, strategic plans, product plans, the names and backgrounds of key personnel, personnel training and techniques and materials, however documented and all notes, analysis, compilations, studies, summaries and other material prepared by or for the Employer and Audiovox or their Affiliates containing or based, in whole or in part, on any information included in the foregoing.

"Disability" means a condition where for physical or mental reasons the Executive is unable to perform the Executive's duties (as determined in accordance with the procedures set forth in the next sentence) and such condition in the reasonable judgment of the Employer, as substantiated by a medical doctor in the manner provided below, is expected to continue for such period of time as to require replacement of the Executive in order to carry out the business of the Employer. The determination that the physical or mental state of the Executive constitutes a Disability shall be made by a medical doctor who is not an employee of the Employer and who is reasonably selected by the Employer and reasonably acceptable to the Executive (unless the Employer and the Executive reach mutual agreement regarding the existence of a Disability) and such determination shall be binding on both parties. The Executive must submit to a reasonable number of examinations by the designated medical doctor and the Executive hereby authorizes the disclosure and release to the Employer of such determination and all supporting medical records. Any and all out of pocket expenses incurred by the Executive in connection with the determination by the designated medical doctor of a Disability shall be paid for or reimbursed by the Employer. Action on behalf of the Executive may be taken by the Executive's guardian or duly authorized attorney-in-fact for purposes of submitting the Executive to medical examinations and approving authorization of disclosure. The Executive shall be deemed to have a Disability if the Executive for any reason is unable to perform the Executive's duties for 120 consecutive days or for 180 days during any 12-month period.

"Effective Date" means the date first written above in this Agreement.

"Employer" means Klipsch Group Inc.

"Employment Period" means the term of the Executive's employment under this Agreement.

"Executive" has the meaning set forth in the preamble.

"Good Reason" means (a) a material reduction in the Executive's Base Compensation opportunity below the amount specified in Section 3 of this Agreement (other than a reduction applicable to all other similarly situated participants), (b) a requirement to move more than 35 miles from Indianapolis, (c) a material reduction in the Executive's level of responsibility, or (d) an assignment of duties inconsistent with the Executive's position as a key executive.

"Inventions" has the meaning set forth in § 6(d).

"Market Jurisdictions" means the jurisdictions set forth in Exhibit A, the United States of America and any other country where the Employer sells speakers and sound products or otherwise engages in the Business.

"Non-Compete Period" has the meaning set forth in § 7(b)(i).

"Notice of Termination" has the meaning set forth in § 5(b).

"Person" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization or governmental body.

"Proprietary Items" has the meaning set forth in § 6(b)(iv).

"Stock Purchase Non-Competition Period" means the 30 month period following the Closing of the Stock Purchase Agreement among the Employer, the Executive and others, dated as of February 3, 2011.

"Termination Date" has the meaning set forth in § 2(b).

"Works" has the meaning set forth in § 6(e).

§ 2. Employment Terms and Duties.

(a) ***Employment.*** The Employer hereby employs the Executive, and the Executive hereby accepts employment by the Employer, upon the terms and conditions set forth in this Agreement.

(b) ***Term.*** The Executive's employment under this Agreement shall begin on the Effective Date and shall

continue thereafter until terminated pursuant to § 5 below (the "Termination Date").

(c) ***Rights and Powers; Duties.*** The Executive shall initially serve as the President and Chief Operating Officer 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 Audiovox. The Executive shall devote full time and attention, skill and energy exclusively to the business of the Employer, shall use best efforts to promote the success of the Employer's and its Affiliate's business and shall cooperate fully with the Board of Directors 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.

(d) ***Key Man Insurance.*** If requested by the Employer, the Executive shall cooperate with the Employer in establishing and maintaining "key man" insurance with respect to the Executive's services, including submitting to any medical examinations reasonably necessary or advisable to establish. or maintain such insurance. The "key man" insurance to be established and maintained under this § 2(d) shall be paid for by the Employer.

§ 3. Compensation.

(a) ***Base Compensation.*** The Executive shall, during the Employment Period, be paid by the Employer and/or its Affiliates base salary at an annual rate of $425,000.00 (the "Base Compensation"), subject to review and potential upward adjustment annually thereafter, which will be payable according to the Employer's customary payroll practices.

(b) ***Bonuses.*** Executive will receive a bonus equal to a maximum of 50% of his base salary based on achievement of EBITDA goals and other goals established at the beginning of each year that will promote the growth of the Employer. Goals will be established by the Chief Executive Officer of Audiovox and discussed with Management at the beginning of each new fiscal year. The Executive's bonus criteria for fiscal year 2011 are set forth on Exhibit B.

(c) ***Benefits.*** The Executive shall, during the Employment Period, be permitted to participate in such Code Section 401(k), pension; profit sharing, bonus, life insurance, disability insurance, hospitalization, dental, major medical and other employee benefit plans of the Employer that may be in effect from time to time, to the extent the Executive is eligible under the terms of those plans, but not less favorable to the Executive than currently in effect (collectively, the "Benefits").

(d) ***Vacation.*** The Executive shall, during the Employment Period, be entitled to the number of weeks of paid vacation per full calendar year as set forth in the Employer's then current vacation policy. Vacation time may not be carried over.

(e) ***Life Insurance.*** The Executive shall, during the Employment Period, be provided a term life policy in the amount of $250,000 paid for by the Employer with the beneficiary selected by the Executive.

(f) ***Executive Put Option.*** Exhibit "C" annexed.

§ 4. Expenses. The Employer shall reimburse the Executive for all reasonable and necessary out-of-pocket expenses incurred by the Executive in connection with the performance of services under this Agreement, subject to any recordkeeping, reporting or similar requirements imposed pursuant to policies and procedures of the Employer in effect from time to time.

§ 5. Termination.

(a) Events of Termination. The Employment Period and the Executive's rights under this Agreement or otherwise as an employee of the Employer shall terminate (except as otherwise provided in this § 5):

(i) automatically upon the death of the Executive;

(ii) upon the Disability of the Executive immediately upon written notice from either party to the other party;

(iii) if for Cause, immediately upon delivery of a Notice of Termination from the Chief Executive Officer of Audiovox to the Executive, or at such later time as such notice may specify;

(iv) if without Cause, upon 30 days prior written notice from the Chief Executive Officer of

Audiovox to the Executive, or at such later time as such notice may specify;

(v) if by the Executive other than for Good Reason, upon the Executive's resignation 30 days following written notice from the Executive to the Board of Directors; or

(vi) if by the Executive for Good Reason, upon and in accordance with the following conditions. In order to terminate for Good Reason, the Executive must give the Board of Directors a Notice of Termination at least 60 calendar days in advance of the Executive's intent to terminate employment for Good Reason setting forth the specific actions by the Employer which triggered the notice and the Notice of Termination must be received by the Chief Executive Officer of Audiovox no more than ninety (90) calendar days after the complained-of-action(s) occurred which constitute the basis for Good Reason. Upon receipt of the Notice of Termination and for a period of fifteen (15) calendar days thereafter, the Board of Directors shall consider the complained-of-action(s) set forth therein and if such complained-of-action(s) constitute Good Reason shall cure or remedy the actions set forth therein. If the Employer adequately remedies or cures the actions giving rise to the Notice of Termination within such 15-day period, then the resignation by the Executive shall not be for Good Reason.

(b) ***Notice of Termination.*** Any termination by the Employer for Cause or by the Executive for Good Reason shall be communicated by a Notice of Termination to the Executive or the Board of Directors, as applicable. For purposes of this Agreement, a "Notice of Termination" means a written notice which (1) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) the date of termination. The failure by the Executive or the Employer to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause or Good Reason shall not waive any right of the Executive or the Employer, respectively, hereunder or preclude the Executive or the Employer, respectively, from asserting any fact or circumstance in enforcing the Executive's or the Employer's rights hereunder.

(c) ***Termination Pay.*** Subject to the terms of §§ 7 and 8 below, effective upon termination of employment of the Executive for any reason, except as required under applicable law, the Employer shall be obligated to pay to the Executive (or, in the event of the Executive's death, the Executive's designated beneficiary) only such compensation as is specified in this § 5(c). The Executive's designated beneficiary will be such individual or trust, located at such address, as the Executive may designate by notice in writing to the Employer from time to time or, if the Executive fails to give notice to the Employer of such a beneficiary, the Executive's estate. Notwithstanding the preceding sentence, the Employer shall have no duty under any circumstances to determine whether any Person holding herself, himself or itself out as the beneficiary is in fact entitled to any termination payment but may rely upon the representations of such Person.

(i) **Termination by the Employer Without Cause or by the Executive for Good Reason.** Subject to Subparagraph 5(c)(ii), if the Executive's employment is terminated by the Employer without Cause or by the Executive for Good Reason, the Employer shall pay to the Executive in accordance with the Employer's then current payroll practices: (A) Base Compensation, at the annual rate in effect immediately prior to termination, plus an amount equal to the average annual bonus paid to the Executive in the preceding two (2) fiscal years, payable in equal monthly installments over a period of 12 months; plus (B) any earned and unpaid Base Compensation and bonus for the period ending on termination. In addition, the Employer shall (A) pay for and continue disability insurance and health insurance benefits provided to the Executive and the Executive's dependents immediately prior to the termination of the Executive's employment for a period of 12 months, and (B) in accordance with past practice, reimburse the Executive for expenses incurred in accordance with § 4. The Executive's entitlement to the compensation and benefits described in this subsection (i) is specifically subject to the execution and delivery by the Executive of a release agreement in form and substance reasonably acceptable to the Employer.

(ii) **Termination During the Stock Purchase Non-Competition Period.** Notwithstanding Subparagraph 5(c)(i) above, if the Executive's employment is terminated by the Employer with cause or by the Executive for any reason whatsoever, except for a material reduction in the Executive's Base Compensation opportunity below the amount specified in Section 3 of this Agreement (other than a reduction applicable to all other similarly situated participants) or a requirement to move more than 35 miles from Indianapolis, during the Stock Purchase Non-Competition Period, Executive will receive no compensation or any of the Benefits provided in Subparagraph 5(c)(i) above from the Employer during the Stock Purchase Non-Competition Period. If the Executive's employment is terminated by the Employer without cause or by the Executive because of a

material reduction in the Executive's Base Compensation opportunity below the amount specified in Section 3 of this Agreement (other than a reduction applicable to all other similarly situated participants), or a requirement to move more than 35 miles from Indianapolis during the Stock Purchase Non-Competition Period, the Executive will receive: (A) Base Compensation at the annual rate in effect immediately prior to termination, plus an amount equal to the average annual bonus paid to the Executive in the preceding two (2) fiscal years, payable in equal monthly installments over the greater of (i) the remaining period of the Stock Purchase Non-Competition Period or (ii) twelve (12) months; (B) any earned unpaid Base Compensation and bonus for the period ending on termination; and (C) in accordance with past practice, reimburse the Executive for expenses incurred in accordance with § 4. The Executive's entitlement to the compensation and benefits described in this subsection (ii) is specifically subject to the execution and delivery by the Executive of a release agreement in form and substance reasonably acceptable to the Employer.

(iii) **Termination upon Disability.** If the Executive's employment is terminated as a result of the Executive's Disability, the Employer shall (A) pay the Executive an amount equal to any disability payments provided pursuant to the benefits package available to the Executive; (B) pay to the Executive at the same time paid to other employees any earned but unpaid Base Compensation and bonus for the period ending on termination; and (C) in accordance with the Employer's past practice, reimburse the Executive for expenses incurred in accordance with § 4.

(iv) **Termination on Death**. If the Executive's employment is terminated because of the Executive's death, the Employer shall pay to the beneficiary of the Executive any earned but unpaid Base Compensation and bonus for the period ending on the date of the Executive's death. In addition, the Employer, in accordance with the Employer's past practice, shall reimburse the Executive or the Executive's heirs or estate for expenses incurred in accordance with § 4.

(v) **Termination by the Employer for Cause**. If the Executive's employment is terminated by the Employer for Cause, the Executive shall be entitled only to receive the Executive's earned but unpaid Base Compensation and bonus through the date of termination. In addition, the Employer, in accordance with the Employer's past practice, shall reimburse the Executive for expenses incurred in accordance with § 4.

(vi) **Termination by the Executive without Good Reason**. If the Executive's employment is terminated by the Executive for any reason (other than for Good Reason), the Executive shall be entitled to receive the Executive's earned but unpaid Base Compensation and bonus through the date of such termination. In addition, the Employer, in accordance with the Employer's past practice, shall reimburse the Executive for expenses incurred in accordance with § 4.

(vii)

§ 6. Non-Disclosure and Intellectual Property Covenant

(a) Acknowledgments by the Executive. The Executive acknowledges that (i) during the Employment Period and as a part of the Executive's employment, the Executive will be afforded access to Confidential Information; (ii) public disclosure of such Confidential Information could have an adverse effect on the Employer and Audiovox and their business; and (iii) the provisions of this § 6 are reasonable and necessary to prevent the improper use or disclosure of Confidential Information.

(b) ***Agreements of the Executive.*** In consideration of the compensation and benefits to be paid or provided to the Executive by the Employer and Audiovox under this Agreement, the Executive covenants that:

(i) During and indefinitely following the Employment Period, except in the performance of the Executive's duties in accordance with this Agreement in the ordinary course of business, the Executive shall hold in confidence the Confidential Information and shall not use or disclose it to any Person except with the specific prior written consent of the Chief Executive Officer of Audiovox.

(ii) Any trade secrets of the Employer and Audiovox and their Affiliates will be entitled to all of the protections and benefits under the Uniform Trade Secrets Act as adopted by the State of Indiana, the State where the Executive is located, if different than the State of Indiana, and any other applicable law. If any information that the Employer or Audiovox deems to be a trade secret is found by a court of competent jurisdiction not to be a trade secret for purposes of this Agreement, such information will, nevertheless, be considered Confidential Information for purposes of this Agreement.

(iii) None of the obligations and restrictions set forth in (i) or (ii), above, applies to any part of the Confidential Information that the Executive demonstrates (A) was or becomes generally available to the

public other than as a result of a direct or indirect disclosure by the Executive; (B) is required to be disclosed pursuant to an enforceable court order; or (C) is required to be disclosed by applicable law.

(iv) The Executive shall not remove from the Employer's or Audiovox's premises (except to the extent such removal is for purposes of the performance of the Executive's duties at home or while traveling, or except as otherwise specifically authorized by the Chief Executive Officer of Audiovox) any document, record, notebook, plan, model, component, device or computer software or code, whether embodied in a disk or in any other form (collectively, the "Proprietary Items"). The Executive recognizes that, as between the Employer and Audiovox and the Executive, all of the Proprietary Items, whether or not developed by the Executive, are the exclusive property of the Employer and Audiovox. Upon termination of this Agreement by either party, or upon the request of the Employer during the Employment Period, the Executive shall return to the Employer and Audiovox all of the Proprietary Items in the Executive's possession or subject to the Executive's control, and the Executive shall not retain any copies, abstracts, sketches or other physical embodiment of any of the Proprietary Items.

(c) ***Disputes or Controversies.*** The Executive recognizes that should a dispute or controversy arising from or relating to this Agreement be submitted for adjudication to any court, arbitration panel or other third party, the preservation of the secrecy of Confidential Information may be jeopardized. All pleadings, documents, testimony and records relating to any such adjudication will be maintained in secrecy and will be available for inspection by the Employer and Audiovox, the Executive and their respective attorneys and experts, who will agree, in advance and in writing, to receive and maintain all such information in secrecy.

(d) ***Inventions.*** The Executive agrees that all discoveries, concepts, and ideas, whether patentable or not relating to any activities of the Employer or Audiovox including, but not limited to, apparatus, processes, methods, compositions of matter, techniques, and formulas, as well as related improvements or know-how ("Inventions") made or conceived by the Executive, either solely or jointly with others (i) during the Executive's employment by the Employer or (ii) within one (1) year after termination of such employment, whether or not such Inventions are made or conceived during the hours of the Executive's employment or with the use of the Employer's facilities, materials, or personnel, shall be and shall remain the property of the Employer, whether patentable or not, and the Executive will, without royalty or any other consideration: (a) inform the Employer promptly and fully of such Inventions by written reports, setting forth in detail the Invention, the procedures employed, and the results achieved; (b) assign to the Employer all of the Executive's rights, title, and interests in and to any Inventions, any applications for United States and foreign Letters Patent covering the Inventions, any United States and foreign Letters Patent granted upon the applications, and any renewals thereof; (c) assist the Employer or its nominees, at the expense of the Employer, to obtain any United States and foreign Letters Patent for any Inventions as the Employer may elect; and (d) execute, acknowledge, and deliver to the Employer at its expense any written documents and instruments, and do any other acts, such as giving testimony in support of the Executive's inventorship, as may be necessary in the opinion of the Employer to obtain and maintain United States and foreign Letters Patent upon any Inventions and to vest the entire rights, title and interests in the Employer and to confirm the complete ownership by the Employer of any Inventions, patent applications, and patents.

(e) ***Works.*** The Executive agrees that all works of authorship fixed in a tangible medium of expression relating to any activities of the Employer or Audiovox including, but not limited to, flow charts and computer program source code and object code, regardless of the medium in which it is fixed, as well as notes, drawings, memoranda, correspondence, records, notebooks, instructions, and text ("Works") created or conceived by the Executive, either solely or jointly with others (i) during the Executive's employment by the Employer or (ii) within one (1) year after termination of such employment, whether or not such, Works are made or conceived during the hours of the Executive's employment or with use of the Employer's facilities, materials, or personnel, shall be and shall remain the property of the Employer, and the Executive will, without royalty or any other consideration, promptly disclose in writing to the Employer all Works. The Executive shall cooperate fully with the Employer and its officers and counsel, at the Employer's direction and expense, in obtaining, maintaining, and enforcing worldwide copyright protection on such Works. Any such Works created by the Executive is a "work made for hire" under the copyright law, and the Employer may file applications to register copyright in such Works as author and copyright owner thereof. If, for any reason, a Work created by the Executive is excluded from the definition of a "work made for hire" under the copyright law, then the Executive shall assign, and does hereby assign, to the Employer the entire rights, title, and interests in and to such Work, including the copyright therein. The Executive shall take whatever steps and do whatever acts the Employer requests including, but not limited to, placement of the Employer proper copyright notice on Works created

by the Executive to secure or aid in securing copyright protection in such Works, and shall assist the Employer or its nominees in filing applications to register claims of copyright in such Works.

(f)

§ 7. ***Non-Competition and Non-Interference.***

(a) ***Acknowledgements by the Executive.*** The Executive acknowledges that: (i) Audiovox would not purchase stock of the Employer or from Executive unless Executive agrees to the terms of this Section 7; (ii) the information to be disclosed to the Executive and the services to be performed by the Executive under this Agreement are of a special, unique, extraordinary and intellectual character; (iii) the Employer and Audiovox competes with other businesses that are located in the Market Jurisdictions; (iv) the restricted period of time and the geographic limitations set forth below are reasonable in view of the nature of the business in which the Employer and Audiovox are engaged and the Executive's knowledge of the Employer's and Audiovox's operations the Executive has gained and will gain by virtue of the Executive's position; (v) this limited restriction is not an attempt to prevent the Executive from obtaining other employment in violation of Indiana Code § 22-5-3-1; and (vi) the provisions of this § 7 are reasonable and necessary to protect the Employer's and Audiovox's business.

(b) ***Covenants of the Executive.*** In consideration of the acknowledgments by the Executive, and in consideration of the payments, compensation and benefits to be paid or provided to the Executive by the Employer and Audiovox, the Executive covenants that the Executive will not, directly or indirectly:

(i) during (A) the Employment Period and for 12 months thereafter (the "Non-Compete Period"); (B) the Stock Purchase Non-Competition Period and (C) the period Executive may be receiving payments under Section 5(c)(ii), except in the course of the Executive's employment hereunder, directly or indirectly, in a competitive capacity, engage or invest in, own, manage, operate, finance, control or participate in the ownership, management, operation, financing or control of, be employed by, associated with or in any manner connected with, lend the Executive's name or any similar name to, lend Executive's credit to or render services or advice to, or plan or prepare to do any of the foregoing with any business whose products or activities compete in whole or in part with the Business in any Market Jurisdiction; provided, however, that the Executive may purchase or otherwise acquire up to (but not more than) two percent (2%) of any class of securities of any entity (but without otherwise participating in the activities of such entity) if such securities are listed on any national or regional securities exchange or have been registered under § 12(g) of the Securities Exchange Act of 1934, as amended. For purposes of this Section 7(b)(i), the word "Subsidiaries" is substituted for the word "Affiliates" in the definition of "Business" in Section 1.

(ii) whether for the Executive's own account or the account of any other Person: (A) at any time during the Employment Period and for 2 years thereafter and during the Stock Purchase Non-Competition Period, directly or indirectly, interfere with, solicit, employ or otherwise engage, as an employee, independent contractor or otherwise, any Person who is or was an employee of the Employer or its Affiliate at any time during the last 2 years of the Employment Period or in any manner induce or attempt to induce any employee of the Employer or its Affiliate to terminate his or her employment with the Employer or its Affiliate; or (B) at any time during the Employment Period and in a competitive capacity for 12 months thereafter and during the Stock Purchase Non-Competition Period, interfere with the Employer's or its Affiliate's relationship with any Person, including, but not limited to, any Person who at any time during the Employment Period was a customer, contractor or supplier of the Employer or its Affiliate; or

(iii) at any time during or after the Employment Period, disparage the Employer or Audiovox or its Affiliates or their respective shareholders, board of directors, members, managers, officers, employees or agents.

If any term, provision or covenant in this § 7(b) is held to be unreasonable, arbitrary or against public policy, a court may limit the application of such term, provision or covenant or modify such term, provision or covenant and proceed to enforce this § 7(b) as so limited or modified, which limited or modified term, provision or covenant will be effective, binding and enforceable against the Executive.

The period of time applicable to any covenant in this § 7(b) shall be extended by the duration of any actual or threatened violation by the Executive of such covenant.

The Executive shall, while the covenant under this § 7(b) is in effect, give notice to the Employer and Audiovox, within ten (10) days after accepting any other employment, of the identity of the Executive's new employer. The

Employer and Audiovox may notify such employer that the Executive is bound by this Agreement and, at the Employer's or Audiovox's election, furnish such employer with a copy of this Agreement or relevant portions thereof.

§ 8. General Provisions.

(a) Injunctive Relief and Additional Remedy. The Executive acknowledges that the injury that would be suffered by the Employer and Audiovox as a result of a breach of the provisions of this Agreement (including any provision of §§ 6 and 7) would be irreparable and that an award of monetary damages to the Employer or Audiovox for such a breach would be an inadequate remedy. Consequently, the Employer or Audiovox will have the right, in addition to any other rights, at law or in equity, it may have to obtain injunctive relief to restrain any breach or threatened breach or otherwise to specifically enforce any provision of this Agreement, and the Employer or Audiovox will not be obligated to post bond or other security in seeking such relief. Without limiting the Employer's or Audiovox's rights under this § 8(a) or any other remedies of the Employer or Audiovox, if the Executive has breached or violated or threatens to breach of violate any of the provisions of §§ 6 or 7 the Employer or Audiovox will have the right to cease making any payments otherwise due to the Executive under this Agreement and recover payments previously made to the Executive under this Agreement. Further, if any term, provision or covenant in §§ 6 or 7 is held to be unreasonable, arbitrary, against public policy, or otherwise unenforceable, Executive acknowledges and agrees that the payments required to be made to the Executive shall be waived and that the Executive relinquishes any rights to such payment or any other forms of payment post-dating the Executive's separation from the Employer.

(b) ***Covenants of §§ 6 and 7 Are Essential and Independent Covenants.*** The covenants by the Executive in §§ 6 and 7 are essential elements of this Agreement, and without the Executive's agreement to comply with such covenants, Audiovox would not have purchased any shares in Employer and the Employer would not have entered into this Agreement or employed or continued the employment of the Executive. The Employer, Audiovox and the Executive have been advised in all respects concerning the reasonableness and propriety of such covenants, with specific regard to the nature of the business conducted by the Employer and Audiovox. The Executive's covenants in §§ 6 and 7 are independent covenants and the existence of any claim by the Executive against the Employer or Audiovox under this Agreement or otherwise will not excuse the Executive's breach of any covenant in §§ 6 or 7. If the Executive's employment hereunder expires or is terminated, this Agreement will continue in full force and effect as is necessary or appropriate to enforce the covenants and agreements of the Executive in §§ 6 and 7 in accordance with their terms and conditions.

(e) Representations and Warranties by the Executive. The Executive represents and warrants to the Employer and Audiovox that the execution and delivery by the Executive of this Agreement do not, and the performance by the Executive of the Executive's obligations hereunder will not, with or without the giving of notice or the passage of time, or both: (i) violate any judgment, writ, injunction or order of any court, arbitrator or governmental agency applicable to the Executive; or (ii) conflict with, result in the breach of any provisions of or the termination of or constitute a default under any agreement to which the Executive is a party or by which the Executive is or may be bound. The Executive acknowledges that the Executive has had a full and complete opportunity to consult with counsel of the Executive's choosing concerning this Agreement and that the Employer has not made any representations or warranties to the Executive concerning this Agreement other than those specifically stated in this Agreement, if any.

(d) ***Waiver.*** The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by either party in exercising any right, power or privilege under this Agreement will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law, (i) no claim or right arising out of this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party (ii) no waiver that may be given by a party will be applicable except in the specific instance for which it is given and (iii) no notice to or demand on one party will be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement.

(e) ***Binding Effect.*** This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective successors, assigns, heirs and legal representatives.

(f) ***Notices.*** All notices, consents, waivers and other communications under this Agreement must be in writing and will be deemed to have been duly given when (i) delivered by hand (with written confirmation of receipt),

or (ii) when received by the addressee, if sent by a nationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses set forth below (or to such other addresses as a party may designate by notice to the other party):

If to Employer:

Klipsch Group, Inc.
3502 Woodview Trace
Suite 200
Indianapolis, IN 46268
Attn: Chairman of the Board of Directors

Copy to:

Audiovox Corporation
150 Marcus Blvd.
Hauppauge, NY 11788
Attn: Chief Operating Officer
Robert S. Levy
Levy, Stopol & Camelo, LLP
1425 RXR Plaza
Uniondale, NY 11556

If to the Executive:

T. Paul Jacobs
6528 Woodworth Court
Indianapolis, IN 46237

(g) ***Entire Agreement: Amendments***. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, between the parties hereto with respect to the subject matter hereof, including, without limitation, that certain Employment Agreement dated February 11, 2005, and that Amended and Restated Confidentiality and Limited Non-Competition Agreement dated as of December 8, 1997, between the Executive and Klipsch, LLC. This Agreement may not be amended orally, but only by an agreement in writing signed by the parties hereto.

(h) ***Governing Law and Forum.*** This Agreement will be governed by the laws of the State of New York without regard to conflicts of laws principles. Any controversy, dispute or claim arising out of or in connection with this agreement or the breach hereof shall be resolved by arbitration in the City and State of New York in accordance with the rules of the American Arbitration Association. Judgment upon the award reached by the Arbitrator(s) may be enforced in any court having jurisdiction thereof.

(i) ***Section Headings, Construction***. The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "§" refer to sections in this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms.

(j) ***Severability.*** If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

(k) ***Counterparts***. This Agreement may be executed in counterparts, which when taken together shall constitute one and the same Agreement.

(l) ***Attorneys' Fees.*** In the event any dispute or controversy arising from or relating to this Agreement is submitted to any court, arbitration panel or other party, the prevailing party in such dispute or controversy shall be entitled to reimbursement from the non-prevailing party for the actual fees and expenses incurred by the prevailing

party in connection with such dispute or controversy (including, but not limited to, reasonable attorney's fees, costs and disbursements).

[signature page immediately following]

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

EMPLOYER:

KLIPSCH GROUP, INC.

By: */s/ Fred S. Klipsch*
Printed: Fred S. Klipsch
Title: Chairman of the Board of Directors

EXECUTIVE:

/s/ Paul Jacobs
T. Paul Jacobs, individually

Exhibit A

Market Jurisdictions

Alabama
Alaska
Arizona
Arkansas
California
Colorado
Connecticut
Delaware
Florida
Georgia
Hawaii
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Maryland
Massachusetts
Michigan
Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Hampshire
New Jersey
New Mexico
New York
North Carolina
North Dakota
Ohio
Oklahoma
Oregon
Pennsylvania
Rhode Island
South Carolina
South Dakota
Tennessee
Texas
Utah
Vermont
Virginia
Washington
West Virginia
Wisconsin
Wyoming
District of Columbia

Exhibit B

Bonus Criteria

1. EBITDA Goal for July 1, 2010 through June 30, 2011 is $27,143,000 (weighted 60%).
2. Senior Management FY11 Objectives (weighted 40%)

   a. The Company will be on target to complete by September 30, 2011 the Navision 2009 ERP installation to include Europe and Asia so that the Company is operating off a single global system for FY12.

   b. Complete the installation of Shopatron to complete the upgrade of the Company's capability to increase direct sales to consumers and implement a more aggressive web marketing effort.

   c. Continue the execution of the Forte logistics study to include outsourcing of domestic freight management, reduction of inventory in both America and European warehouses and potentially opening an additional warehouse on the U.S. east coast.

   d. Complete a three year strategic plan that specifically details the following:
      i. A product and technology position paper identifying potential changes, direction and internal gaps if they exist.
      ii. Updated brand, marketing and product strategy by brand and by category.
      iii. A non U.S. growth plan by major market that ultimately transitions the revenue balance 60/40 US vs. ROW in fiscal 2011 to 50/50 by 2014. This growth has to come from ROW.

   e. Continue successful operation of the Company while completing the process of closing with a new investor for the Company.

Exhibit C

Executive Put Options

Executive shall have the following described Put Option:

Commencing on March 1, 2011, the cumulative after tax net profit or loss of the Employer will be calculated on a monthly basis according to GAAP and will bear interest at the same per annum rate that Audiovox is receiving from its lead bank.

Executive may at the end of any month following the 30 month anniversary of this Agreement request the Employer to pay him in one lump sum up to 80% of 1.6% of the aggregate cumulative after tax net profit or loss of the Employer (the "Put Price"), and the Employer will pay such amount to Executive. Such a request may not be made within 60 months of Executive's previous request.

Any unpaid Put Price will be paid promptly to Executive or his heirs as the case may be if Executive's employment is terminated for any reason.

Illustration (not accounting for interest):

Commencement value		-0-
Net profits after 12 months	$	10,000,000
Put Price (1.6%)	$	160,000
Net loss in 13th month	$	1,000,000
Put Price (1.6%)	$	144,000

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of February 3, 2011, by and between KLIPSCH GROUP, INC., an Indiana corporation, and MICHAEL KLIPSCH, an individual (the "Executive").

Recitals

WHEREAS, Audiovox Corporation ("Audiovox") intends to purchase all of the issued and outstanding shares of Klipsch Group, Inc. (referred to herein as "KGI" or "Employer") pursuant to a Share Purchase Agreement and;

WHEREAS, Executive is employed by the Employer and wishes to continue uninterrupted service and to continue employment by the Employer following the closing of the share purchase by Soundtech LLC, the subsidiary of Audiovox on the terms and conditions set out herein and;

WHEREAS, in addition to the consideration set forth in this agreement, Audiovox, through its subsidiary, will also be purchasing Executives shares in KGI for a considerable sum and;

WHEREAS, Audiovox would not purchase all the shares of KGI and in particular the shares owned by Executive unless Executive enters this agreement and thereby agrees to abide with its terms.

Statement of Agreement

This Agreement is conditioned on the successful completion of the share purchase by Audiovox through its subsidiary of all of the issued and outstanding shares by KGI. In the event the share acquisition is not accomplished, this Agreement shall for all purposes be null and void. This Agreement shall not commence until the signing of this Agreement and the successful completion of the share purchase by Audiovox through its subsidiary.

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

§ 1. ***Definitions.***

For the purposes of this Agreement, the following terms have the meanings specified or referred to in this § 1.

"Affiliate" means a corporation or other entity controlling, controlled by or under common control with the Employer.

"Agreement" has the meaning set forth in the preamble.

"Audiovox" the sole owner of Soundtech LLC, which is the sole shareholder of the Employer.

"Base Compensation" has the meaning set forth in § 3(a).

"Benefits" has the meaning set forth in § 3(c).

"Board of Directors" means the Board of Directors of the Employer.

"Business" means the (i) the speaker and sound business, and (ii) any other consumer electronics business as engaged in from time to time by the Employer and its Affiliates.

"Cause" means: (i) the Executive's continued willful failure to perform in a material respect (other than any such failure resulting from incapacity due to Disability) the explicitly stated duties to be performed by the Executive under this Agreement for a period of 10 days following delivery of written notice to the Executive from the Chief Executive Officer of Audiovox specifying in reasonable detail key elements of such failure; (ii) the appropriation (or attempted appropriation) of a material business opportunity of the Employer or Audiovox or their Affiliates, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Employer or Audiovox or any Affiliate; (iii) the willful disclosure by the Executive of Confidential Information of the Employer or Audiovox or any of their Affiliates, other than in the ordinary course of business in connection with the performance of the Executive's duties in accordance with this Agreement; (iv) the misappropriation (or attempted misappropriation) of any of the Employer's or Audiovox's or any of their Affiliates funds or property; or (v) the

conviction of, or the entering of a guilty plea or plea of no contest with respect to, any offense that is a felony.

"Confidential Information" means any and all information concerning the business and affairs of the Employer and Audiovox and their Affiliates including, but not limited to, customer lists, supplier lists, Inventions, Works, Proprietary Items, trade secrets, financial statements, business and financial projections and budgets, historical and projected sales, capital spending budgets and plans, business and marketing plans, strategic plans, product plans, the names and backgrounds of key personnel, personnel training and techniques and materials, however documented and all notes, analysis, compilations, studies, summaries and other material prepared by or for the Employer and Audiovox or their Affiliates containing or based, in whole or in part, on any information included in the foregoing.

"Disability" means a condition where for physical or mental reasons the Executive is unable to perform the Executive's duties (as determined in accordance with the procedures set forth in the next sentence) and such condition in the reasonable judgment of the Employer, as substantiated by a medical doctor in the manner provided below, is expected to continue for such period of time as to require replacement of the Executive in order to carry out the business of the Employer. The determination that the physical or mental state of the Executive constitutes a Disability shall be made by a medical doctor who is not an employee of the Employer and who is reasonably selected by the Employer and reasonably acceptable to the Executive (unless the Employer and the Executive reach mutual agreement regarding the existence of a Disability) and such determination shall be binding on both parties. The Executive must submit to a reasonable number of examinations by the designated medical doctor and the Executive hereby authorizes the disclosure and release to the Employer of such determination and all supporting medical records. Any and all out of pocket expenses incurred by the Executive in connection with the determination by the designated medical doctor of a Disability shall be paid for or reimbursed by the Employer. Action on behalf of the Executive may be taken by the Executive's guardian or duly authorized attorney-in-fact for purposes of submitting the Executive to medical examinations and approving authorization of disclosure. The Executive shall be deemed to have a Disability if the Executive for any reason is unable to perform the Executive's duties for 120 consecutive days or for 180 days during any 12-month period.

"Effective Date" means the date first written above in this Agreement.

"Employer" means Klipsch Group Inc.

"Employment Period" means the term of the Executive's employment under this Agreement.

"Executive" has the meaning set forth in the preamble.

"Good Reason" means (a) a material reduction in the Executive's Base Compensation opportunity below the amount specified in Section 3 of this Agreement (other than a reduction applicable to all other similarly situated participants), (b) a requirement to move more than 35 miles from Indianapolis; (c) a material reduction in the Executive's level of responsibility, or (d) an assignment of duties inconsistent with the Executive's position as a key executive.

"Inventions" has the meaning set forth in § 6(d).

"Market Jurisdictions" means the jurisdictions set forth in Exhibit A, the United States of America and any other country where the Employer sells speakers and sound products or otherwise engages in the Business.

"Non-Compete Period" has the meaning set forth in § 7(b)(i).

"Notice of Termination" has the meaning set forth in § 5(b).

"Person" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization or governmental body.

"Proprietary Items" has the meaning set forth in § 6(b)(iv).

"Stock Purchase Non-Competition Period" means the 30 month period following the Closing of the Stock Purchase Agreement among the Employer, the Executive and others, dated as of February 3, 2011.

"Termination Date" has the meaning set forth in § 2(b).

"Works" has the meaning set forth in § 6(e).

§ 2. Employment Terms and Duties.

(a) ***Employment.*** The Employer hereby employs the Executive, and the Executive hereby accepts

employment by the Employer, upon the terms and conditions set forth in this Agreement.

(b) ***Term.*** The Executive's employment under this Agreement shall begin on the Effective Date and shall continue thereafter until terminated pursuant to § 5 below (the "Termination Date").

(c) ***Rights and Powers; Duties.*** The Executive shall initially serve as the President Global Operations, Chief Counsel and Assistant Secretary 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 Audiovox. The Executive shall devote full time and attention, skill and energy exclusively to the business of the Employer, shall use best efforts to promote the success of the Employer's and its Affiliate's business and shall cooperate fully with the Board of Directors 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.

(d) ***Key Man Insurance.*** If requested by the Employer, the Executive shall cooperate with the Employer in establishing and maintaining "key man" insurance with respect to the Executive's services, including submitting to any medical examinations reasonably necessary or advisable to establish. or maintain such insurance. The "key man" insurance to be established and maintained under this § 2(d) shall be paid for by the Employer.

§3. Compensation.

(a) ***Base Compensation.*** The Executive shall, during the Employment Period, be paid by the Employer and/or its Affiliates base salary at an annual rate of $325,000.00 (the "Base Compensation"), subject to review and potential upward adjustment annually thereafter, which will be payable according to the Employer's customary payroll practices.

(b) ***Bonuses.*** Executive will receive a bonus equal to a maximum of 35% of his base salary based on achievement of EBITDA goals and other goals established at the beginning of each year that will promote the growth of the Employer. Goals will be established by the Chief Executive Officer of Audiovox and discussed with Management at the beginning of each new fiscal year. The Executive's bonus criteria for fiscal year 2011 are set forth on Exhibit B.

(c) ***Benefits.*** The Executive shall, during the Employment Period, be permitted to participate in such Code Section 401(k), pension; profit sharing, bonus, life insurance, disability insurance, hospitalization, dental, major medical and other employee benefit plans of the Employer that may be in effect from time to time, to the extent the Executive is eligible under the terms of those plans, but not less favorable to the Executive than currently in effect (collectively, the "Benefits").

(d) ***Vacation.*** The Executive shall, during the Employment Period, be entitled to the number of weeks of paid vacation per full calendar year as set forth in the Employer's then current vacation policy. Vacation time may not be carried over.

(e) ***Life Insurance.*** The Executive shall, during the Employment Period, be provided a term life policy in the amount of $250,000 paid for by the Employer with the beneficiary selected by the Executive.

(f) ***Executive Put Option.*** Exhibit "C" annexed.

§ 4. Expenses. The Employer shall reimburse the Executive for all reasonable and necessary out-of-pocket expenses incurred by the Executive in connection with the performance of services under this Agreement, subject to any recordkeeping, reporting or similar requirements imposed pursuant to policies and procedures of the Employer in effect from time to time.

§ 5. Termination.

a) ***Events of Termination.*** The Employment Period and the Executive's rights under this Agreement or otherwise as an employee of the Employer shall terminate (except as otherwise provided in this § 5):

(i) automatically upon the death of the Executive;

(ii) upon the Disability of the Executive immediately upon written notice from either party to the other party;

(iii) if for Cause, immediately upon delivery of a Notice of Termination from the Chief Executive Officer of Audiovox to the Executive, or at such later time as such notice may specify;

(iv) if without Cause, upon 30 days prior written notice from the Chief Executive Officer of Audiovox to the Executive, or at such later time as such notice may specify;

(v) if by the Executive other than for Good Reason, upon the Executive's resignation 30 days following written notice from the Executive to the Board of Directors; or

(vi) if by the Executive for Good Reason, upon and in accordance with the following conditions. In order to terminate for Good Reason, the Executive must give the Board of Directors a Notice of Termination at least 60 calendar days in advance of the Executive's intent to terminate employment for Good Reason setting forth the specific actions by the Employer which triggered the notice and the Notice of Termination must be received by the Chief Executive Officer of Audiovox no more than ninety (90) calendar days after the complained-of-action(s) occurred which constitute the basis for Good Reason. Upon receipt of the Notice of Termination and for a period of fifteen (15) calendar days thereafter, the Board of Directors shall consider the complained-of-action(s) set forth therein and if such complained-of-action(s) constitute Good Reason shall cure or remedy the actions set forth therein. If the Employer adequately remedies or cures the actions giving rise to the Notice of Termination within such 15-day period, then the resignation by the Executive shall not be for Good Reason.

(b) ***Notice of Termination.*** Any termination by the Employer for Cause or by the Executive for Good Reason shall be communicated by a Notice of Termination to the Executive or the Board of Directors, as applicable. For purposes of this Agreement, a "Notice of Termination" means a written notice which (1) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) the date of termination. The failure by the Executive or the Employer to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause or Good Reason shall not waive any right of the Executive or the Employer, respectively, hereunder or preclude the Executive or the Employer, respectively, from asserting any fact or circumstance in enforcing the Executive's or the Employer's rights hereunder.

(c) ***Termination Pay.*** Subject to the terms of §§ 7 and 8 below, effective upon termination of employment of the Executive for any reason, except as required under applicable law, the Employer shall be obligated to pay to the Executive (or, in the event of the Executive's death, the Executive's designated beneficiary) only such compensation as is specified in this § 5(c). The Executive's designated beneficiary will be such individual or trust, located at such address, as the Executive may designate by notice in writing to the Employer from time to time or, if the Executive fails to give notice to the Employer of such a beneficiary, the Executive's estate. Notwithstanding the preceding sentence, the Employer shall have no duty under any circumstances to determine whether any Person holding herself, himself or itself out as the beneficiary is in fact entitled to any termination payment but may rely upon the representations of such Person.

(i) **Termination by the Employer Without Cause or by the Executive for Good Reason.** Subject to Subparagraph 5(c)(ii), if the Executive's employment is terminated by the Employer without Cause or by the Executive for Good Reason, the Employer shall pay to the Executive in accordance with the Employer's then current payroll practices: (A) Base Compensation, at the annual rate in effect immediately prior to termination, plus an amount equal to the average annual bonus paid to the Executive in the preceding two (2) fiscal years, payable in equal monthly installments over a period of 12 months; plus (B) any earned and unpaid Base Compensation and bonus for the period ending on termination. In addition, the Employer shall (A) pay for and continue disability insurance and health insurance benefits provided to the Executive and the Executive's dependents immediately prior to the termination of the Executive's employment for a period of 12 months, and (B) in accordance with past practice, reimburse the Executive for expenses incurred in accordance with § 4. The Executive's entitlement to the compensation and benefits described in this subsection (i) is specifically subject to the execution and delivery by the Executive of a release agreement in form and substance reasonably acceptable to the Employer.

(ii) **Termination During the Stock Purchase Non-Competition Period.** Notwithstanding Subparagraph 5(c)(i) above, if the Executive's employment is terminated by the Employer with cause or by the Executive for any reason whatsoever, except for a material reduction in the Executive's Base Compensation opportunity below the amount specified in Section 3 of this Agreement (other than a reduction applicable to all other similarly situated participants) or a requirement to move more than 35 miles from Indianapolis, during the Stock Purchase Non-Competition Period, Executive will receive no compensation or any of the Benefits provided in Subparagraph 5(c)(i) above from the Employer during the Stock Purchase Non-Competition Period.

If the Executive's employment is terminated by the Employer without cause or by the Executive because of a material reduction in the Executive's Base Compensation opportunity below the amount specified in Section 3 of this Agreement (other than a reduction applicable to all other similarly situated participants), or a requirement to move more than 35 miles from Indianapolis during the Stock Purchase Non-Competition Period, the Executive will receive: (A) Base Compensation at the annual rate in effect immediately prior to termination, plus an amount equal to the average annual bonus paid to the Executive in the preceding two (2) fiscal years, payable in equal monthly installments over the greater of (i) the remaining period of the Stock Purchase Non-Competition Period or (ii) twelve (12) months; (B) any earned unpaid Base Compensation and bonus for the period ending on termination; and (C) in accordance with past practice, reimburse the Executive for expenses incurred in accordance with § 4. The Executive's entitlement to the compensation and benefits described in this subsection (ii) is specifically subject to the execution and delivery by the Executive of a release agreement in form and substance reasonably acceptable to the Employer.

(iii) **Termination upon Disability.** If the Executive's employment is terminated

(iv) as a result of the Executive's Disability, the Employer shall (A) pay the Executive an amount equal to any disability payments provided pursuant to the benefits package available to the Executive; (B) pay to the Executive at the same time paid to other employees any earned but unpaid Base Compensation and bonus for the period ending on termination; and (C) in accordance with the Employer's past practice, reimburse the Executive for expenses incurred in accordance with § 4.

(v) **Termination on Death**. If the Executive's employment is terminated because of the Executive's death, the Employer shall pay to the beneficiary of the Executive any earned but unpaid Base Compensation and bonus for the period ending on the date of the Executive's death. In addition, the Employer, in accordance with the Employer's past practice, shall reimburse the Executive or the Executive's heirs or estate for expenses incurred in accordance with § 4.

(vi) **Termination by the Employer for Cause**. If the Executive's employment is terminated by the Employer for Cause, the Executive shall be entitled only to receive the Executive's earned but unpaid Base Compensation and bonus through the date of termination. In addition, the Employer, in accordance with the Employer's past practice, shall reimburse the Executive for expenses incurred in accordance with § 4.

(vii) **Termination by the Executive without Good Reason**. If the Executive's employment is terminated by the Executive for any reason (other than for Good Reason), the Executive shall be entitled to receive the Executive's earned but unpaid Base Compensation and bonus through the date of such termination. In addition, the Employer, in accordance with the Employer's past practice, shall reimburse the Executive for expenses incurred in accordance with § 4.

§ 6. Non-Disclosure and Intellectual Property Covenant

(a) Acknowledgments by the Executive. The Executive acknowledges that (i) during the Employment Period and as a part of the Executive's employment, the Executive will be afforded access to Confidential Information; (ii) public disclosure of such Confidential Information could have an adverse effect on the Employer and Audiovox and their business; and (iii) the provisions of this § 6 are reasonable and necessary to prevent the improper use or disclosure of Confidential Information.

(b) ***Agreements of the Executive.*** In consideration of the compensation and benefits to be paid or provided to the Executive by the Employer and Audiovox under this Agreement, the Executive covenants that:

(i) During and indefinitely following the Employment Period, except in the performance of the Executive's duties in accordance with this Agreement in the ordinary course of business, the Executive shall hold in confidence the Confidential Information and shall not use or disclose it to any Person except with the specific prior written consent of the Chief Executive Officer of Audiovox.

(ii) Any trade secrets of the Employer and Audiovox and their Affiliates will be entitled to all of the protections and benefits under the Uniform Trade Secrets Act as adopted by the State of Indiana, the State where the Executive is located, if different than the State of Indiana, and any other applicable law. If any information that the Employer or Audiovox deems to be a trade secret is found by a court of competent jurisdiction not to be a trade secret for purposes of this Agreement, such information will, nevertheless, be considered Confidential Information for purposes of this Agreement.

(iii) None of the obligations and restrictions set forth in (i) or (ii), above, applies to any part of

the Confidential Information that the Executive demonstrates (A) was or becomes generally available to the public other than as a result of a direct or indirect disclosure by the Executive; (B) is required to be disclosed pursuant to an enforceable court order; or (C) is required to be disclosed by applicable law.

(iv) The Executive shall not remove from the Employer's or Audiovox's premises (except to the extent such removal is for purposes of the performance of the Executive's duties at home or while traveling, or except as otherwise specifically authorized by the Chief Executive Officer of Audiovox) any document, record, notebook, plan, model, component, device or computer software or code, whether embodied in a disk or in any other form (collectively, the "Proprietary Items"). The Executive recognizes that, as between the Employer and Audiovox and the Executive, all of the Proprietary Items, whether or not developed by the Executive, are the exclusive property of the Employer and Audiovox. Upon termination of this Agreement by either party, or upon the request of the Employer during the Employment Period, the Executive shall return to the Employer and Audiovox all of the Proprietary Items in the Executive's possession or subject to the Executive's control, and the Executive shall not retain any copies, abstracts, sketches or other physical embodiment of any of the Proprietary Items.

(c) ***Disputes or Controversies.*** The Executive recognizes that should a dispute or controversy arising from or relating to this Agreement be submitted for adjudication to any court, arbitration panel or other third party, the preservation of the secrecy of Confidential Information may be jeopardized. All pleadings, documents, testimony and records relating to any such adjudication will be maintained in secrecy and will be available for inspection by the Employer and Audiovox, the Executive and their respective attorneys and experts, who will agree, in advance and in writing, to receive and maintain all such information in secrecy.

(d) ***Inventions.*** The Executive agrees that all discoveries, concepts, and ideas, whether patentable or not relating to any activities of the Employer or Audiovox including, but not limited to, apparatus, processes, methods, compositions of matter, techniques, and formulas, as well as related improvements or know-how ("Inventions") made or conceived by the Executive, either solely or jointly with others (i) during the Executive's employment by the Employer or (ii) within one (1) year after termination of such employment, whether or not such Inventions are made or conceived during the hours of the Executive's employment or with the use of the Employer's facilities, materials, or personnel, shall be and shall remain the property of the Employer, whether patentable or not, and the Executive will, without royalty or any other consideration: (a) inform the Employer promptly and fully of such Inventions by written reports, setting forth in detail the Invention, the procedures employed, and the results achieved; (b) assign to the Employer all of the Executive's rights, title, and interests in and to any Inventions, any applications for United States and foreign Letters Patent covering the Inventions, any United States and foreign Letters Patent granted upon the applications, and any renewals thereof; (c) assist the Employer or its nominees, at the expense of the Employer, to obtain any United States and foreign Letters Patent for any Inventions as the Employer may elect; and (d) execute, acknowledge, and deliver to the Employer at its expense any written documents and instruments, and do any other acts, such as giving testimony in support of the Executive's inventorship, as may be necessary in the opinion of the Employer to obtain and maintain United States and foreign Letters Patent upon any Inventions and to vest the entire rights, title and interests in the Employer and to confirm the complete ownership by the Employer of any Inventions, patent applications, and patents.

(e) ***Works.*** The Executive agrees that all works of authorship fixed in a tangible medium of expression relating to any activities of the Employer or Audiovox including, but not limited to, flow charts and computer program source code and object code, regardless of the medium in which it is fixed, as well as notes, drawings, memoranda, correspondence, records, notebooks, instructions, and text ("Works") created or conceived by the Executive, either solely or jointly with others (i) during the Executive's employment by the Employer or (ii) within one (1) year after termination of such employment, whether or not such, Works are made or conceived during the hours of the Executive's employment or with use of the Employer's facilities, materials, or personnel, shall be and shall remain the property of the Employer, and the Executive will, without royalty or any other consideration, promptly disclose in writing to the Employer all Works. The Executive shall cooperate fully with the Employer and its officers and counsel, at the Employer's direction and expense, in obtaining, maintaining, and enforcing worldwide copyright protection on such Works. Any such Works created by the Executive is a "work made for hire" under the copyright law, and the Employer may file applications to register copyright in such Works as author and copyright owner thereof. If, for any reason, a Work created by the Executive is excluded from the definition of a "work made for hire" under the copyright law, then the Executive shall assign, and does hereby assign, to the Employer the entire rights, title, and interests in and to such Work, including the copyright therein. The Executive shall take whatever

steps and do whatever acts the Employer requests including, but not limited to, placement of the Employer proper copyright notice on Works created by the Executive to secure or aid in securing copyright protection in such Works, and shall assist the Employer or its nominees in filing applications to register claims of copyright in such Works.

(f)

§ 7. ***Non-Competition and Non-Interference.***

(a) ***Acknowledgements by the Executive.*** The Executive acknowledges that: (i) Audiovox would not purchase stock of the Employer or from Executive unless Executive agrees to the terms of this Section 7; (ii) the information to be disclosed to the Executive and the services to be performed by the Executive under this Agreement are of a special, unique, extraordinary and intellectual character; (iii) the Employer and Audiovox competes with other businesses that are located in the Market Jurisdictions; (iv) the restricted period of time and the geographic limitations set forth below are reasonable in view of the nature of the business in which the Employer and Audiovox are engaged and the Executive's knowledge of the Employer's and Audiovox's operations the Executive has gained and will gain by virtue of the Executive's position; (v) this limited restriction is not an attempt to prevent the Executive from obtaining other employment in violation of Indiana Code § 22-5-3-1; and (vi) the provisions of this § 7 are reasonable and necessary to protect the Employer's and Audiovox's business.

(b) ***Covenants of the Executive.*** In consideration of the acknowledgments by the Executive, and in consideration of the payments, compensation and benefits to be paid or provided to the Executive by the Employer and Audiovox, the Executive covenants that the Executive will not, directly or indirectly:

(i) during (A) the Employment Period and for 12 months thereafter (the "Non-Compete Period"); (B) the Stock Purchase Non-Competition Period and (C) the period Executive may be receiving payments under Section 5(c)(ii), except in the course of the Executive's employment hereunder, directly or indirectly, in a competitive capacity, engage or invest in, own, manage, operate, finance, control or participate in the ownership, management, operation, financing or control of, be employed by, associated with or in any manner connected with, lend the Executive's name or any similar name to, lend Executive's credit to or render services or advice to, or plan or prepare to do any of the foregoing with any business whose products or activities compete in whole or in part with the Business in any Market Jurisdiction; provided, however, that the Executive may purchase or otherwise acquire up to (but not more than) two percent (2%) of any class of securities of any entity (but without otherwise participating in the activities of such entity) if such securities are listed on any national or regional securities exchange or have been registered under § 12(g) of the Securities Exchange Act of 1934, as amended. For purposes of this Section 7(b)(i), the word "Subsidiaries" is substituted for the word "Affiliates" in the definition of "Business" in Section 1.

(i) whether for the Executive's own account or the account of any other Person: (A) at any time during the Employment Period and for 2 years thereafter and during the Stock Purchase Non-Competition Period, directly or indirectly, interfere with, solicit, employ or otherwise engage, as an employee, independent contractor or otherwise, any Person who is or was an employee of the Employer or its Affiliate at any time during the last 2 years of the Employment Period or in any manner induce or attempt to induce any employee of the Employer or its Affiliate to terminate his or her employment with the Employer or its Affiliate; or (B) at any time during the Employment Period and in a competitive capacity for 12 months thereafter and during the Stock Purchase Non-Competition Period, interfere with the Employer's or its Affiliate's relationship with any Person, including, but not limited to, any Person who at any time during the Employment Period was a customer, contractor or supplier of the Employer or its Affiliate; or

(ii) at any time during or after the Employment Period, disparage the Employer or Audiovox or its Affiliates or their respective shareholders, board of directors, members, managers, officers, employees or agents.

If any term, provision or covenant in this § 7(b) is held to be unreasonable, arbitrary or against public policy, a court may limit the application of such term, provision or covenant or modify such term, provision or covenant and proceed to enforce this § 7(b) as so limited or modified, which limited or modified term, provision or covenant will be effective, binding and enforceable against the Executive.

The period of time applicable to any covenant in this § 7(b) shall be extended by the duration of any actual or threatened violation by the Executive of such covenant.

The Executive shall, while the covenant under this § 7(b) is in effect, give notice to the Employer and Audiovox,

within ten (10) days after accepting any other employment, of the identity of the Executive's new employer. The Employer and Audiovox may notify such employer that the Executive is bound by this Agreement and, at the Employer's or Audiovox's election, furnish such employer with a copy of this Agreement or relevant portions thereof.

§ 8. General Provisions.

(a) Injunctive Relief and Additional Remedy. The Executive acknowledges that the injury that would be suffered by the Employer and Audiovox as a result of a breach of the provisions of this Agreement (including any provision of §§ 6 and 7) would be irreparable and that an award of monetary damages to the Employer or Audiovox for such a breach would be an inadequate remedy. Consequently, the Employer or Audiovox will have the right, in addition to any other rights, at law or in equity, it may have to obtain injunctive relief to restrain any breach or threatened breach or otherwise to specifically enforce any provision of this Agreement, and the Employer or Audiovox will not be obligated to post bond or other security in seeking such relief. Without limiting the Employer's or Audiovox's rights under this § 8(a) or any other remedies of the Employer or Audiovox, if the Executive has breached or violated or threatens to breach of violate any of the provisions of §§ 6 or 7 the Employer or Audiovox will have the right to cease making any payments otherwise due to the Executive under this Agreement and recover payments previously made to the Executive under this Agreement. Further, if any term, provision or covenant in §§ 6 or 7 is held to be unreasonable, arbitrary, against public policy, or otherwise unenforceable, Executive acknowledges and agrees that the payments required to be made to the Executive shall be waived and that the Executive relinquishes any rights to such payment or any other forms of payment post-dating the Executive's separation from the Employer.

(b) ***Covenants of §§ 6 and 7 Are Essential and Independent Covenants.*** The covenants by the Executive in §§ 6 and 7 are essential elements of this Agreement, and without the Executive's agreement to comply with such covenants, Audiovox would not have purchased any shares in Employer and the Employer would not have entered into this Agreement or employed or continued the employment of the Executive. The Employer, Audiovox and the Executive have been advised in all respects concerning the reasonableness and propriety of such covenants, with specific regard to the nature of the business conducted by the Employer and Audiovox. The Executive's covenants in §§ 6 and 7 are independent covenants and the existence of any claim by the Executive against the Employer or Audiovox under this Agreement or otherwise will not excuse the Executive's breach of any covenant in §§ 6 or 7. If the Executive's employment hereunder expires or is terminated, this Agreement will continue in full force and effect as is necessary or appropriate to enforce the covenants and agreements of the Executive in §§ 6 and 7 in accordance with their terms and conditions.

(c) Representations and Warranties by the Executive. The Executive represents and warrants to the Employer and Audiovox that the execution and delivery by the Executive of this Agreement do not, and the performance by the Executive of the Executive's obligations hereunder will not, with or without the giving of notice or the passage of time, or both: (i) violate any judgment, writ, injunction or order of any court, arbitrator or governmental agency applicable to the Executive; or (ii) conflict with, result in the breach of any provisions of or the termination of or constitute a default under any agreement to which the Executive is a party or by which the Executive is or may be bound. The Executive acknowledges that the Executive has had a full and complete opportunity to consult with counsel of the Executive's choosing concerning this Agreement and that the Employer has not made any representations or warranties to the Executive concerning this Agreement other than those specifically stated in this Agreement, if any.

(d) ***Waiver.*** The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by either party in exercising any right, power or privilege under this Agreement will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law, (i) no claim or right arising out of this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party (ii) no waiver that may be given by a party will be applicable except in the specific instance for which it is given and (iii) no notice to or demand on one party will be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement.

(e) ***Binding Effect.*** This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective successors, assigns, heirs and legal representatives.

(f) ***Notices.*** All notices, consents, waivers and other communications under this Agreement must be in

writing and will be deemed to have been duly given when (i) delivered by hand (with written confirmation of receipt), or (ii) when received by the addressee, if sent by a nationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses set forth below (or to such other addresses as a party may designate by notice to the other party):

If to Employer:

Klipsch Group, Inc.
3502 Woodview Trace
Suite 200
Indianapolis, IN 46268
Attn: Chairman of the Board of Directors

Copy to:

Audiovox Corporation
150 Marcus Blvd.
Hauppauge, NY 11788
Attn: Chief Operating Officer

Robert S. Levy
Levy, Stopol & Camelo, LLP
1425 RXR Plaza
Uniondale, NY 11556

If to the Executive:

Michael Klipsch
14041 Staghorn Drive
Carmel, IN 46032

(g) ***Entire Agreement: Amendments***. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, between the parties hereto with respect to the subject matter hereof. This Agreement may not be amended orally, but only by an agreement in writing signed by the parties hereto.

(h) ***Governing Law and Forum.*** This Agreement will be governed by the laws of the State of New York without regard to conflicts of laws principles. Any controversy, dispute or claim arising out of or in connection with this agreement or the breach hereof shall be resolved by arbitration in the City and State of New York in accordance with the rules of the American Arbitration Association. Judgment upon the award reached by the Arbitrator(s) may be enforced in any court having jurisdiction thereof.

(i) ***Section Headings, Construction***. The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "§" refer to sections in this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms.

(j) ***Severability.*** If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

(k) ***Counterparts***. This Agreement may be executed in counterparts, which when taken together shall constitute one and the same Agreement.

(1) ***Attorneys' Fees.*** In the event any dispute or controversy arising from or relating to this Agreement is submitted to any court, arbitration panel or other party, the prevailing party in such dispute or controversy shall be

entitled to reimbursement from the non-prevailing party for the actual fees and expenses incurred by the prevailing party in connection with such dispute or controversy (including, but not limited to, reasonable attorney's fees, costs and disbursements).

[signature page immediately following]

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

EMPLOYER:

KLIPSCH GROUP, INC.

By: */s/ Fred S. Klipsch*
Printed: Fred S. Klipsch
Title: Chairman of the Board of Directors

EXECUTIVE:

/s/ Michael Klipsch
Michael Klipsch, individually

Exhibit A

Market Jurisdictions

Alabama
Alaska
Arizona
Arkansas
California
Colorado
Connecticut
Delaware
Florida
Georgia
Hawaii
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Maryland
Massachusetts
Michigan
Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Hampshire
New Jersey
New Mexico
New York
North Carolina
North Dakota
Ohio
Oklahoma
Oregon
Pennsylvania
Rhode Island
South Carolina
South Dakota
Tennessee
Texas
Utah
Vermont
Virginia
Washington
West Virginia
Wisconsin
Wyoming
District of Columbia

Exhibit B

Bonus Criteria

1. EBITDA Goal for July 1, 2010 through June 30, 2011 is $27,143,000 (weighted 60%).
2. Senior Management FY11 Objectives (weighted 40%)

   a. The Company will be on target to complete by September 30, 2011 the Navision 2009 ERP installation to include Europe and Asia so that the Company is operating off a single global system for FY12.

   b. Complete the installation of Shopatron to complete the upgrade of the Company's capability to increase direct sales to consumers and implement a more aggressive web marketing effort.

   c. Continue the execution of the Forte logistics study to include outsourcing of domestic freight management, reduction of inventory in both America and European warehouses and potentially opening an additional warehouse on the U.S. east coast.

   d. Complete a three year strategic plan that specifically details the following:
      i. A product and technology position paper identifying potential changes, direction and internal gaps if they exist.
      ii. Updated brand, marketing and product strategy by brand and by category.
      iii. A non U.S. growth plan by major market that ultimately transitions the revenue balance 60/40 US vs. ROW in fiscal 2011 to 50/50 by 2014. This growth has to come from ROW.

   e. Continue successful operation of the Company while completing the process of closing with a new investor for the Company.

Exhibit C

Executive Put Options

Executive shall have the following described Put Option:

Commencing on March 1, 2011, the cumulative after tax net profit or loss of the Employer will be calculated on a monthly basis according to GAAP and will bear interest at the same per annum rate that Audiovox is receiving from its lead bank.

Executive may at the end of any month following the 30 month anniversary of this Agreement request the Employer to pay him in one lump sum up to 80% of .65% of the aggregate cumulative after tax net profit or loss of the Employer (the "Put Price"), and the Employer will pay such amount to Executive. Such a request may not be made within 60 months of Executive's previous request.

Any unpaid Put Price will be paid promptly to Executive or his heirs as the case may be if Executive's employment is terminated for any reason.

Illustration (not accounting for interest):

Commencement value		-0-
Net profits after 12 months	$	10,000,000
Put Price (.65%)	$	65,000
Net loss in 13th month	$	1,000,000
Put Price (.65%)	$	58,500

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of February 3, 2011, by and between KLIPSCH GROUP, INC., an Indiana corporation, and FRED S. KLIPSCH, an individual (the "Executive").

Recitals

WHEREAS, Audiovox Corporation ("Audiovox") intends to purchase all of the issued and outstanding shares of Klipsch Group, Inc. (referred to herein as "KGI" or the "Employer") pursuant to a Share Purchase Agreement and;

WHEREAS, Audiovox wishes to continue uninterrupted service by and to continue the employment of the Executive following the closing of the share purchase by Soundtech LLC on the terms and conditions set out herein and;

WHEREAS, in addition to the consideration set forth in this Agreement, Audiovox, through its subsidiary, will also be purchasing the Executive's shares in KGI for a considerable sum; and

WHEREAS, Audiovox would not purchase all the shares of KGI and in particular the shares owned by the Executive unless the Executive enters this Agreement and thereby agrees to abide with its terms.

Statement of Agreement

This Agreement is conditioned on the successful completion of the share purchase agreement (the "Share Purchase Agreement") by Audiovox through its subsidiary of all of the issued and outstanding shares by KGI. In the event the share acquisition is not accomplished this Agreement shall for all purposes be null and void. This Agreement shall not commence until the signing of this Agreement and the successful completion of the Share Purchase Agreement by Audiovox through its subsidiary.

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

§ 1 Definitions.

For the purposes of this Agreement, the following terms have the meanings specified or referred to in this § 1.

"Affiliate" means a corporation or other entity controlling, controlled by or under common control with the Employer.

"Agreement" has the meaning set forth in the preamble.

"Audiovox" the sole owner of Soundtech LLC, which is the sole shareholder of the Employer.

"Base Compensation" has the meaning set forth in § 3(a).

"Benefits" has the meaning set forth in § 3(c).

"Board of Directors" means the Board of Directors of the Employer.

"Business" means the (i) the speaker and sound business, and (ii) any other consumer electronics business as engaged in from time to time by the Employer and its Affiliates.

"Cause" means: (i) while the Executive is serving as the Chief Executive Officer, the Executive's continued willful failure to perform in a material respect (other than any such failure resulting from incapacity due to Disability) the explicitly stated duties to be performed by the Executive under this Agreement for a period of 10 days following delivery of written notice to the Executive from the Chief Executive Officer of Audiovox specifying in reasonable detail key elements of such failure; (ii) the appropriation (or attempted appropriation) of a material business opportunity of the Employer or Audiovox or their Affiliates, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Employer or Audiovox or any Affiliate; (iii) the willful disclosure by the Executive of Confidential Information of the Employer or Audiovox or any of their Affiliates, other than in the ordinary course of business in connection with the performance of the Executive's duties in accordance

with this Agreement; (iv) the misappropriation (or attempted misappropriation) of any of the Employer's or Audiovox's or any of their Affiliates funds or property; or (v) the conviction of, or the entering of a guilty plea or plea of no contest with respect to, any offense that is a felony.

"Confidential Information" means any and all information concerning the business and affairs of the Employer and Audiovox and their Affiliates including, but not limited to, customer lists, supplier lists, Inventions, Works, Proprietary Items, trade secrets, financial statements, business and financial projections and budgets, historical and projected sales, capital spending budgets and plans, business and marketing plans, strategic plans, product plans, the names and backgrounds of key personnel, personnel training and techniques and materials, however documented and all notes, analysis, compilations, studies, summaries and other material prepared by or for the Employer and Audiovox or their Affiliates containing or based, in whole or in part, on any information included in the foregoing.

"Disability" means a condition where for physical or mental reasons the Executive is unable to perform the Executive's duties (as determined in accordance with the procedures set forth in the next sentence) and such condition in the reasonable judgment of the Employer, as substantiated by a medical doctor in the manner provided below, is expected to continue for such period of time as to require replacement of the Executive in order to carry out the business of the Employer. The determination that the physical or mental state of the Executive constitutes a Disability shall be made by a medical doctor who is not an employee of the Employer and who is reasonably selected by the Employer and reasonably acceptable to the Executive (unless the Employer and the Executive reach mutual agreement regarding the existence of a Disability) and such determination shall be binding on both parties. The Executive must submit to a reasonable number of examinations by the designated medical doctor and the Executive hereby authorizes the disclosure and release to the Employer of such determination and all supporting medical records. Any and all out of pocket expenses incurred by the Executive in connection with the determination by the designated medical doctor of a Disability shall be paid for or reimbursed by the Employer. Action on behalf of the Executive may be taken by the Executive's guardian or duly authorized attorney-in-fact for purposes of submitting the Executive to medical examinations and approving authorization of disclosure. The Executive shall be deemed to have a Disability if the Executive for any reason is unable to perform the Executive's duties for 120 consecutive days or for 180 days during any 12-month period.

"Effective Date" means the date first written above in this Agreement.

"Employer" means Klipsch Group Inc.

"Employment Period" means the term of the Executive's employment under this Agreement, namely, five (5) years.

"Executive" has the meaning set forth in the preamble.

"Good Reason" means (a) a material reduction in the Executive's Base Compensation opportunity below the amount specified in Section 3 of this Agreement (other than a reduction applicable to all other similarly situated participants), (b) a requirement to move more than 35 miles from Indianapolis; (c) a material reduction in the Executive's level of responsibility, or (d) an assignment of duties inconsistent with the Executive's position as a key executive.

"Inventions" has the meaning set forth in § 6(d).

"Notice of Termination" has the meaning set forth in § 5(b).

"Person" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization or governmental body.

"Proprietary Items" has the meaning set forth in § 6(b)(iv).

"Termination Date" has the meaning set forth in § 2(b).

"Works" has the meaning set forth in § 6(e).

§ 2 Employment Terms and Duties.

(a) ***Employment.*** The Employer hereby employs the Executive, and the Executive hereby accepts employment by the Employer, upon the terms and conditions set forth in this Agreement.

(b) ***Term.*** The Executive's employment under this Agreement shall begin on the Effective Date and shall

continue thereafter for a period of five (5) years or, if earlier, the Executive's death or Disability (the "Termination Date").

(c) ***Rights and Powers; Duties.*** The Executive shall at all times during the first two (2) years, serve as the Chairman of the Board of the Employer and on a transitional basis (not longer than June 30, 2011) shall serve as the Employer's Chief Executive Officer. The Executive shall provide services to the Employer consistent with such position and this Agreement. The site of the Executive's employment shall be Indianapolis, Indiana. During the period that the Executive is serving transitionally as the Employer's Chief Executive Officer, the Executive shall devote full time and attention, skill and energy exclusively to the business of the Employer, shall use best efforts to promote the success of the Employer's and its Affiliate's business, shall cooperate fully with the Board of Directors in the advancement of the best interests of the Employer and its Affiliates, and shall have such duties and powers as are prescribed by the Chief Executive Officer of Audiovox. Thereafter, the Executive shall have no daily management or operational responsibilities and will make himself available, in person or telephonically, on reasonable request, for advice and consultation with respect to the Employer or Audiovox. Nothing in this § 2(c), however, shall prevent the Executive from engaging in other business activities, including in connection with personal investments, advisory activities and community affairs, or 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.

(d) ***Key Man Insurance.*** If requested by the Employer, the Executive shall cooperate with the Employer in establishing and maintaining "key man" insurance with respect to the Executive's services, including submitting to any medical examinations reasonably necessary or advisable to establish or maintain such insurance. The "key man" insurance to be established and maintained under this §2(d) shall be paid for by the Employer.

§ 3 Compensation.

(a) ***Base Compensation.*** The Executive shall, during the first two years of the Employment Period, be paid by the Employer and/or its Affiliates base salary at an annual rate of $830,000.00 (the "Base Compensation") which will be payable according to the Employer's customary payroll practices. During the remainder of the Employment Period, the Executive's Base Compensation shall be at an annual rate of $50,000.00.

(b) ***Bonuses.*** During the first two years of the Employment Period, the Executive will receive a bonus equal to a maximum of 60% of his base salary. With respect to fiscal year 2011, the bonus will be based on the achievement of the criteria set forth on Exhibit A. The bonus for 2012 will be exactly on the same bonus criteria as the Employer's successor Chief Executive Officer.

(c) ***Benefits.*** The Executive shall, during the first two (2) years of the Employment Period, be permitted to participate in such Code Section 401(k), pension; profit sharing, bonus, life insurance, disability insurance, hospitalization, dental, major medical and other employee benefit plans of the Employer that may be in effect from time to time, to the extent the Executive is eligible under the terms of those plans, but not less favorable to the Executive than currently in effect (collectively, the "Benefits"). After two (2) years, the Executive will receive disability insurance, hospitalization, dental and major medical Benefits.

(d) ***Vacation.*** The Executive shall, during the Employment Period, be entitled to the number of weeks of paid vacation for the full calendar year as set forth in the Employer's then current vacation policy. Vacation time may not be carried over.

(e) ***Suite Lease Costs.*** The Employer shall pay the Executive or his designee in advance 50% of the suite lease costs (up to a maximum of $39,000.00 annually) associated with the suite located in the Lucas Oil Stadium through the 2013/14 Season. The Company will be able to use this suite.

§ 4 Expenses. The Employer shall reimburse the Executive for all reasonable and necessary out-of-pocket expenses incurred by the Executive in accordance with the then Company policy, subject to any recordkeeping, reporting or similar requirements imposed pursuant to the policies and procedures of the Employer in effect from time to time.

§ 5 Termination.

(a) Events of Termination. The Employment Period and the Executive's rights under this Agreement or otherwise as an employee of the Employer shall terminate (except as otherwise provided in this § 5):

(i) on February 1, 2016;

(ii) automatically upon the death of the Executive;

(iii) if for Cause, immediately upon delivery of a Notice of Termination from the Chief Executive Officer of Audiovox to the Executive.

(b) ***Notice of Termination.*** Any termination by the Employer for Cause shall be communicated by a Notice of Termination to the Executive. For purposes of this Agreement, a "Notice of Termination" means a written notice which (1) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) the date of termination. The failure by the Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Employer hereunder or preclude the Employer from asserting any fact or circumstance in enforcing the Employer's rights hereunder.

(c) ***Termination Pay.*** Subject to the terms of § 7 below, effective upon termination of employment of the Executive for any reason, except as required under applicable law, the Employer shall be obligated to pay to the Executive (or, in the event of the Executive's death, the Executive's designated beneficiary) only such compensation as is specified in this § 5(c). The Executive's designated beneficiary will be such individual or trust, located at such address, as the Executive may designate by notice in writing to the Employer from time to time or, if the Executive fails to give notice to the Employer of such a beneficiary, the Executive's estate. Notwithstanding the preceding sentence, the Employer shall have no duty under any circumstances to determine whether any Person holding herself, himself or itself out as the beneficiary is in fact entitled to any termination payment but may rely upon the representations of such Person.

(i) **Termination on Death**. If the Executive's employment is terminated because of the Executive's death, the Employer shall pay to the beneficiary of the Executive any earned but unpaid Base Compensation and bonus for the period ending on the date of the Executive's death. In addition, the Employer, in accordance with the Employer's past practice, shall reimburse the Executive or the Executive's heirs or estate for expenses incurred in accordance with § 4.

(ii) **Termination by the Employer for Cause**. If the Executive's employment is terminated by the Employer for Cause, the Executive shall be entitled only to receive the Executive's earned but unpaid Base Compensation and bonus through the date of termination. In addition, the Employer, in accordance with the Employer's past practice, shall reimburse the Executive for expenses incurred in accordance with § 4.

(d) Suspension of Pay upon Disability. If the Executive suffers a Disability during the Employment Period, all his compensation will be suspended, but the Employer shall (A) pay the Executive an amount equal to any disability payments provided pursuant to the benefits package available to the Executive; (B) pay to the Executive at the same time paid to other employees any earned but unpaid Base Compensation and bonus for the period ending on termination; (C) in accordance with the Employer's past practice, reimburse the Executive for expenses incurred in accordance with § 4; and (D) provide disability insurance, hospitalization, dental and major medical Benefits.

§ 6 Non-Disclosure and Intellectual Property Covenant

(a) Acknowledgments by the Executive. The Executive acknowledges that (i) during the Employment Period and as a part of the Executive's employment, the Executive will be afforded access to Confidential Information; (ii) public disclosure of such Confidential Information could have an adverse effect on the Employer and Audiovox and their business; and (iii) the provisions of this § 5 are reasonable and necessary to prevent the improper use or disclosure of Confidential Information.

(b) ***Agreements of the Executive.*** In consideration of the compensation and benefits to be paid or provided to the Executive by the Employer and Audiovox under this Agreement, the Executive covenants that:

(i) During and indefinitely following the Employment Period, except in the performance of the Executive's duties in accordance with this Agreement in the ordinary course of business, the Executive shall hold in confidence the Confidential Information and shall not use or disclose it to any Person except with the specific prior written consent of the Chief Executive Officer of Audiovox.

(ii) Any trade secrets of the Employer and Audiovox and their Affiliates will be entitled to all of the protections and benefits under the Uniform Trade Secrets Act as adopted by the State of Indiana, the State where the Executive is located, if different than the State of Indiana, and any other applicable law. If any information that the Employer or Audiovox deems to be a trade secret is found by a court of competent

jurisdiction not to be a trade secret for purposes of this Agreement, such information will, nevertheless, be considered Confidential Information for purposes of this Agreement.

(iii) None of the obligations and restrictions set forth in (i) or (ii), above, applies to any part of the Confidential Information that the Executive demonstrates (A) was or becomes generally available to the public other than as a result of a direct or indirect disclosure by the Executive; (B) is required to be disclosed pursuant to an enforceable court order; or (C) is required to be disclosed by applicable law.

(iv) The Executive shall not remove from the Employer's or Audiovox's premises (except to the extent such removal is for purposes of the performance of the Executive's duties at home or while traveling, or except as otherwise specifically authorized by the Chief Executive Officer of Audiovox) any document, record, notebook, plan, model, component, device or computer software or code, whether embodied in a disk or in any other form (collectively, the "Proprietary Items"). The Executive recognizes that, as between the Employer and Audiovox and the Executive, all of the Proprietary Items, whether or not developed by the Executive, are the exclusive property of the Employer and Audiovox. Upon termination of this Agreement by either party, or upon the request of the Employer during the Employment Period, the Executive shall return to the Employer and Audiovox all of the Proprietary Items in the Executive's possession or subject to the Executive's control, and the Executive shall not retain any copies, abstracts, sketches or other physical embodiment of any of the Proprietary Items.

(c) ***Disputes or Controversies.*** The Executive recognizes that should a dispute or controversy arising from or relating to this Agreement be submitted for adjudication to any court, arbitration panel or other third party, the preservation of the secrecy of Confidential Information may be jeopardized. All pleadings, documents, testimony and records relating to any such adjudication will be maintained in secrecy and will be available for inspection by the Employer and Audiovox, the Executive and their respective attorneys and experts, who will agree, in advance and in writing, to receive and maintain all such information in secrecy.

(d) ***Inventions.*** The Executive agrees that all discoveries, concepts, and ideas, whether patentable or not relating to any activities of the Employer or Audiovox including, but not limited to, apparatus, processes, methods, compositions of matter, techniques, and formulas, as well as related improvements or know-how ("Inventions") made or conceived by the Executive, either solely or jointly with others (i) during the Executive's employment by the Employer or (ii) within one (1) year after termination of such employment, whether or not such Inventions are made or conceived during the hours of the Executive's employment or with the use of the Employer's facilities, materials, or personnel, shall be and shall remain the property of the Employer, whether patentable or not, and the Executive will, without royalty or any other consideration: (a) inform the Employer promptly and fully of such Inventions by written reports, setting forth in detail the Invention, the procedures employed, and the results achieved; (b) assign to the Employer all of the Executive's rights, title, and interests in and to any Inventions, any applications for United States and foreign Letters Patent covering the Inventions, any United States and foreign Letters Patent granted upon the applications, and any renewals thereof; (c) assist the Employer or its nominees, at the expense of the Employer, to obtain any United States and foreign Letters Patent for any Inventions as the Employer may elect; and (d) execute, acknowledge, and deliver to the Employer at its expense any written documents and instruments, and do any other acts, such as giving testimony in support of the Executive's inventorship, as may be necessary in the opinion of the Employer to obtain and maintain United States and foreign Letters Patent upon any Inventions and to vest the entire rights, title and interests in the Employer and to confirm the complete ownership by the Employer of any Inventions, patent applications, and patents.

(e) ***Works.*** The Executive agrees that all works of authorship fixed in a tangible medium of expression relating to any activities of the Employer or Audiovox including, but not limited to, flow charts and computer program source code and object code, regardless of the medium in which it is fixed, as well as notes, drawings, memoranda, correspondence, records, notebooks, instructions, and text ("Works") created or conceived by the Executive, either solely or jointly with others (i) during the Executive's employment by the Employer or (ii) within one (1) year after termination of such employment, whether or not such, Works are made or conceived during the hours of the Executive's employment or with use of the Employer's facilities, materials, or personnel, shall be and shall remain the property of the Employer, and the Executive will, without royalty or any other consideration, promptly disclose in writing to the Employer all Works. The Executive shall cooperate fully with the Employer and its officers and counsel, at the Employer's direction and expense, in obtaining, maintaining, and enforcing worldwide copyright protection on such Works. Any such Works created by the Executive is a "work made for hire" under the copyright law, and the Employer may file applications to register copyright in such Works as author and copyright owner thereof. If, for any reason, a

Work created by the Executive is excluded from the definition of a "work made for hire" under the copyright law, then the Executive shall assign, and does hereby assign, to the Employer the entire rights, title, and interests in and to such Work, including the copyright therein. The Executive shall take whatever steps and do whatever acts the Employer requests including, but not limited to, placement of the Employer proper copyright notice on Works created by the Executive to secure or aid in securing copyright protection in such Works, and shall assist the Employer or its nominees in filing applications to register claims of copyright in such Works.

(f)

§ 7 General Provisions.

(a) Injunctive Relief and Additional Remedy. The Executive acknowledges that the injury that would be suffered by the Employer and Audiovox as a result of a breach of the provisions of this Agreement (including any provision of §§ 6 and 7) would be irreparable and that an award of monetary damages to the Employer or Audiovox for such a breach would be an inadequate remedy. Consequently, the Employer or Audiovox will have the right, in addition to any other rights, at law or in equity, it may have to obtain injunctive relief to restrain any breach or threatened breach or otherwise to specifically enforce any provision of this Agreement, and the Employer or Audiovox will not be obligated to post bond or other security in seeking such relief. Without limiting the Employer's or Audiovox's rights under this § 7(a) or any other remedies of the Employer or Audiovox, if the Executive has breached or violated or threatens to breach of violate any of the provisions of §§ 6 or 7 the Employer or Audiovox will have the right to cease making any payments otherwise due to the Executive under this Agreement and recover payments previously made to the Executive under this Agreement. Further, if any term, provision or covenant in §§ 6 or 7 is held to be unreasonable, arbitrary, against public policy, or otherwise unenforceable, Executive acknowledges and agrees that the payments required to be made to the Executive shall be waived and that the Executive relinquishes any rights to such payment or any other forms of payment post-dating the Executive's separation from the Employer.

(b) ***Covenants Which Are Essential and Independent Covenants.*** The covenants by the Executive in § 6 and the Share Purchase Agreement are essential elements of this Agreement, and without the Executive's agreement to comply with such covenants, Audiovox would not have purchased any shares in Employer and the Employer would not have entered into this Agreement or employed or continued the employment of the Executive. The Employer, Audiovox and the Executive have been advised in all respects concerning the reasonableness and propriety of such covenants, with specific regard to the nature of the business conducted by the Employer and Audiovox. Such covenants are independent covenants and the existence of any claim by the Executive against the Employer or Audiovox under this Agreement or otherwise will not excuse the Executive's breach of any such covenants. If the Executive's employment hereunder expires or is terminated, this Agreement will continue in full force and effect as is necessary or appropriate to enforce the covenants and agreements of the Executive in accordance with their terms and conditions.

(c) Representations and Warranties by the Executive. The Executive represents and warrants to the Employer and Audiovox that the execution and delivery by the Executive of this Agreement do not, and the performance by the Executive of the Executive's obligations hereunder will not, with or without the giving of notice or the passage of time, or both: (i) violate any judgment, writ, injunction or order of any court, arbitrator or governmental agency applicable to the Executive; or (ii) conflict with, result in the breach of any provisions of or the termination of or constitute a default under any agreement to which the Executive is a party or by which the Executive is or may be bound. The Executive acknowledges that the Executive has had a full and complete opportunity to consult with counsel of the Executive's choosing concerning this Agreement and that the Employer has not made any representations or warranties to the Executive concerning this Agreement other than those specifically stated in this Agreement, if any.

(d) Waiver. The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by either party in exercising any right, power or privilege under this Agreement will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law, (i) no claim or right arising out of this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party (ii) no waiver that may be given by a party will be applicable except in the specific instance for which it is given and (iii) no notice to or demand on one party will be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement.

(e) ***Binding Effect.*** This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective successors, assigns, heirs and legal representatives.

(f) ***Notices.*** All notices, consents, waivers and other communications under this Agreement must be in writing and will be deemed to have been duly given when (i) delivered by hand (with written confirmation of receipt), or (ii) when received by the addressee, if sent by a nationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses set forth below (or to such other addresses as a party may designate by notice to the other party):

If to Employer:

Klipsch Group, Inc.
3502 Woodview Trace
Suite 200
Indianapolis, IN 46268
Attn: Chairman of the Board of Directors

Copy to:

Audiovox Corporation
150 Marcus Blvd.
Hauppauge, NY 11788
Attn: Chief Operating Officer

Robert S. Levy
Levy, Stopol & Camelo, LLP
1425 RXR Plaza
Uniondale, NY 11556

If to the Executive:

Fred S. Klipsch
3510 Sedgemoor Circle
Carmel, Indiana 46032
Telephone: (317) 860-8211
Facsimile: (317) 860-9128

(g) ***Entire Agreement: Amendments***. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, between the parties hereto with respect to the subject matter hereof. This Agreement may not be amended orally, but only by an agreement in writing signed by the parties hereto.

(h) ***Governing Law and Forum.*** This Agreement will be governed by the laws of the State of New York without regard to conflicts of laws principles. Any controversy, dispute or claim arising out of or in connection with this Agreement or the breach hereof shall be resolved by arbitration in the City and State of New York in accordance with the rules of the American Arbitration Association. Judgment upon the award reached by the Arbitrator(s) may be enforced in any court having jurisdiction thereof.

(i) ***Section Headings, Construction***. The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "§" refer to sections in this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly. provided, the word "including" does not limit the preceding words or terms.

(j) ***Severability.*** If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

(k) ***Counterparts.*** This Agreement may be executed in counterparts, which when taken together shall

constitute one and the same Agreement.

(l) Attorneys' Fees. In the event any dispute or controversy arising from or relating to this Agreement is submitted to any court, arbitration panel or other party, the prevailing party in such dispute or controversy shall be entitled to reimbursement from the non-prevailing party for the actual fees and expenses incurred by the prevailing party in connection with such dispute or controversy (including, but not limited to, reasonable attorney's fees, costs and disbursements).

(m) Klipsch Products. The Executive shall be entitled to purchase any products sold by the Employer or its Affiliates in the Business for personal use and at standard landed cost. This subsection shall survive any expiration or termination of this Agreement.

[signature page immediately following]

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

EMPLOYER:

KLIPSCH GROUP, INC.

By: */s/ T. Paul Jacobs*
T. Paul Jacobs
Chief Operating Officer

EXECUTIVE:

/s/ Fred S. Klipsch
Fred S. Klipsch, individually

Exhibit A

Bonus Criteria

1. EBITDA Goal for July 1, 2010 through June 30, 2011 is $27,143,000 (weighted 60%).
2. Senior Management FY11 Objectives (weighted 40%)

   a. The Company will be on target to complete by September 30, 2011 the Navision 2009 ERP installation to include Europe and Asia so that the Company is operating off a single global system for FY12.

   b. Complete the installation of Shopatron to complete the upgrade of the Company's capability to increase direct sales to consumers and implement a more aggressive web marketing effort.

   c. Continue the execution of the Forte logistics study to include outsourcing of domestic freight management, reduction of inventory in both America and European warehouses and potentially opening an additional warehouse on the U.S. east coast.

   d. Complete a three year strategic plan that specifically details the following:
      i. A product and technology position paper identifying potential changes, direction and internal gaps if they exist.
      ii. Updated brand, marketing and product strategy by brand and by category.
      iii. A non U.S. growth plan by major market that ultimately transitions the revenue balance 60/40 US vs. ROW in fiscal 2011 to 50/50 by 2014. This growth has to come from ROW.

   e. Continue successful operation of the Company while completing the process of closing with a new investor for the Company.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of February 3, 2011, by and between KLIPSCH GROUP, INC., an Indiana corporation, and FRED FARRAR, an individual (the "Executive").

Recitals

WHEREAS, Audiovox Corporation ("Audiovox") intends to purchase all of the issued and outstanding shares of Klipsch Group, Inc. (referred to herein as "KGI" or "Employer") pursuant to a Share Purchase Agreement and;

WHEREAS, Executive is employed by the Employer and wishes to continue uninterrupted service and to continue employment by the Employer following the closing of the share purchase by Soundtech LLC, the subsidiary of Audiovox on the terms and conditions set out herein and;

WHEREAS, in addition to the consideration set forth in this agreement, Audiovox, through its subsidiary, will also be purchasing Executives shares in KGI for a considerable sum and;

WHEREAS, Audiovox would not purchase all the shares of KGI and in particular the shares owned by Executive unless Executive enters this agreement and thereby agrees to abide with its terms.

Statement of Agreement

This Agreement is conditioned on the successful completion of the share purchase by Audiovox through its subsidiary of all of the issued and outstanding shares by KGI. In the event the share acquisition is not accomplished, this Agreement shall for all purposes be null and void. This Agreement shall not commence until the signing of this Agreement and the successful completion of the share purchase by Audiovox through its subsidiary.

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

§ 1. ***Definitions.***

For the purposes of this Agreement, the following terms have the meanings specified or referred to in this § 1.

"Affiliate" means a corporation or other entity controlling, controlled by or under common control with the Employer.

"Agreement" has the meaning set forth in the preamble.

"Audiovox" the sole owner of Soundtech LLC, which is the sole shareholder of the Employer.

"Base Compensation" has the meaning set forth in § 3(a).

"Benefits" has the meaning set forth in § 3(c).

"Board of Directors" means the Board of Directors of the Employer.

"Business" means the (i) the speaker and sound business, and (ii) any other consumer electronics business as engaged in from time to time by the Employer and its Affiliates.

"Cause" means: (i) the Executive's continued willful failure to perform in a material respect (other than any such failure resulting from incapacity due to Disability) the explicitly stated duties to be performed by the Executive under this Agreement for a period of 10 days following delivery of written notice to the Executive from the Chief Executive Officer of Audiovox specifying in reasonable detail key elements of such failure; (ii) the appropriation (or attempted appropriation) of a material business opportunity of the Employer or Audiovox or their Affiliates, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Employer or Audiovox or any Affiliate; (iii) the willful disclosure by the Executive of Confidential Information of the Employer or Audiovox or any of their Affiliates, other than in the ordinary course of business in connection with the performance of the Executive's duties in accordance with this Agreement; (iv) the misappropriation (or attempted misappropriation) of any of the Employer's or Audiovox's or any of their Affiliates funds or property; or (v) the

conviction of, or the entering of a guilty plea or plea of no contest with respect to, any offense that is a felony.

"Confidential Information" means any and all information concerning the business and affairs of the Employer and Audiovox and their Affiliates including, but not limited to, customer lists, supplier lists, Inventions, Works, Proprietary Items, trade secrets, financial statements, business and financial projections and budgets, historical and projected sales, capital spending budgets and plans, business and marketing plans, strategic plans, product plans, the names and backgrounds of key personnel, personnel training and techniques and materials, however documented and all notes, analysis, compilations, studies, summaries and other material prepared by or for the Employer and Audiovox or their Affiliates containing or based, in whole or in part, on any information included in the foregoing.

"Disability" means a condition where for physical or mental reasons the Executive is unable to perform the Executive's duties (as determined in accordance with the procedures set forth in the next sentence) and such condition in the reasonable judgment of the Employer, as substantiated by a medical doctor in the manner provided below, is expected to continue for such period of time as to require replacement of the Executive in order to carry out the business of the Employer. The determination that the physical or mental state of the Executive constitutes a Disability shall be made by a medical doctor who is not an employee of the Employer and who is reasonably selected by the Employer and reasonably acceptable to the Executive (unless the Employer and the Executive reach mutual agreement regarding the existence of a Disability) and such determination shall be binding on both parties. The Executive must submit to a reasonable number of examinations by the designated medical doctor and the Executive hereby authorizes the disclosure and release to the Employer of such determination and all supporting medical records. Any and all out of pocket expenses incurred by the Executive in connection with the determination by the designated medical doctor of a Disability shall be paid for or reimbursed by the Employer. Action on behalf of the Executive may be taken by the Executive's guardian or duly authorized attorney-in-fact for purposes of submitting the Executive to medical examinations and approving authorization of disclosure. The Executive shall be deemed to have a Disability if the Executive for any reason is unable to perform the Executive's duties for 120 consecutive days or for 180 days during any 12-month period.

"Effective Date" means the date first written above in this Agreement.

"Employer" means Klipsch Group Inc.

"Employment Period" means the term of the Executive's employment under this Agreement.

"Executive" has the meaning set forth in the preamble.

"Good Reason" means (a) a material reduction in the Executive's Base Compensation opportunity below the amount specified in Section 3 of this Agreement (other than a reduction applicable to all other similarly situated participants), (b) a requirement to move more than 35 miles from Indianapolis; (c) a material reduction in the Executive's level of responsibility, or (d) an assignment of duties inconsistent with the Executive's position as a key executive.

"Inventions" has the meaning set forth in § 6(d).

"Market Jurisdictions" means the jurisdictions set forth in Exhibit A, the United States of America and any other country where the Employer sells speakers and sound products or otherwise engages in the Business.

"Non-Compete Period" has the meaning set forth in § 7(b)(i).

"Notice of Termination" has the meaning set forth in § 5(b).

"Person" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization or governmental body.

"Proprietary Items" has the meaning set forth in § 6(b)(iv).

"Stock Purchase Non-Competition Period" means the 30 month period following the Closing of the Stock Purchase Agreement among the Employer, the Executive and others, dated as of February 3, 2011.

"Termination Date" has the meaning set forth in § 2(b).

"Works" has the meaning set forth in § 6(e).

§ 2. Employment Terms and Duties.

(a) ***Employment.*** The Employer hereby employs the Executive, and the Executive hereby accepts

employment by the Employer, upon the terms and conditions set forth in this Agreement.

(b) ***Term.*** The Executive's employment under this Agreement shall begin on the Effective Date and shall continue thereafter until terminated pursuant to § 5 below (the "Termination Date").

(c) ***Rights and Powers; Duties.*** The Executive shall initially serve as the Executive Vice President, Chief Financial Officer, Treasurer and Assistant Secretary 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 Audiovox. The Executive shall devote full time and attention, skill and energy exclusively to the business of the Employer, shall use best efforts to promote the success of the Employer's and its Affiliate's business and shall cooperate fully with the Board of Directors 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.

(d) ***Key Man Insurance.*** If requested by the Employer, the Executive shall cooperate with the Employer in establishing and maintaining "key man" insurance with respect to the Executive's services, including submitting to any medical examinations reasonably necessary or advisable to establish. or maintain such insurance. The "key man" insurance to be established and maintained under this § 2(d) shall be paid for by the Employer.

§ 3. Compensation.

(a) ***Base Compensation.*** The Executive shall, during the Employment Period, be paid by the Employer and/or its Affiliates base salary at an annual rate of $325,000.00 (the "Base Compensation"), subject to review and potential upward adjustment annually thereafter, which will be payable according to the Employer's customary payroll practices.

(b) ***Bonuses.*** Executive will receive a bonus equal to a maximum of 35% of his base salary based on achievement of EBITDA goals and other goals established at the beginning of each year that will promote the growth of the Employer. Goals will be established by the Chief Executive Officer of Audiovox and discussed with Management at the beginning of each new fiscal year. The Executive's bonus criteria for fiscal year 2011 are set forth on Exhibit B.

(c) ***Benefits.*** The Executive shall, during the Employment Period, be permitted to participate in such Code Section 401(k), pension; profit sharing, bonus, life insurance, disability insurance, hospitalization, dental, major medical and other employee benefit plans of the Employer that may be in effect from time to time, to the extent the Executive is eligible under the terms of those plans, but not less favorable to the Executive than currently in effect (collectively, the "Benefits").

(d) ***Vacation.*** The Executive shall, during the Employment Period, be entitled to the number of weeks of paid vacation per full calendar year as set forth in the Employer's then current vacation policy. Vacation time may not be carried over.

(e) ***Life Insurance.*** The Executive shall, during the Employment Period, be provided a term life policy in the amount of $250,000 paid for by the Employer with the beneficiary selected by the Executive.

(f) ***Executive Put Option.*** Exhibit "C" annexed.

§ 4. Expenses. The Employer shall reimburse the Executive for all reasonable and necessary out-of-pocket expenses incurred by the Executive in connection with the performance of services under this Agreement, subject to any recordkeeping, reporting or similar requirements imposed pursuant to policies and procedures of the Employer in effect from time to time.

§ 5. Termination.

(a) Events of Termination. The Employment Period and the Executive's rights under this Agreement or otherwise as an employee of the Employer shall terminate (except as otherwise provided in this § 5):

(i) automatically upon the death of the Executive;

(ii) upon the Disability of the Executive immediately upon written notice from either party to the other party;

(iii) if for Cause, immediately upon delivery of a Notice of Termination from the Chief Executive Officer of Audiovox to the Executive, or at such later time as such notice may specify;

(iv) if without Cause, upon 30 days prior written notice from the Chief Executive Officer of Audiovox to the Executive, or at such later time as such notice may specify;

(v) if by the Executive other than for Good Reason, upon the Executive's resignation 30 days following written notice from the Executive to the Board of Directors; or

(vi) if by the Executive for Good Reason, upon and in accordance with the following conditions. In order to terminate for Good Reason, the Executive must give the Board of Directors a Notice of Termination at least 60 calendar days in advance of the Executive's intent to terminate employment for Good Reason setting forth the specific actions by the Employer which triggered the notice and the Notice of Termination must be received by the Chief Executive Officer of Audiovox no more than ninety (90) calendar days after the complained-of-action(s) occurred which constitute the basis for Good Reason. Upon receipt of the Notice of Termination and for a period of fifteen (15) calendar days thereafter, the Board of Directors shall consider the complained-of-action(s) set forth therein and if such complained-of-action(s) constitute Good Reason shall cure or remedy the actions set forth therein. If the Employer adequately remedies or cures the actions giving rise to the Notice of Termination within such 15-day period, then the resignation by the Executive shall not be for Good Reason.

(b) ***Notice of Termination.*** Any termination by the Employer for Cause or by the Executive for Good Reason shall be communicated by a Notice of Termination to the Executive or the Board of Directors, as applicable. For purposes of this Agreement, a "Notice of Termination" means a written notice which (1) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) the date of termination. The failure by the Executive or the Employer to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause or Good Reason shall not waive any right of the Executive or the Employer, respectively, hereunder or preclude the Executive or the Employer, respectively, from asserting any fact or circumstance in enforcing the Executive's or the Employer's rights hereunder.

(c) ***Termination Pay.*** Subject to the terms of §§ 7 and 8 below, effective upon termination of employment of the Executive for any reason, except as required under applicable law, the Employer shall be obligated to pay to the Executive (or, in the event of the Executive's death, the Executive's designated beneficiary) only such compensation as is specified in this § 5(c). The Executive's designated beneficiary will be such individual or trust, located at such address, as the Executive may designate by notice in writing to the Employer from time to time or, if the Executive fails to give notice to the Employer of such a beneficiary, the Executive's estate. Notwithstanding the preceding sentence, the Employer shall have no duty under any circumstances to determine whether any Person holding herself, himself or itself out as the beneficiary is in fact entitled to any termination payment but may rely upon the representations of such Person.

(i) **Termination by the Employer Without Cause or by the Executive for Good Reason.** Subject to Subparagraph 5(c)(ii), if the Executive's employment is terminated by the Employer without Cause or by the Executive for Good Reason, the Employer shall pay to the Executive in accordance with the Employer's then current payroll practices: (A) Base Compensation, at the annual rate in effect immediately prior to termination, plus an amount equal to the average annual bonus paid to the Executive in the preceding two (2) fiscal years, payable in equal monthly installments over a period of 12 months; plus (B) any earned and unpaid Base Compensation and bonus for the period ending on termination. In addition, the Employer shall (A) pay for and continue disability insurance and health insurance benefits provided to the Executive and the Executive's dependents immediately prior to the termination of the Executive's employment for a period of 12 months, and (B) in accordance with past practice, reimburse the Executive for expenses incurred in accordance with § 4. The Executive's entitlement to the compensation and benefits described in this subsection (i) is specifically subject to the execution and delivery by the Executive of a release agreement in form and substance reasonably acceptable to the Employer.

(ii) **Termination During the Stock Purchase Non-Competition Period.** Notwithstanding Subparagraph 5(c)(i) above, if the Executive's employment is terminated by the Employer with cause or by the Executive for any reason whatsoever, except for a material reduction in the Executive's Base Compensation opportunity below the amount specified in Section 3 of this Agreement (other than a reduction applicable to all other similarly situated participants) or a requirement to move more than 35 miles from Indianapolis, during

the Stock Purchase Non-Competition Period, Executive will receive no compensation or any of the Benefits provided in Subparagraph 5(c)(i) above from the Employer during the Stock Purchase Non-Competition Period. If the Executive's employment is terminated by the Employer without cause or by the Executive because of a material reduction in the Executive's Base Compensation opportunity below the amount specified in Section 3 of this Agreement (other than a reduction applicable to all other similarly situated participants), or a requirement to move more than 35 miles from Indianapolis during the Stock Purchase Non-Competition Period, the Executive will receive: (A) Base Compensation at the annual rate in effect immediately prior to termination, plus an amount equal to the average annual bonus paid to the Executive in the preceding two (2) fiscal years, payable in equal monthly installments over the greater of (i) the remaining period of the Stock Purchase Non-Competition Period or (ii) twelve (12) months; (B) any earned unpaid Base Compensation and bonus for the period ending on termination; and (C) in accordance with past practice, reimburse the Executive for expenses incurred in accordance with § 4. The Executive's entitlement to the compensation and benefits described in this subsection (ii) is specifically subject to the execution and delivery by the Executive of a release agreement in form and substance reasonably acceptable to the Employer.

(iii) **Termination upon Disability.** If the Executive's employment is terminated

(iv) as a result of the Executive's Disability, the Employer shall (A) pay the Executive an amount equal to any disability payments provided pursuant to the benefits package available to the Executive; (B) pay to the Executive at the same time paid to other employees any earned but unpaid Base Compensation and bonus for the period ending on termination; and (C) in accordance with the Employer's past practice, reimburse the Executive for expenses incurred in accordance with § 4.

(v) **Termination on Death**. If the Executive's employment is terminated because of the Executive's death, the Employer shall pay to the beneficiary of the Executive any earned but unpaid Base Compensation and bonus for the period ending on the date of the Executive's death. In addition, the Employer, in accordance with the Employer's past practice, shall reimburse the Executive or the Executive's heirs or estate for expenses incurred in accordance with § 4.

(vi) **Termination by the Employer for Cause**. If the Executive's employment is terminated by the Employer for Cause, the Executive shall be entitled only to receive the Executive's earned but unpaid Base Compensation and bonus through the date of termination. In addition, the Employer, in accordance with the Employer's past practice, shall reimburse the Executive for expenses incurred in accordance with § 4.

(vii) **Termination by the Executive without Good Reason**. If the Executive's employment is terminated by the Executive for any reason (other than for Good Reason), the Executive shall be entitled to receive the Executive's earned but unpaid Base Compensation and bonus through the date of such termination. In addition, the Employer, in accordance with the Employer's past practice, shall reimburse the Executive for expenses incurred in accordance with § 4.

(viii)

§ 6. Non-Disclosure and Intellectual Property Covenant

(a) Acknowledgments by the Executive. The Executive acknowledges that (i) during the Employment Period and as a part of the Executive's employment, the Executive will be afforded access to Confidential Information; (ii) public disclosure of such Confidential Information could have an adverse effect on the Employer and Audiovox and their business; and (iii) the provisions of this § 6 are reasonable and necessary to prevent the improper use or disclosure of Confidential Information.

(b) ***Agreements of the Executive.*** In consideration of the compensation and benefits to be paid or provided to the Executive by the Employer and Audiovox under this Agreement, the Executive covenants that:

(i) During and indefinitely following the Employment Period, except in the performance of the Executive's duties in accordance with this Agreement in the ordinary course of business, the Executive shall hold in confidence the Confidential Information and shall not use or disclose it to any Person except with the specific prior written consent of the Chief Executive Officer of Audiovox.

(ii) Any trade secrets of the Employer and Audiovox and their Affiliates will be entitled to all of the protections and benefits under the Uniform Trade Secrets Act as adopted by the State of Indiana, the State where the Executive is located, if different than the State of Indiana, and any other applicable law. If any information that the Employer or Audiovox deems to be a trade secret is found by a court of competent jurisdiction not to be a trade secret for purposes of this Agreement, such information will, nevertheless, be

considered Confidential Information for purposes of this Agreement.

(iii) None of the obligations and restrictions set forth in (i) or (ii), above, applies to any part of the Confidential Information that the Executive demonstrates (A) was or becomes generally available to the public other than as a result of a direct or indirect disclosure by the Executive; (B) is required to be disclosed pursuant to an enforceable court order; or (C) is required to be disclosed by applicable law.

(iv) The Executive shall not remove from the Employer's or Audiovox's premises (except to the extent such removal is for purposes of the performance of the Executive's duties at home or while traveling, or except as otherwise specifically authorized by the Chief Executive Officer of Audiovox) any document, record, notebook, plan, model, component, device or computer software or code, whether embodied in a disk or in any other form (collectively, the "Proprietary Items"). The Executive recognizes that, as between the Employer and Audiovox and the Executive, all of the Proprietary Items, whether or not developed by the Executive, are the exclusive property of the Employer and Audiovox. Upon termination of this Agreement by either party, or upon the request of the Employer during the Employment Period, the Executive shall return to the Employer and Audiovox all of the Proprietary Items in the Executive's possession or subject to the Executive's control, and the Executive shall not retain any copies, abstracts, sketches or other physical embodiment of any of the Proprietary Items.

(c) ***Disputes or Controversies.*** The Executive recognizes that should a dispute or controversy arising from or relating to this Agreement be submitted for adjudication to any court, arbitration panel or other third party, the preservation of the secrecy of Confidential Information may be jeopardized. All pleadings, documents, testimony and records relating to any such adjudication will be maintained in secrecy and will be available for inspection by the Employer and Audiovox, the Executive and their respective attorneys and experts, who will agree, in advance and in writing, to receive and maintain all such information in secrecy.

(d) ***Inventions.*** The Executive agrees that all discoveries, concepts, and ideas, whether patentable or not relating to any activities of the Employer or Audiovox including, but not limited to, apparatus, processes, methods, compositions of matter, techniques, and formulas, as well as related improvements or know-how ("Inventions") made or conceived by the Executive, either solely or jointly with others (i) during the Executive's employment by the Employer or (ii) within one (1) year after termination of such employment, whether or not such Inventions are made or conceived during the hours of the Executive's employment or with the use of the Employer's facilities, materials, or personnel, shall be and shall remain the property of the Employer, whether patentable or not, and the Executive will, without royalty or any other consideration: (a) inform the Employer promptly and fully of such Inventions by written reports, setting forth in detail the Invention, the procedures employed, and the results achieved; (b) assign to the Employer all of the Executive's rights, title, and interests in and to any Inventions, any applications for United States and foreign Letters Patent covering the Inventions, any United States and foreign Letters Patent granted upon the applications, and any renewals thereof; (c) assist the Employer or its nominees, at the expense of the Employer, to obtain any United States and foreign Letters Patent for any Inventions as the Employer may elect; and (d) execute, acknowledge, and deliver to the Employer at its expense any written documents and instruments, and do any other acts, such as giving testimony in support of the Executive's inventorship, as may be necessary in the opinion of the Employer to obtain and maintain United States and foreign Letters Patent upon any Inventions and to vest the entire rights, title and interests in the Employer and to confirm the complete ownership by the Employer of any Inventions, patent applications, and patents.

(e) ***Works.*** The Executive agrees that all works of authorship fixed in a tangible medium of expression relating to any activities of the Employer or Audiovox including, but not limited to, flow charts and computer program source code and object code, regardless of the medium in which it is fixed, as well as notes, drawings, memoranda, correspondence, records, notebooks, instructions, and text ("Works") created or conceived by the Executive, either solely or jointly with others (i) during the Executive's employment by the Employer or (ii) within one (1) year after termination of such employment, whether or not such, Works are made or conceived during the hours of the Executive's employment or with use of the Employer's facilities, materials, or personnel, shall be and shall remain the property of the Employer, and the Executive will, without royalty or any other consideration, promptly disclose in writing to the Employer all Works. The Executive shall cooperate fully with the Employer and its officers and counsel, at the Employer's direction and expense, in obtaining, maintaining, and enforcing worldwide copyright protection on such Works. Any such Works created by the Executive is a "work made for hire" under the copyright law, and the Employer may file applications to register copyright in such Works as author and copyright owner thereof. If, for any reason, a Work created by the Executive is excluded from the definition of a "work made for

hire" under the copyright law, then the Executive shall assign, and does hereby assign, to the Employer the entire rights, title, and interests in and to such Work, including the copyright therein. The Executive shall take whatever steps and do whatever acts the Employer requests including, but not limited to, placement of the Employer proper copyright notice on Works created by the Executive to secure or aid in securing copyright protection in such Works, and shall assist the Employer or its nominees in filing applications to register claims of copyright in such Works.

§ 7. ***Non-Competition and Non-Interference.***

(a) ***Acknowledgements by the Executive.*** The Executive acknowledges that: (i) Audiovox would not purchase stock of the Employer or from Executive unless Executive agrees to the terms of this Section 7; (ii) the information to be disclosed to the Executive and the services to be performed by the Executive under this Agreement are of a special, unique, extraordinary and intellectual character; (iii) the Employer and Audiovox competes with other businesses that are located in the Market Jurisdictions; (iv) the restricted period of time and the geographic limitations set forth below are reasonable in view of the nature of the business in which the Employer and Audiovox are engaged and the Executive's knowledge of the Employer's and Audiovox's operations the Executive has gained and will gain by virtue of the Executive's position; (v) this limited restriction is not an attempt to prevent the Executive from obtaining other employment in violation of Indiana Code § 22-5-3-1; and (vi) the provisions of this § 7 are reasonable and necessary to protect the Employer's and Audiovox's business.

(b) ***Covenants of the Executive.*** In consideration of the acknowledgments by the Executive, and in consideration of the payments, compensation and benefits to be paid or provided to the Executive by the Employer and Audiovox, the Executive covenants that the Executive will not, directly or indirectly:

(i) during (A) the Employment Period and for 12 months thereafter (the "Non-Compete Period"); (B) the Stock Purchase Non-Competition Period and (C) the period Executive may be receiving payments under Section 5(c)(ii), except in the course of the Executive's employment hereunder, directly or indirectly, in a competitive capacity, engage or invest in, own, manage, operate, finance, control or participate in the ownership, management, operation, financing or control of, be employed by, associated with or in any manner connected with, lend the Executive's name or any similar name to, lend Executive's credit to or render services or advice to, or plan or prepare to do any of the foregoing with any business whose products or activities compete in whole or in part with the Business in any Market Jurisdiction; provided, however, that the Executive may purchase or otherwise acquire up to (but not more than) two percent (2%) of any class of securities of any entity (but without otherwise participating in the activities of such entity) if such securities are listed on any national or regional securities exchange or have been registered under § 12(g) of the Securities Exchange Act of 1934, as amended. For purposes of this Section 7(b)(i), the word "Subsidiaries" is substituted for the word "Affiliates" in the definition of "Business" in Section 1.

(i) whether for the Executive's own account or the account of any other Person: (A) at any time during the Employment Period and for 2 years thereafter and during the Stock Purchase Non-Competition Period, directly or indirectly, interfere with, solicit, employ or otherwise engage, as an employee, independent contractor or otherwise, any Person who is or was an employee of the Employer or its Affiliate at any time during the last 2 years of the Employment Period or in any manner induce or attempt to induce any employee of the Employer or its Affiliate to terminate his or her employment with the Employer or its Affiliate; or (B) at any time during the Employment Period and in a competitive capacity for 12 months thereafter and during the Stock Purchase Non-Competition Period, interfere with the Employer's or its Affiliate's relationship with any Person, including, but not limited to, any Person who at any time during the Employment Period was a customer, contractor or supplier of the Employer or its Affiliate; or

(ii) at any time during or after the Employment Period, disparage the Employer or Audiovox or its Affiliates or their respective shareholders, board of directors, members, managers, officers, employees or agents.

If any term, provision or covenant in this § 7(b) is held to be unreasonable, arbitrary or against public policy, a court may limit the application of such term, provision or covenant or modify such term, provision or covenant and proceed to enforce this § 7(b) as so limited or modified, which limited or modified term, provision or covenant will be effective, binding and enforceable against the Executive.

The period of time applicable to any covenant in this § 7(b) shall be extended by the duration of any actual or threatened violation by the Executive of such covenant.

The Executive shall, while the covenant under this § 7(b) is in effect, give notice to the Employer and Audiovox, within ten (10) days after accepting any other employment, of the identity of the Executive's new employer. The Employer and Audiovox may notify such employer that the Executive is bound by this Agreement and, at the Employer's or Audiovox's election, furnish such employer with a copy of this Agreement or relevant portions thereof.

§ 8. General Provisions.

(a) Injunctive Relief and Additional Remedy. The Executive acknowledges that the injury that would be suffered by the Employer and Audiovox as a result of a breach of the provisions of this Agreement (including any provision of §§ 6 and 7) would be irreparable and that an award of monetary damages to the Employer or Audiovox for such a breach would be an inadequate remedy. Consequently, the Employer or Audiovox will have the right, in addition to any other rights, at law or in equity, it may have to obtain injunctive relief to restrain any breach or threatened breach or otherwise to specifically enforce any provision of this Agreement, and the Employer or Audiovox will not be obligated to post bond or other security in seeking such relief. Without limiting the Employer's or Audiovox's rights under this § 8(a) or any other remedies of the Employer or Audiovox, if the Executive has breached or violated or threatens to breach of violate any of the provisions of §§ 6 or 7 the Employer or Audiovox will have the right to cease making any payments otherwise due to the Executive under this Agreement and recover payments previously made to the Executive under this Agreement. Further, if any term, provision or covenant in §§ 6 or 7 is held to be unreasonable, arbitrary, against public policy, or otherwise unenforceable, Executive acknowledges and agrees that the payments required to be made to the Executive shall be waived and that the Executive relinquishes any rights to such payment or any other forms of payment post-dating the Executive's separation from the Employer.

(b) ***Covenants of §§ 6 and 7 Are Essential and Independent Covenants.*** The covenants by the Executive in §§ 6 and 7 are essential elements of this Agreement, and without the Executive's agreement to comply with such covenants, Audiovox would not have purchased any shares in Employer and the Employer would not have entered into this Agreement or employed or continued the employment of the Executive. The Employer, Audiovox and the Executive have been advised in all respects concerning the reasonableness and propriety of such covenants, with specific regard to the nature of the business conducted by the Employer and Audiovox. The Executive's covenants in §§ 6 and 7 are independent covenants and the existence of any claim by the Executive against the Employer or Audiovox under this Agreement or otherwise will not excuse the Executive's breach of any covenant in §§ 6 or 7. If the Executive's employment hereunder expires or is terminated, this Agreement will continue in full force and effect as is necessary or appropriate to enforce the covenants and agreements of the Executive in §§ 6 and 7 in accordance with their terms and conditions.

(c) Representations and Warranties by the Executive. The Executive represents and warrants to the Employer and Audiovox that the execution and delivery by the Executive of this Agreement do not, and the performance by the Executive of the Executive's obligations hereunder will not, with or without the giving of notice or the passage of time, or both: (i) violate any judgment, writ, injunction or order of any court, arbitrator or governmental agency applicable to the Executive; or (ii) conflict with, result in the breach of any provisions of or the termination of or constitute a default under any agreement to which the Executive is a party or by which the Executive is or may be bound. The Executive acknowledges that the Executive has had a full and complete opportunity to consult with counsel of the Executive's choosing concerning this Agreement and that the Employer has not made any representations or warranties to the Executive concerning this Agreement other than those specifically stated in this Agreement, if any.

(d) ***Waiver.*** The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by either party in exercising any right, power or privilege under this Agreement will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law, (i) no claim or right arising out of this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party (ii) no waiver that may be given by a party will be applicable except in the specific instance for which it is given and (iii) no notice to or demand on one party will be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement.

(e) ***Binding Effect.*** This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective successors, assigns, heirs and legal representatives.

(f) ***Notices.*** All notices, consents, waivers and other communications under this Agreement must be in writing and will be deemed to have been duly given when (i) delivered by hand (with written confirmation of receipt), or (ii) when received by the addressee, if sent by a nationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses set forth below (or to such other addresses as a party may designate by notice to the other party):

If to Employer:
Klipsch Group, Inc.
3502 Woodview Trace
Suite 200
Indianapolis, IN 46268
Attn: Chairman of the Board of Directors

Copy to:
Audiovox Corporation
150 Marcus Blvd.
Hauppauge, NY 11788
Attn: Chief Operating Officer

Robert S. Levy
Levy, Stopol & Camelo, LLP
1425 RXR Plaza
Uniondale, NY 11556

If to the Executive:
Fred Farrar
11085 Queens Way Circle
Carmel, IN 46032

(g) ***Entire Agreement: Amendments***. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, between the parties hereto with respect to the subject matter hereof. This Agreement may not be amended orally, but only by an agreement in writing signed by the parties hereto.

(h) ***Governing Law and Forum.*** This Agreement will be governed by the laws of the State of New York without regard to conflicts of laws principles. Any controversy, dispute or claim arising out of or in connection with this agreement or the breach hereof shall be resolved by arbitration in the City and State of New York in accordance with the rules of the American Arbitration Association. Judgment upon the award reached by the Arbitrator(s) may be enforced in any court having jurisdiction thereof.

(i) ***Section Headings, Construction***. The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "§" refer to sections in this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms.

(j) ***Severability.*** If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

(k) ***Counterparts***. This Agreement may be executed in counterparts, which when taken together shall constitute one and the same Agreement.

(1) ***Attorneys' Fees.*** In the event any dispute or controversy arising from or relating to this Agreement

is submitted to any court, arbitration panel or other party, the prevailing party in such dispute or controversy shall be entitled to reimbursement from the non-prevailing party for the actual fees and expenses incurred by the prevailing party in connection with such dispute or controversy (including, but not limited to, reasonable attorney's fees, costs and disbursements).

[signature page immediately following]

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

EMPLOYER:

KLIPSCH GROUP, INC.

By: */s/ Fred S. Klipsch*
Printed: Fred S. Klipsch
Title: Chairman of the Board of Directors

EXECUTIVE:

/s/ Fred Farrar
Fred Farrar, individually

Exhibit A

Market Jurisdictions

Alabama
Alaska
Arizona
Arkansas
California
Colorado
Connecticut
Delaware
Florida
Georgia
Hawaii
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Maryland
Massachusetts
Michigan
Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Hampshire
New Jersey
New Mexico
New York
North Carolina
North Dakota
Ohio
Oklahoma
Oregon
Pennsylvania
Rhode Island
South Carolina
South Dakota
Tennessee
Texas
Utah
Vermont
Virginia
Washington
West Virginia
Wisconsin
Wyoming
District of Columbia

Exhibit B

Bonus Criteria

1. EBITDA Goal for July 1, 2010 through June 30, 2011 is $27,143,000 (weighted 60%).
2. Senior Management FY11 Objectives (weighted 40%)

   a. The Company will be on target to complete by September 30, 2010 the Navision 2009 ERP installation to include Europe and Asia so that the Company is operating off a single global system for FY12.

   b. Complete the installation of Shopatron to complete the upgrade of the Company's capability to increase direct sales to consumers and implement a more aggressive web marketing effort.

   c. Continue the execution of the Forte logistics study to include outsourcing of domestic freight management, reduction of inventory in both America and European warehouses and potentially opening an additional warehouse on the U.S. east coast.

   d. Complete a three year strategic plan that specifically details the following:
      i. A product and technology position paper identifying potential changes, direction and internal gaps if they exist.
      ii. Updated brand, marketing and product strategy by brand and by category.
      iii. A non U.S. growth plan by major market that ultimately transitions the revenue balance 60/40 US vs. ROW in fiscal 2011 to 50/50 by 2014. This growth has to come from ROW.

   e. Continue successful operation of the Company while completing the process of closing with a new investor for the Company.

Exhibit C

Executive Put Options

Executive shall have the following described Put Option:

Commencing on March 1, 2011, the cumulative after tax net profit or loss of the Employer will be calculated on a monthly basis according to GAAP and will bear interest at the same per annum rate that Audiovox is receiving from its lead bank.

Executive may at the end of any month following the 30 month anniversary of this Agreement request the Employer to pay him in one lump sum up to 80% of .65% of the aggregate cumulative after tax net profit or loss of the Employer (the "Put Price"), and the Employer will pay such amount to Executive. Such a request may not be made within 60 months of Executive's previous request.

Any unpaid Put Price will be paid promptly to Executive or his heirs as the case may be if Executive's employment is terminated for any reason.

Illustration (not accounting for interest):

Commencement value		-0-
Net profits after 12 months	$	10,000,000
Put Price (.65%)	$	65,000
Net loss in 13th month	$	1,000,000
Put Price (.65%)	$	58,500

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of February 3, 2011, by and between KLIPSCH GROUP, INC., an Indiana corporation, and DAVID P. KELLEY, an individual (the "Executive").

Recitals

WHEREAS, Audiovox Corporation ("Audiovox") intends to purchase all of the issued and outstanding shares of Klipsch Group, Inc. (referred to herein as "KGI" or "Employer") pursuant to a Share Purchase Agreement and;

WHEREAS, Executive has an existing employment agreement with the Employer dated February 11, 2005, and wishes to continue uninterrupted service and to continue employment by the Employer following the closing of the share purchase by Soundtech LLC, the subsidiary of Audiovox on the terms and conditions set out herein and;

WHEREAS, in addition to the consideration set forth in this agreement, Audiovox, through its subsidiary, will also be purchasing Executives shares in KGI for a considerable sum and;

WHEREAS, Audiovox would not purchase all the shares of KGI and in particular the shares owned by Executive unless Executive enters this agreement and thereby agrees to abide with its terms.

Statement of Agreement

This Agreement is conditioned on the successful completion of the share purchase by Audiovox through its subsidiary of all of the issued and outstanding shares by KGI. In the event the share acquisition is not accomplished, this Agreement shall for all purposes be null and void. This Agreement shall not commence until the signing of this Agreement and the successful completion of the share purchase by Audiovox through its subsidiary.

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

§ 1. ***Definitions.***

For the purposes of this Agreement, the following terms have the meanings specified or referred to in this § 1.

"Affiliate" means a corporation or other entity controlling, controlled by or under common control with the Employer.

"Agreement" has the meaning set forth in the preamble.

"Audiovox" the sole owner of Soundtech LLC, which is the sole shareholder of the Employer.

"Base Compensation" has the meaning set forth in § 3(a).

"Benefits" has the meaning set forth in § 3(c).

"Board of Directors" means the Board of Directors of the Employer.

"Business" means the (i) the speaker and sound business, and (ii) any other consumer electronics business as engaged in from time to time by the Employer and its Affiliates.

"Cause" means: (i) the Executive's continued willful failure to perform in a material respect (other than any such failure resulting from incapacity due to Disability) the explicitly stated duties to be performed by the Executive under this Agreement for a period of 10 days following delivery of written notice to the Executive from the Chief Executive Officer of Audiovox specifying in reasonable detail key elements of such failure; (ii) the appropriation (or attempted appropriation) of a material business opportunity of the Employer or Audiovox or their Affiliates, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Employer or Audiovox or any Affiliate; (iii) the willful disclosure by the Executive of Confidential Information of the Employer or Audiovox or any of their Affiliates, other than in the ordinary course of business in connection with the performance of the Executive's duties in accordance with this Agreement; (iv) the misappropriation (or attempted misappropriation) of any of the Employer's or Audiovox's or any of their Affiliates funds or property; or (v) the

conviction of, or the entering of a guilty plea or plea of no contest with respect to, any offense that is a felony.

"Confidential Information" means any and all information concerning the business and affairs of the Employer and Audiovox and their Affiliates including, but not limited to, customer lists, supplier lists, Inventions, Works, Proprietary Items, trade secrets, financial statements, business and financial projections and budgets, historical and projected sales, capital spending budgets and plans, business and marketing plans, strategic plans, product plans, the names and backgrounds of key personnel, personnel training and techniques and materials, however documented and all notes, analysis, compilations, studies, summaries and other material prepared by or for the Employer and Audiovox or their Affiliates containing or based, in whole or in part, on any information included in the foregoing.

"Disability" means a condition where for physical or mental reasons the Executive is unable to perform the Executive's duties (as determined in accordance with the procedures set forth in the next sentence) and such condition in the reasonable judgment of the Employer, as substantiated by a medical doctor in the manner provided below, is expected to continue for such period of time as to require replacement of the Executive in order to carry out the business of the Employer. The determination that the physical or mental state of the Executive constitutes a Disability shall be made by a medical doctor who is not an employee of the Employer and who is reasonably selected by the Employer and reasonably acceptable to the Executive (unless the Employer and the Executive reach mutual agreement regarding the existence of a Disability) and such determination shall be binding on both parties. The Executive must submit to a reasonable number of examinations by the designated medical doctor and the Executive hereby authorizes the disclosure and release to the Employer of such determination and all supporting medical records. Any and all out of pocket expenses incurred by the Executive in connection with the determination by the designated medical doctor of a Disability shall be paid for or reimbursed by the Employer. Action on behalf of the Executive may be taken by the Executive's guardian or duly authorized attorney-in-fact for purposes of submitting the Executive to medical examinations and approving authorization of disclosure. The Executive shall be deemed to have a Disability if the Executive for any reason is unable to perform the Executive's duties for 120 consecutive days or for 180 days during any 12-month period.

"Effective Date" means the date first written above in this Agreement.

"Employer" means Klipsch Group Inc.

"Employment Period" means the term of the Executive's employment under this Agreement.

"Executive" has the meaning set forth in the preamble.

"Good Reason" means (a) a material reduction in the Executive's Base Compensation opportunity below the amount specified in Section 3 of this Agreement (other than a reduction applicable to all other similarly situated participants), (b) a requirement to move more than 35 miles from Indianapolis; (c) a material reduction in the Executive's level of responsibility, or (d) an assignment of duties inconsistent with the Executive's position as a key executive.

"Inventions" has the meaning set forth in § 6(d).

"Market Jurisdictions" means the jurisdictions set forth in Exhibit A, the United States of America and any other country where the Employer sells speakers and sound products or otherwise engages in the Business.

"Non-Compete Period" has the meaning set forth in § 7(b)(i).

"Notice of Termination" has the meaning set forth in § 5(b).

"Person" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization or governmental body.

"Proprietary Items" has the meaning set forth in § 6(b)(iv).

"Stock Purchase Non-Competition Period" means the 30 month period following the Closing of the Stock Purchase Agreement among the Employer, the Executive and others, dated as of February 3, 2011.

"Termination Date" has the meaning set forth in § 2(b).

"Works" has the meaning set forth in § 6(e).

§ 2. Employment Terms and Duties.

(a) ***Employment.*** The Employer hereby employs the Executive, and the Executive hereby accepts employment by the Employer, upon the terms and conditions set forth in this Agreement.

(b) ***Term.*** The Executive's employment under this Agreement shall begin on the Effective Date and shall continue thereafter until terminated pursuant to § 5 below (the "Termination Date").

(c) ***Rights and Powers; Duties.*** The Executive shall initially serve as the President of Global Sales 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 Audiovox. The Executive shall devote full time and attention, skill and energy exclusively to the business of the Employer, shall use best efforts to promote the success of the Employer's and its Affiliate's business and shall cooperate fully with the Board of Directors 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.

(d) ***Key Man Insurance.*** If requested by the Employer, the Executive shall cooperate with the Employer in establishing and maintaining "key man" insurance with respect to the Executive's services, including submitting to any medical examinations reasonably necessary or advisable to establish. or maintain such insurance. The "key man" insurance to be established and maintained under this § 2(d) shall be paid for by the Employer.

§3. Compensation.

(a) ***Base Compensation.*** The Executive shall, during the Employment Period, be paid by the Employer and/or its Affiliates base salary at an annual rate of $325,000.00 (the "Base Compensation"), subject to review and potential upward adjustment annually thereafter, which will be payable according to the Employer's customary payroll practices.

(b) ***Bonuses.*** Executive will receive a bonus equal to a maximum of 50% of his base salary based on achievement of EBITDA goals and other goals established at the beginning of each year that will promote the growth of the Employer. Goals will be established by the Chief Executive Officer of Audiovox and discussed with Management at the beginning of each new fiscal year. The Executive's bonus criteria for fiscal year 2011 are set forth on Exhibit B.

(c) ***Benefits.*** The Executive shall, during the Employment Period, be permitted to participate in such Code Section 401(k), pension; profit sharing, bonus, life insurance, disability insurance, hospitalization, dental, major medical and other employee benefit plans of the Employer that may be in effect from time to time, to the extent the Executive is eligible under the terms of those plans, but not less favorable to the Executive than currently in effect (collectively, the "Benefits").

(d) ***Vacation.*** The Executive shall, during the Employment Period, be entitled to the number of weeks of paid vacation per full calendar year as set forth in the Employer's then current vacation policy. Vacation time may not be carried over.

(e) ***Life Insurance.*** The Executive shall, during the Employment Period, be provided a term life policy in the amount of $250,000 paid for by the Employer with the beneficiary selected by the Executive.

(f) ***Executive Put Option.*** Exhibit "C" annexed.

§4. Expenses. The Employer shall reimburse the Executive for all reasonable and necessary out-of-pocket expenses incurred by the Executive in connection with the performance of services under this Agreement, subject to any recordkeeping, reporting or similar requirements imposed pursuant to policies and procedures of the Employer in effect from time to time.

§5. Termination.

(a) ***Events of Termination.*** The Employment Period and the Executive's rights under this Agreement or otherwise as an employee of the Employer shall terminate (except as otherwise provided in this § 5):

(i) automatically upon the death of the Executive;

(ii) upon the Disability of the Executive immediately upon written notice from either party to the other party;

(iii) if for Cause, immediately upon delivery of a Notice of Termination from the Chief Executive Officer of Audiovox to the Executive, or at such later time as such notice may specify;

(iv) if without Cause, upon 30 days prior written notice from the Chief Executive Officer of Audiovox to the Executive, or at such later time as such notice may specify;

(v) if by the Executive other than for Good Reason, upon the Executive's resignation 30 days following written notice from the Executive to the Board of Directors; or

(vi) if by the Executive for Good Reason, upon and in accordance with the following conditions. In order to terminate for Good Reason, the Executive must give the Board of Directors a Notice of Termination at least 60 calendar days in advance of the Executive's intent to terminate employment for Good Reason setting forth the specific actions by the Employer which triggered the notice and the Notice of Termination must be received by the Chief Executive Officer of Audiovox no more than ninety (90) calendar days after the complained-of-action(s) occurred which constitute the basis for Good Reason. Upon receipt of the Notice of Termination and for a period of fifteen (15) calendar days thereafter, the Board of Directors shall consider the complained-of-action(s) set forth therein and if such complained-of-action(s) constitute Good Reason shall cure or remedy the actions set forth therein. If the Employer adequately remedies or cures the actions giving rise to the Notice of Termination within such 15-day period, then the resignation by the Executive shall not be for Good Reason.

(b) ***Notice of Termination.*** Any termination by the Employer for Cause or by the Executive for Good Reason shall be communicated by a Notice of Termination to the Executive or the Board of Directors, as applicable. For purposes of this Agreement, a "Notice of Termination" means a written notice which (1) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) the date of termination. The failure by the Executive or the Employer to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause or Good Reason shall not waive any right of the Executive or the Employer, respectively, hereunder or preclude the Executive or the Employer, respectively, from asserting any fact or circumstance in enforcing the Executive's or the Employer's rights hereunder.

(c) ***Termination Pay.*** Subject to the terms of §§ 7 and 8 below, effective upon termination of employment of the Executive for any reason, except as required under applicable law, the Employer shall be obligated to pay to the Executive (or, in the event of the Executive's death, the Executive's designated beneficiary) only such compensation as is specified in this § 5(c). The Executive's designated beneficiary will be such individual or trust, located at such address, as the Executive may designate by notice in writing to the Employer from time to time or, if the Executive fails to give notice to the Employer of such a beneficiary, the Executive's estate. Notwithstanding the preceding sentence, the Employer shall have no duty under any circumstances to determine whether any Person holding herself, himself or itself out as the beneficiary is in fact entitled to any termination payment but may rely upon the representations of such Person.

(i) **Termination by the Employer Without Cause or by the Executive for Good Reason.** Subject to Subparagraph 5(c)(ii), if the Executive's employment is terminated by the Employer without Cause or by the Executive for Good Reason, the Employer shall pay to the Executive in accordance with the Employer's then current payroll practices: (A) Base Compensation, at the annual rate in effect immediately prior to termination, plus an amount equal to the average annual bonus paid to the Executive in the preceding two (2) fiscal years, payable in equal monthly installments over a period of 12 months; plus (B) any earned and unpaid Base Compensation and bonus for the period ending on termination. In addition, the Employer shall (A) pay for and continue disability insurance and health insurance benefits provided to the Executive and the Executive's dependents immediately prior to the termination of the Executive's employment for a period of 12 months, and (B) in accordance with past practice, reimburse the Executive for expenses incurred in accordance with § 4. The Executive's entitlement to the compensation and benefits described in this subsection (i) is specifically subject to the execution and delivery by the Executive of a release agreement in form and substance reasonably acceptable to the Employer.

(ii) **Termination During the Stock Purchase Non-Competition Period.** Notwithstanding Subparagraph 5(c)(i) above, if the Executive's employment is terminated by the Employer with cause or by the Executive for any reason whatsoever, except for a material reduction in the Executive's Base Compensation opportunity below the amount specified in Section 3 of this Agreement (other than a reduction applicable to all other similarly situated participants) or a requirement to move more than 35 miles from Indianapolis, during

the Stock Purchase Non-Competition Period, Executive will receive no compensation or any of the Benefits provided in Subparagraph 5(c)(i) above from the Employer during the Stock Purchase Non-Competition Period. If the Executive's employment is terminated by the Employer without cause or by the Executive because of a material reduction in the Executive's Base Compensation ~~opportunity~~ below the amount specified in Section 3 of this Agreement ~~(other than a reduction applicable to all other similarly situated participants), or~~ a requirement to move more than 35 miles from Indianapolis during the Stock Purchase Non-Competition Period, the Executive will receive: (A) Base Compensation at the annual rate in effect immediately prior to termination, plus an amount equal to the average annual bonus paid to the Executive in the preceding two (2) fiscal years, payable in equal monthly installments over the greater of (i) the remaining period of the Stock Purchase Non-Competition Period or (ii) twelve (12) months; (B) any earned unpaid Base Compensation and bonus for the period ending on termination; and (C) in accordance with past practice, reimburse the Executive for expenses incurred in accordance with § 4. The Executive's entitlement to the compensation and benefits described in this subsection (ii) is specifically subject to the execution and delivery by the Executive of a release agreement in form and substance reasonably acceptable to the Employer.

(iii) **Termination upon Disability.** If the Executive's employment is terminated

(iv) as a result of the Executive's Disability, the Employer shall (A) pay the Executive an amount equal to any disability payments provided pursuant to the benefits package available to the Executive; (B) pay to the Executive at the same time paid to other employees any earned but unpaid Base Compensation and bonus for the period ending on termination; and (C) in accordance with the Employer's past practice, reimburse the Executive for expenses incurred in accordance with § 4.

(v) **Termination on Death**. If the Executive's employment is terminated because of the Executive's death, the Employer shall pay to the beneficiary of the Executive any earned but unpaid Base Compensation and bonus for the period ending on the date of the Executive's death. In addition, the Employer, in accordance with the Employer's past practice, shall reimburse the Executive or the Executive's heirs or estate for expenses incurred in accordance with § 4.

(vi) **Termination by the Employer for Cause**. If the Executive's employment is terminated by the Employer for Cause, the Executive shall be entitled only to receive the Executive's earned but unpaid Base Compensation and bonus through the date of termination. In addition, the Employer, in accordance with the Employer's past practice, shall reimburse the Executive for expenses incurred in accordance with § 4.

(vii) **Termination by the Executive without Good Reason**. If the Executive's employment is terminated by the Executive for any reason (other than for Good Reason), the Executive shall be entitled to receive the Executive's earned but unpaid Base Compensation and bonus through the date of such termination. In addition, the Employer, in accordance with the Employer's past practice, shall reimburse the Executive for expenses incurred in accordance with § 4.

§ 6. Non-Disclosure and Intellectual Property Covenant

(a) Acknowledgments by the Executive. The Executive acknowledges that (i) during the Employment Period and as a part of the Executive's employment, the Executive will be afforded access to Confidential Information; (ii) public disclosure of such Confidential Information could have an adverse effect on the Employer and Audiovox and their business; and (iii) the provisions of this § 6 are reasonable and necessary to prevent the improper use or disclosure of Confidential Information.

(b) ***Agreements of the Executive.*** In consideration of the compensation and benefits to be paid or provided to the Executive by the Employer and Audiovox under this Agreement, the Executive covenants that:

(i) During and indefinitely following the Employment Period, except in the performance of the Executive's duties in accordance with this Agreement in the ordinary course of business, the Executive shall hold in confidence the Confidential Information and shall not use or disclose it to any Person except with the specific prior written consent of the Chief Executive Officer of Audiovox.

(ii) Any trade secrets of the Employer and Audiovox and their Affiliates will be entitled to all of the protections and benefits under the Uniform Trade Secrets Act as adopted by the State of Indiana, the State where the Executive is located, if different than the State of Indiana, and any other applicable law. If any information that the Employer or Audiovox deems to be a trade secret is found by a court of competent jurisdiction not to be a trade secret for purposes of this Agreement, such information will, nevertheless, be considered Confidential Information for purposes of this Agreement.

(iii) None of the obligations and restrictions set forth in (i) or (ii), above, applies to any part of the Confidential Information that the Executive demonstrates (A) was or becomes generally available to the public other than as a result of a direct or indirect disclosure by the Executive; (B) is required to be disclosed pursuant to an enforceable court order; or (C) is required to be disclosed by applicable law.

(iv) The Executive shall not remove from the Employer's or Audiovox's premises (except to the extent such removal is for purposes of the performance of the Executive's duties at home or while traveling, or except as otherwise specifically authorized by the Chief Executive Officer of Audiovox) any document, record, notebook, plan, model, component, device or computer software or code, whether embodied in a disk or in any other form (collectively, the "Proprietary Items"). The Executive recognizes that, as between the Employer and Audiovox and the Executive, all of the Proprietary Items, whether or not developed by the Executive, are the exclusive property of the Employer and Audiovox. Upon termination of this Agreement by either party, or upon the request of the Employer during the Employment Period, the Executive shall return to the Employer and Audiovox all of the Proprietary Items in the Executive's possession or subject to the Executive's control, and the Executive shall not retain any copies, abstracts, sketches or other physical embodiment of any of the Proprietary Items.

(c) ***Disputes or Controversies.*** The Executive recognizes that should a dispute or controversy arising from or relating to this Agreement be submitted for adjudication to any court, arbitration panel or other third party, the preservation of the secrecy of Confidential Information may be jeopardized. All pleadings, documents, testimony and records relating to any such adjudication will be maintained in secrecy and will be available for inspection by the Employer and Audiovox, the Executive and their respective attorneys and experts, who will agree, in advance and in writing, to receive and maintain all such information in secrecy.

(d) ***Inventions.*** The Executive agrees that all discoveries, concepts, and ideas, whether patentable or not relating to any activities of the Employer or Audiovox including, but not limited to, apparatus, processes, methods, compositions of matter, techniques, and formulas, as well as related improvements or know-how ("Inventions") made or conceived by the Executive, either solely or jointly with others (i) during the Executive's employment by the Employer or (ii) within one (1) year after termination of such employment, whether or not such Inventions are made or conceived during the hours of the Executive's employment or with the use of the Employer's facilities, materials, or personnel, shall be and shall remain the property of the Employer, whether patentable or not, and the Executive will, without royalty or any other consideration: (a) inform the Employer promptly and fully of such Inventions by written reports, setting forth in detail the Invention, the procedures employed, and the results achieved; (b) assign to the Employer all of the Executive's rights, title, and interests in and to any Inventions, any applications for United States and foreign Letters Patent covering the Inventions, any United States and foreign Letters Patent granted upon the applications, and any renewals thereof; (c) assist the Employer or its nominees, at the expense of the Employer, to obtain any United States and foreign Letters Patent for any Inventions as the Employer may elect; and (d) execute, acknowledge, and deliver to the Employer at its expense any written documents and instruments, and do any other acts, such as giving testimony in support of the Executive's inventorship, as may be necessary in the opinion of the Employer to obtain and maintain United States and foreign Letters Patent upon any Inventions and to vest the entire rights, title and interests in the Employer and to confirm the complete ownership by the Employer of any Inventions, patent applications, and patents.

(e) ***Works.*** The Executive agrees that all works of authorship fixed in a tangible medium of expression relating to any activities of the Employer or Audiovox including, but not limited to, flow charts and computer program source code and object code, regardless of the medium in which it is fixed, as well as notes, drawings, memoranda, correspondence, records, notebooks, instructions, and text ("Works") created or conceived by the Executive, either solely or jointly with others (i) during the Executive's employment by the Employer or (ii) within one (1) year after termination of such employment, whether or not such, Works are made or conceived during the hours of the Executive's employment or with use of the Employer's facilities, materials, or personnel, shall be and shall remain the property of the Employer, and the Executive will, without royalty or any other consideration, promptly disclose in writing to the Employer all Works. The Executive shall cooperate fully with the Employer and its officers and counsel, at the Employer's direction and expense, in obtaining, maintaining, and enforcing worldwide copyright protection on such Works. Any such Works created by the Executive is a "work made for hire" under the copyright law, and the Employer may file applications to register copyright in such Works as author and copyright owner thereof. If, for any reason, a Work created by the Executive is excluded from the definition of a "work made for hire" under the copyright law, then the Executive shall assign, and does hereby assign, to the Employer the entire

rights, title, and interests in and to such Work, including the copyright therein. The Executive shall take whatever steps and do whatever acts the Employer requests including, but not limited to, placement of the Employer proper copyright notice on Works created by the Executive to secure or aid in securing copyright protection in such Works, and shall assist the Employer or its nominees in filing applications to register claims of copyright in such Works.

§ 7. ***Non-Competition and Non-Interference.***

(a) ***Acknowledgements by the Executive.*** The Executive acknowledges that: (i) Audiovox would not purchase stock of the Employer or from Executive unless Executive agrees to the terms of this Section 7; (ii) the information to be disclosed to the Executive and the services to be performed by the Executive under this Agreement are of a special, unique, extraordinary and intellectual character; (iii) the Employer and Audiovox competes with other businesses that are located in the Market Jurisdictions; (iv) the restricted period of time and the geographic limitations set forth below are reasonable in view of the nature of the business in which the Employer and Audiovox are engaged and the Executive's knowledge of the Employer's and Audiovox's operations the Executive has gained and will gain by virtue of the Executive's position; (v) this limited restriction is not an attempt to prevent the Executive from obtaining other employment in violation of Indiana Code § 22-5-3-1; and (vi) the provisions of this § 7 are reasonable and necessary to protect the Employer's and Audiovox's business.

(b) ***Covenants of the Executive.*** In consideration of the acknowledgments by the Executive, and in consideration of the payments, compensation and benefits to be paid or provided to the Executive by the Employer and Audiovox, the Executive covenants that the Executive will not, directly or indirectly:

(i) during (A) the Employment Period and for 12 months thereafter (the "Non-Compete Period"); (B) the Stock Purchase Non-Competition Period and (C) the period Executive may be receiving payments under Section 5(c)(ii), except in the course of the Executive's employment hereunder, directly or indirectly, in a competitive capacity, engage or invest in, own, manage, operate, finance, control or participate in the ownership, management, operation, financing or control of, be employed by, associated with or in any manner connected with, lend the Executive's name or any similar name to, lend Executive's credit to or render services or advice to, or plan or prepare to do any of the foregoing with any business whose products or activities compete in whole or in part with the Business in any Market Jurisdiction; provided, however, that the Executive may purchase or otherwise acquire up to (but not more than) two percent (2%) of any class of securities of any entity (but without otherwise participating in the activities of such entity) if such securities are listed on any national or regional securities exchange or have been registered under § 12(g) of the Securities Exchange Act of 1934, as amended. For purposes of this Section 7(b)(i), the word "Subsidiaries" is substituted for the word "Affiliates" in the definition of "Business" in Section 1.

(ii) whether for the Executive's own account or the account of any other Person: (A) at any time during the Employment Period and for 2 years thereafter and during the Stock Purchase Non-Competition Period, directly or indirectly, interfere with, solicit, employ or otherwise engage, as an employee, independent contractor or otherwise, any Person who is or was an employee of the Employer or its Affiliate at any time during the last 2 years of the Employment Period or in any manner induce or attempt to induce any employee of the Employer or its Affiliate to terminate his or her employment with the Employer or its Affiliate; or (B) at any time during the Employment Period and in a competitive capacity for 12 months thereafter and during the Stock Purchase Non-Competition Period, interfere with the Employer's or its Affiliate's relationship with any Person, including, but not limited to, any Person who at any time during the Employment Period was a customer, contractor or supplier of the Employer or its Affiliate; or

(iii) at any time during or after the Employment Period, disparage the Employer or Audiovox or its Affiliates or their respective shareholders, board of directors, members, managers, officers, employees or agents.

If any term, provision or covenant in this § 7(b) is held to be unreasonable, arbitrary or against public policy, a court may limit the application of such term, provision or covenant or modify such term, provision or covenant and proceed to enforce this § 7(b) as so limited or modified, which limited or modified term, provision or covenant will be effective, binding and enforceable against the Executive.

The period of time applicable to any covenant in this § 7(b) shall be extended by the duration of any actual or threatened violation by the Executive of such covenant.

The Executive shall, while the covenant under this § 7(b) is in effect, give notice to the Employer and Audiovox, within ten (10) days after accepting any other employment, of the identity of the Executive's new employer. The Employer and Audiovox may notify such employer that the Executive is bound by this Agreement and, at the Employer's

or Audiovox's election, furnish such employer with a copy of this Agreement or relevant portions thereof.

§ 8. General Provisions.

(a) Injunctive Relief and Additional Remedy. The Executive acknowledges that the injury that would be suffered by the Employer and Audiovox as a result of a breach of the provisions of this Agreement (including any provision of §§ 6 and 7) would be irreparable and that an award of monetary damages to the Employer or Audiovox for such a breach would be an inadequate remedy. Consequently, the Employer or Audiovox will have the right, in addition to any other rights, at law or in equity, it may have to obtain injunctive relief to restrain any breach or threatened breach or otherwise to specifically enforce any provision of this Agreement, and the Employer or Audiovox will not be obligated to post bond or other security in seeking such relief. Without limiting the Employer's or Audiovox's rights under this § 8(a) or any other remedies of the Employer or Audiovox, if the Executive has breached or violated or threatens to breach of violate any of the provisions of §§ 6 or 7 the Employer or Audiovox will have the right to cease making any payments otherwise due to the Executive under this Agreement and recover payments previously made to the Executive under this Agreement. Further, if any term, provision or covenant in §§ 6 or 7 is held to be unreasonable, arbitrary, against public policy, or otherwise unenforceable, Executive acknowledges and agrees that the payments required to be made to the Executive shall be waived and that the Executive relinquishes any rights to such payment or any other forms of payment post-dating the Executive's separation from the Employer.

(b) ***Covenants of §§ 6 and 7 Are Essential and Independent Covenants.*** The covenants by the Executive in §§ 6 and 7 are essential elements of this Agreement, and without the Executive's agreement to comply with such covenants, Audiovox would not have purchased any shares in Employer and the Employer would not have entered into this Agreement or employed or continued the employment of the Executive. The Employer, Audiovox and the Executive have been advised in all respects concerning the reasonableness and propriety of such covenants, with specific regard to the nature of the business conducted by the Employer and Audiovox. The Executive's covenants in §§ 6 and 7 are independent covenants and the existence of any claim by the Executive against the Employer or Audiovox under this Agreement or otherwise will not excuse the Executive's breach of any covenant in §§ 6 or 7. If the Executive's employment hereunder expires or is terminated, this Agreement will continue in full force and effect as is necessary or appropriate to enforce the covenants and agreements of the Executive in §§ 6 and 7 in accordance with their terms and conditions.

(c) Representations and Warranties by the Executive. The Executive represents and warrants to the Employer and Audiovox that the execution and delivery by the Executive of this Agreement do not, and the performance by the Executive of the Executive's obligations hereunder will not, with or without the giving of notice or the passage of time, or both: (i) violate any judgment, writ, injunction or order of any court, arbitrator or governmental agency applicable to the Executive; or (ii) conflict with, result in the breach of any provisions of or the termination of or constitute a default under any agreement to which the Executive is a party or by which the Executive is or may be bound. The Executive acknowledges that the Executive has had a full and complete opportunity to consult with counsel of the Executive's choosing concerning this Agreement and that the Employer has not made any representations or warranties to the Executive concerning this Agreement other than those specifically stated in this Agreement, if any.

(d) ***Waiver.*** The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by either party in exercising any right, power or privilege under this Agreement will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law, (i) no claim or right arising out of this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party (ii) no waiver that may be given by a party will be applicable except in the specific instance for which it is given and (iii) no notice to or demand on one party will be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement.

(e) ***Binding Effect.*** This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective successors, assigns, heirs and legal representatives.

(f) ***Notices.*** All notices, consents, waivers and other communications under this Agreement must be in writing and will be deemed to have been duly given when (i) delivered by hand (with written confirmation of receipt), or (ii) when received by the addressee, if sent by a nationally recognized overnight delivery service (receipt requested),

in each case to the appropriate addresses set forth below (or to such other addresses as a party may designate by notice to the other party):

If to Employer:

Klipsch Group, Inc.
3502 Woodview Trace
Suite 200
Indianapolis, IN 46268
Attn: Chairman of the Board of Directors

Copy to:

Audiovox Corporation
150 Marcus Blvd.
Hauppauge, NY 11788
Attn: Chief Operating Officer

Robert S. Levy
Levy, Stopol & Camelo, LLP
1425 RXR Plaza
Uniondale, NY 11556

If to the Executive:

David P. Kelley
632 Longford Way
Noblesville, IN 46062

(g) ***Entire Agreement: Amendments***. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, between the parties hereto with respect to the subject matter hereof, including, without limitation, that certain Employment Agreement dated February 11, 2005, and that Amended and Restated Confidentiality and Limited Non-Competition Agreement dated as of December 8, 1997, between the Executive and Klipsch, LLC. This Agreement may not be amended orally, but only by an agreement in writing signed by the parties hereto.

(h) ***Governing Law and Forum.*** This Agreement will be governed by the laws of the State of New York without regard to conflicts of laws principles. Any controversy, dispute or claim arising out of or in connection with this agreement or the breach hereof shall be resolved by arbitration in the City and State of New York in accordance with the rules of the American Arbitration Association. Judgment upon the award reached by the Arbitrator(s) may be enforced in any court having jurisdiction thereof.

(i) ***Section Headings, Construction***. The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "§" refer to sections in this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms.

(j) ***Severability.*** If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

(k) ***Counterparts***. This Agreement may be executed in counterparts, which when taken together shall constitute one and the same Agreement.

(1) ***Attorneys' Fees.*** In the event any dispute or controversy arising from or relating to this Agreement is submitted to any court, arbitration panel or other party, the prevailing party in such dispute or controversy shall be

entitled to reimbursement from the non-prevailing party for the actual fees and expenses incurred by the prevailing party in connection with such dispute or controversy (including, but not limited to, reasonable attorney's fees, costs and disbursements).

[signature page immediately following]

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

EMPLOYER:

KLIPSCH GROUP, INC.

By: */s/ Fred S/ Klipsch*
Printed: Fred S. Klipsch
Title: Chairman of the Board of Directors

EXECUTIVE:

/s/ David P. Kelley
David P. Kelley, individually

Exhibit A

Market Jurisdictions

Alabama
Alaska
Arizona
Arkansas
California
Colorado
Connecticut
Delaware
Florida
Georgia
Hawaii
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Maryland
Massachusetts
Michigan
Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Hampshire
New Jersey
New Mexico
New York
North Carolina
North Dakota
Ohio
Oklahoma
Oregon
Pennsylvania
Rhode Island
South Carolina
South Dakota
Tennessee
Texas
Utah
Vermont
Virginia
Washington
West Virginia
Wisconsin
Wyoming
District of Columbia

Exhibit B

Bonus Criteria

1. EBITDA Goal for July 1, 2010 through June 30, 2011 is $27,143,000 (weighted 60%).
2. Senior Management FY11 Objectives (weighted 40%)

a. The Company will be on target to complete by September 30, 2011, the Navision 2009 ERP installation to include Europe and Asia so that the Company is operating off a single global system for FY12.

b. Complete the installation of Shopatron to complete the upgrade of the Company's capability to increase direct sales to consumers and implement a more aggressive web marketing effort.

c. Continue the execution of the Forte logistics study to include outsourcing of domestic freight management, reduction of inventory in both America and European warehouses and potentially opening an additional warehouse on the U.S. east coast.

d. Complete a three year strategic plan that specifically details the following:
   i. A product and technology position paper identifying potential changes, direction and internal gaps if they exist.
   ii. Updated brand, marketing and product strategy by brand and by category.
   iii. A non U.S. growth plan by major market that ultimately transitions the revenue balance 60/40 US vs. ROW in fiscal 2011 to 50/50 by 2014. This growth has to come from ROW.

e. Continue successful operation of the Company while completing the process of closing with a new investor for the Company.

Exhibit C
Executive Put Options

Executive shall have the following described Put Option:

Commencing on March 1, 2011, the cumulative after tax net profit or loss of the Employer will be calculated on a monthly basis according to GAAP and will bear interest at the same per annum rate that Audiovox is receiving from its lead bank.

Executive may at the end of any month following the 30 month anniversary of this Agreement request the Employer to pay him in one lump sum up to 80% of 1.6% of the aggregate cumulative after tax net profit or loss of the Employer (the "Put Price"), and the Employer will pay such amount to Executive. Such a request may not be made within 60 months of Executive's previous request.

Any unpaid Put Price will be paid promptly to Executive or his heirs as the case may be if Executive's employment is terminated for any reason.

Illustration (not accounting for interest):

Commencement value		-0-
Net profits after 12 months	$	10,000,000
Put Price (1.6%)	$	160,000
Net loss in 13th month	$	1,000,000
Put Price (1.6%)	$	144,000

Exhibit 21

SUBSIDIARIES OF REGISTRANT

Subsidiaries	Jurisdiction of Incorporation
Audiovox Accessories Corp.	Delaware
Audiovox Consumer Electronics, Inc.	Delaware
Audiovox Electronics Corporation	Delaware
American Radio Corp.	Georgia
Audiovox Venezuela C.A.	Venezuela
Audiovox German Holdings GmbH	Germany
Code Systems, Inc.	Delaware
Audiovox Canada Limited	Canada
Entretenimiento Digital Mexico, S.de C.V	Mexico
Schwaiger GmbH	Germany
Invision Automotive Systems, Inc.	Delaware

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated May 16, 2011, with respect to the consolidated financial statements, financial statement schedule and internal control over financial reporting included in the Annual Report of Audiovox Corporation and subsidiaries on Form 10-K for the year ended February 28, 2011. We hereby consent to the incorporation by reference of said reports in the Registration Statements of Audiovox Corporation on Forms S-8 (File No. 333-162569, effective October 19, 2009, File No. 333-138000, effective October 13, 2006; File No. 333-131911, effective February 17, 2006; File No. 333-36762, effective May 11, 2000 and File No. 333-82073, effective July 1, 1999).

GRANT THORNTON LLP

Melville, New York
May 16, 2011

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Patrick M. Lavelle, President and Chief Executive Officer of Audiovox Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Audiovox Corporation (the "Company") ;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 16, 2011

/s/Patrick M. Lavelle

Patrick M. Lavelle

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, C. Michael Stoehr, Senior Vice President and Chief Financial Officer of Audiovox Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Audiovox Corporation (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 16, 2011

/s/ C. Michael Stoehr

C. Michael Stoehr

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Audiovox Corporation (the "Company") on Form 10-K for the period ended February 28, 2011 (the "Report") as filed with the Securities and Exchange Commission on the date hereof, I, Patrick M. Lavelle, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 16, 2011

/s/ Patrick M. Lavelle

Patrick M. Lavelle

*A signed original of this written statement required by Section 906 has been provided to Audiovox Corporation and will be retained by Audiovox Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Audiovox Corporation (the "Company") on Form 10-K for the period ended February 28, 2011 (the "Report") as filed with the Securities and Exchange Commission on the date hereof, I, C. Michael Stoehr, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 16, 2011

/s/ C. Michael Stoehr

C. Michael Stoehr

*A signed original of this written statement required by Section 906 has been provided to Audiovox Corporation and will be retained by Audiovox Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document

Audiovox Specialized Applications, LLC And Subsidiary

(A Limited Liability Company)

Consolidated Financial Report

11/30/2010

McGladrey & Pullen

Certified Public Accountants

Contents

McGladrey & Pullen
Certified Public Accountants

Report of Independent Registered Public Accounting Firm

To the Members
Audiovox Specialized Applications, LLC and Subsidiary
Elkhart, Indiana

We have audited the accompanying consolidated balance sheets of **Audiovox Specialized Applications, LLC and Subsidiary** as of November 30, 2010 and 2009, and the related consolidated statements of income, members' equity, and cash flows for each of the three years in the period ended November 30, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Audiovox Specialized Applications, LLC and Subsidiary** as of November 30, 2010 and 2009 and the results of their operations and their cash flows for each of the three years in the period ended November 30, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ McGladrey & Pullen, LLP

Elkhart, Indiana
February 10, 2011

Audiovox Specialized Applications, LLC and Subsidiary
(A Limited Liability Company)

Notes to the Financial Statements

Consolidated Balance Sheets
November 30, 2010 and 2009

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 1,591,429**	$ 1,299,842
Available-for-sale securities	**6,675,000**	8,005,000
Trade receivables	**4,185,082**	4,012,261
Inventories	**12,872,299**	8,373,154
Prepaid expenses	**238,305**	157,712
Total current assets	**25,562,115**	21,847,969
Leashold Improvements and Equipment at depreciated cost	**2,376,192**	2,742,061
Intangible Assets, trademark rights	**2,647,623**	2,647,623
	$ 30,585,930	$ 27,237,653
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Accounts payable	**$ 1,024,808**	$ 2,048,229
Accrued expenses:		
Payroll and related taxes	**1,310,088**	696,599
Warranty	**2,256,000**	2,329,000
Other	**142,346**	126,036
Total current liabilities	**4,733,242**	5,199,864
Commitments and Contingencies		
Members' Equity	**25,852,688**	22,037,789
	$ 30,585,930	$ 27,237,653

See Notes to Financial Statements

Audiovox Specialized Applications, LLC and Subsidiary
(A Limited Liability Company)

Notes to the Financial Statements

Consolidated Statements of Income
November 30, 2010, 2009 and 2008

	2010	2009	2008
Net sales	**$ 67,678,360**	$ 45,212,490	$ 60,421,895
Cost of goods sold	**54,354,915**	36,913,059	49,920,774
Gross profit	**13,323,445**	8,299,431	10,501,121
Selling, general and administrative expenses	**7,725,352**	5,917,110	7,417,272
Operating income	**5,598,093**	2,382,321	3,083,849
Nonoperating income (expense):			
Investment income	**57,726**	74,902	92,544
Interest expense	**(2,532)**	—	—
	55,194	74,902	92,544
Net income	**$ 5,653,287**	$ 2,457,223	$ 3,176,393

See Notes to Financial Statements

Audiovox Specialized Applications, LLC and Subsidiary
(A Limited Liability Company)

Notes to the Financial Statements

Consolidated Statements of Members' Equity
November 30, 2010, 2009 and 2008

	2010	2009	2008
Balance, beginning	**$ 22,037,789**	$ 26,135,586	$ 26,128,658
Net income	**5,653,287**	2,457,223	3,176,393
Member distributions	**(1,838,388)**	(6,555,020)	(3,169,465)
Balance, ending	**$ 25,852,688**	$ 22,037,789	$ 26,135,586

See Notes to Financial Statements

Consolidated Statements of Cash Flows
November 30, 2010, 2009 and 2008

	2010	2009	2008
Cash Flows From Operating Activities			
Net income	**$ 5,653,287**	$ 2,457,223	$ 3,176,393
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**1,069,005**	805,605	770,546
Inventory writedowns and reserves	**335,299**	279,972	2,018,565
Loss on sale of equipment	**10,095**	41,767	18,996
Change in assets and liabilities:			
Decrease (increase) in:			
Trade receivables	**(172,821)**	(1,055,307)	2,455,021
Inventories	**(4,834,444)**	5,723,156	(1,037,503)
Prepaid expenses	**(80,593)**	19,216	(40,946)
Increase (decrease) in:			
Accounts payable	**(571,051)**	227,654	(172,913)
Accrued expenses	**556,799**	(509,334)	(512,152)
Net cash provided by operating activities	**1,965,576**	7,989,952	6,676,007
Cash Flows From Investing Activities			
Proceeds on sale of equipment	**235**	13,635	17,520
Purchase of leasehold improvements and equipment	**(1,165,836)**	(1,151,017)	(684,163)
Proceeds from sale of available-for-sale securities	**9,820,000**	19,925,000	10,910,225
Purchase of available-for-sale securities	**(8,490,000)**	(23,935,000)	(10,005,225)
Net cash provided by (used in) investing activities	**164,399**	(5,147,382)	238,357
Cash Flows From Financing Activities			
Member distributions	**(1,838,388)**	(6,555,020)	(3,169,465)
Increase (decrease) in cash and cash equivalents	**291,587**	(3,712,450)	3,744,899
Cash and cash equivalents, beginning	**1,299,842**	5,012,292	1,267,393
Cash and cash equivalents, ending	**$ 1,591,429**	$ 1,299,842	$ 5,012,292

See Notes to Financial Statements

Audiovox Specialized Applications, LLC And Subsidiary
(A Limited Liability Company)

Notes To Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Audiovox Specialized Applications, LLC And Subsidiary
(A Limited Liability Company)

Notes To Financial Statements

Nature of business:

Since 1977, Audiovox Specialized Applications, LLC ("ASA" or the "Company") has built a reputation developing mobile electronics specifically designed and tested to withstand the rigors of niche markets in the Automotive Industry including: Recreational Vehicle; Commercial Vehicle, Heavy Duty Truck, Agricultural, Construction, Bus, Marine and Spa industries. Its proprietary line of products include: Jensen 12 Volt LCD flat panel televisions, Jensen stereos and speakers, Voyager back up Observation Systems, and Hamilton Beach microwaves. These high quality mobile electronics are designed and tested in our research and development lab located at the Company's corporate office in Elkhart, Indiana. ASA's engineering team works side by side with its customers' designers, engineers and sales team to develop customized solutions. These products are sold throughout the world primarily to Original Equipment Manufacturers, generally on 30 day terms. In addition to the headquarters in Elkhart, Indiana, ASA has two public distribution centers in Oregon and California, and a trading office in the Shenzhen province of China.

Significant accounting policies:

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of consolidation:

The consolidated financial statements include the accounts of the Company and a wholly-owned subsidiary. All significant intercompany accounts have been eliminated in consolidation.

Revenue recognition:

The Company recognizes revenue from product sales at the time of passage of title and risk of loss to the customer either at F.O.B. Shipping Point or F.O.B. Destination, based upon terms established with the customer. The Company's selling price is fixed and determined at the time of shipment and collectability is reasonably assured and not contingent upon the customer's resale of the product. The customers are generally not given rights of return. In the event customers are granted rights of return, the Company estimates and records an allowance for future returns.

At November 30, 2010 and 2009, no such allowance was deemed necessary. Product sales are generally not subject to acceptance or installation by Company or customer personnel.

In previous years, the Company recognized royalty revenue at the time a related product was purchased by Audiovox Corporation ("Audiovox"), a member of ASA. Beginning in December 2009, the royalty agreement between Audiovox and ASA was terminated. Total royalty revenue recorded in accordance with the previous years' agreement was approximately $263,000 and $629,000 for the years ended November 30, 2009 and 2008 respectively, and is included in net sales.

All sales transactions are denominated in U.S. dollars.

Shipping and delivery:

The Company recognizes shipping and delivery costs in selling, general and administrative expenses in the accompanying statements of income. These costs for the years ended November 30, 2010, 2009 and 2008 were approximately $440,000, $279,000 and $464,000 respectively.

Sales incentives:

The Company offers sales incentives to its customers primarily in the form of co-operative advertising allowances and rebates. All significant sales incentives require the customer to purchase the Company's products during a specified period of time. Claims are settled either by the customer claiming a deduction against an outstanding account receivable or by the customer requesting a check. Rebates and co-op advertising allowances offered to customers require that product be purchased during a specified period of time. The amount offered is generally based upon a fixed percentage of sales revenue to the customer. Since the rebate percentage can be reasonably estimated, the Company records the related rebate at the time of sale.

Members' equity:

In accordance with the generally accepted method of presenting limited liability company financial statements, the accompanying financial statements do not include other corporate assets and liabilities of the members, including their obligation for income taxes on the net income of the limited liability company nor any provision for income tax expense.

It is the Company's intent to distribute funds to members to cover their income tax liabilities. Subsequent to November 30, 2010, the Company paid approximately $1,440,000 of member distributions.

The LLC operating agreement does not provide for separate classes of ownership. Audiovox and ASA Electronics Corporation share equally in all LLC events and the related member accounts are considered equal on a fair value basis.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Company considers investments in various repurchase agreements with its bank, money market accounts and treasury bills with a maturity of three months or less to be cash equivalents. Cash equivalents amounted to approximately $1,197,000 and $884,000 for the years ended November 30, 2010 and 2009 respectively.

The Company maintains its cash accounts in amounts which, at times, may be in excess of insurance limits provided by the Federal Deposit Insurance Corporation.

Available-for-sale securities:

Available-for-sale securities consist of investments in marketable debt securities. Debt securities consist primarily of obligations of municipalities.

Management determines the appropriate classification of securities at the date individual investment securities are acquired and the appropriateness of such classification is reassessed at each balance sheet date. Since the Company neither buys investment securities in anticipation of short-term fluctuation in market prices nor commits to holding debt securities to their maturities, the investments in debt securities have been classified as available-for-sale in accordance with accounting standards. Available-for-sale securities are stated at fair value, and unrealized holding gains and losses, if any, are reported as a separate component of members' equity.

The amount classified as current assets on the accompanying balance sheets represents the amount of marketable debt securities expected to be sold during the next year.

A decline in the market value of any available-for-sale security below cost that is deemed other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. The Company considers numerous factors, on a case by case basis, in evaluating whether the decline in market value of an available-for-sale security below cost is other-than-temporary. Such factors include, but are not limited to, (i) the length of time and the extent to which the market value has been less than cost, (ii) the financial condition and the near-term prospects of the issuer or the investment and, (iii) whether the Company's intent to retain the investment for the period of time is sufficient to allow for any anticipated recovery in market value. During the year ended November 30, 2010, the Company did not hold any investments that had such a decline in value.

Trade receivables:

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Trade receivables in the accompanying balance sheets at November 30, 2010 and 2009 are stated net of an allowance for doubtful accounts of approximately $23,000 and $50,000 respectively. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. Generally, a trade receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days.

Inventories:

The Company values its inventory at the lower of the actual cost to purchase (primarily on a weighted moving average basis) and/or the current estimated market value of the inventory less expected costs to sell the inventory. The Company regularly reviews inventory quantities on-hand and records a provision for excess and obsolete inventory based primarily from selling prices, indications from customers based upon current price negotiations and purchase orders. The Company's industry is characterized by rapid technological change and frequent new product introductions that could result in an increase in the amount of obsolete inventory quantities on-hand.

During the years ended November 30, 2010, 2009, and 2008, the Company recorded write downs of inventory of approximately $419,000, $280,000, and $2,018,000 respectively related to lower of cost or market adjustments. These charges to income are included in cost of goods sold in the accompanying consolidated statements of income.

Depreciation:

Depreciation of leasehold improvements is computed over the lesser of the underlying lease term or the estimated useful lives and equipment is computed principally by the straight-line method over the following estimated useful lives:

	Years
Leasehold improvements	5-9
Machinery and equipment	5-10
Tooling and molding	3
Transportation equipment	5
Office furniture and fixtures	10
Computer equipment	3-5
Booth displays	7

Warranties:

The Company provides a limited warranty primarily for a period of up to two years for its products. The Company's standard warranties require the Company, the original equipment manufacturer or its dealers to repair or replace defective products during such warranty periods at no cost to the consumer. The Company estimates the costs that may be incurred under its basic limited warranty and records a liability in the amount of such costs at the time product revenue is recognized. The related expense is included in cost of goods sold in the accompanying consolidated statements of income. Factors that affect the Company's warranty liability include the number of units sold, historical and anticipated rates of warranty claims, the historical lag time between product sales and product claims, and cost per claim. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. The Company utilizes historical trends and analytical tools to assist in determining the appropriate loss reserve levels.

Changes in the Company's warranty liability during the years ended November 30, 2010, 2009, and 2008 are as follows:

	2010	2009	2008
Balance, beginning	**$ 2,329,000**	$ 2,647,000	$ 2,457,000
Accruals for products sold	**1,347,389**	854,016	2,032,340
Payments made	**(1,420,389)**	(1,172,016)	(1,842,340)
Balance, ending	**$ 2,256,000**	$ 2,329,000	$ 2,647,000

Income taxes:

As a limited liability Company, the Company's taxable income is allocated to members in accordance with their respective percentage ownership. Therefore, no provision or liability for income taxes has been included in the financial statements.

The Financial Accounting Standards Board ("FASB") issued new guidance on accounting for uncertainty in income taxes. The Company adopted this new guidance during the year ended November 30, 2010. Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Company is no longer subject to tax examinations by the U.S. federal, state or local tax authorities for years before 2006.

Advertising costs:

The Company expenses the cost of advertising (including trade shows), as incurred. Advertising costs in the accompanying consolidated statements of income were approximately $379,000, $266,000, and $459,000, for the years ended November 30, 2010, 2009, and 2008 respectively.

Long-lived assets and other intangible assets:

The Company acquired certain trademark rights from Audiovox in August 2003. In connection with the acquisition, Audiovox sublicensed its rights in relation to the trademark to the Company and cannot terminate these rights under the terms of the acquisition agreement. The Company has accounted for trademark rights as an indefinite lived intangible asset. Accounting standards require that intangible assets with indefinite useful lives be tested for impairment at least annually or more frequently if an event occurs or circumstances change that could more likely than not reduce the fair value below its carrying amount. The Company has performed its annual impairment test for the years ended November 30, 2010, 2009, and 2008 and no impairment was identified.

In accordance with accounting standards, the Company reviews its long-lived assets periodically to determine potential impairment. If indicators are present, the Company compares the carrying value of the long-lived assets with the estimated future net undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future net cash flows be less that the carrying value, the Company would recognize an impairment loss at that date. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the long-lived assets. There was no impairment of long-lived assets for the years ended November 30, 2010, 2009 and 2008.

Note 2. Fair Value Measurements

Fair value measurements:

Accounting standards specify a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs), or reflect the Company's own assumptions of market participant valuation (unobservable inputs). In accordance with the accounting standards, these two types of inputs have created the following fair value hierarchy:

Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly.

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The standard requires the use of observable market data if such data is available without undue cost and effort. For the year ended November 30, 2010, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments in available-for-sale securities:

The fair values of the investments in available-for-sale securities are estimated based upon quoted prices for similar assets and liabilities in active markets (Level 2).

Fair value of financial instruments:

The following methods and assumptions were used to estimate the fair value of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents, accounts receivable, accounts payable:

The carrying amounts approximate fair value due to the short maturity of those instruments.

Note 3. Available-For-Sale Securities

The following is a summary of the Company's investment securities as of November 30, 2010 and 2009:

	2010			
	Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Government bonds	**$ 6,675,000**	**—**	**—**	**$ 6,675,000**

	11/30/2009			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government bonds	$ 8,005,000	—	—	$ 8,005,000

The cost and fair value of debt securities by contractual maturities as of November 30, 2010 are as follows:

	Cost	Fair Value
Due after three years	$ 6,675,000	$ 6,675,000

The government bonds contain a put feature which allows the Company to sell the bonds to a brokerage house at par value on seven day terms and a floating interest rate which is reset on a periodic basis.

Expected maturities may differ from contractual maturities because the issuers of certain debt securities have the right to prepay their obligations without penalty.

A summary of proceeds from the sale of available-for-sale securities and investment earnings for the years ended November 30, 2010, 2009, and 2008 is as follows:

	2010	2009	2008
Proceeds from the sale of available-for-sale securities	**$ 9,820,000**	$ 19,925,000	$ 10,910,225
Interest earned	**57,726**	74,902	92,544

Note 4. Leasehold Improvements and Equipment

The cost of leasehold improvements and equipment and the related accumulated depreciation at November 30, 2010 and 2009 are as follows:

	2010	2009
Leasehold improvements	**$ 1,085,808**	$ 1,113,578
Machinery and equipment	**1,074,214**	1,118,788
Tooling and molding	**2,240,541**	2,168,476
Transportation equipment	**547,145**	523,657
Office furniture and fixtures	**406,128**	374,778
Computer equipment	**1,071,917**	1,164,256
Booth displays	**189,692**	202,220
Construction in progress	**374,873**	83,406
	6,990,318	6,749,159
Less accumulated depreciation	**4,614,126**	4,007,098
	$ 2,376,192	$ 2,742,061

Note. 5 Pledged Assets and Notes Payable

The terms of a loan agreement with a bank permit the Company to borrow a maximum of $10,000,000. At November 30, 2010, no amount was outstanding under this agreement. Borrowings under the agreement bear interest at prime minus .50% or LIBOR plus 2.00%, at the Company's option, are collateralized by accounts receivable and inventories, and are subject to a tangible net worth covenant. The agreement expires July 7, 2011.

Note. 6 Major Vendors

For the years ended November 30, 2010, 2009, and 2008, the Company purchased approximately 82%, 82%, and 68% respectively of its products for resale from their top five vendors. The top five vendors varied during the years presented.

Note 7. Transactions with Related Parties and Lease Commitments

The Company is affiliated with various entities through common ownership by Audiovox. Transactions with Audiovox and affiliates and subsidiaries for the years ended November 30, 2010, 2009, and 2008 are approximately as follows:

	2010	2009	2008
Net product sales	**$ 18,000**	$ 33,000	$ 84,000
Royalty revenue	**—**	263,000	629,000
Purchases	**532,000**	484,000	481,000

At November 30, 2010 and 2009, amounts included in trade receivables and accounts payable resulting from the above transactions are approximately as follows:

	2010	2009
Trade receivables	**$ 3,000**	$ 197,000
Accounts payable	**16,000**	130,000

At November 30, 2010, the Company leases warehouse, manufacturing, and office facilities from Irions Investments, LLC, an entity related through common ownership, for approximately $43,000 per month, plus the payment of property taxes, normal maintenance, and insurance on the property under an agreement which expires August 2016, with two five-year options to extend, at the Company's discretion. The Company also leases warehouse space for $3,000 per month. This arrangement is temporary in nature and the term of the lease agreement is defined as month to month.

The Company leases certain equipment from unrelated parties under agreements that require monthly payments totaling approximately $750 and expire through September 2011.

The total rental expense included in the statements of income for the years ended November 30, 2010, 2009, and 2008 is approximately $587,000, $592,000 and $623,000, respectively, of which approximately $510,000, $508,000, and $504,000 respectively was paid to Irions Investments, LLC.

The total approximate minimum rental commitment at November 30, 2009 under the leases is due as follows:

	Related Party	Other	Total
During the year ending November 30,			
2011	$ 517,000	$ 4,000	$ 521,000
2012	$ 528,000	—	528,000
2013	$ 538,000	—	538,000
2014	$ 549,000	—	549,000
2015	$ 560,000	—	560,000
Thereafter	389,000	—	389,000
	$ 3,081,000	$ 4,000	$ 3,085,000

Note 8. Employee Benefit Plans

The Company has profit-sharing and 401(k) plans for the benefit of all eligible employees. The Company's contributions are discretionary and are limited to amounts deductible for federal income tax purposes. Discretionary contributions were approximately $226,000, $194,000, and $275,000 for the years ended November 30, 2010, 2009, and 2008 respectively.

The Company also maintains a discretionary employee bonus plan for the benefit of its key executive, operating officers, managers and select salespersons. The total bonus expense included in the statements of income for the years ended November 30, 2010, 2009, and 2008 is approximately $1,451,000, $497,000, and $1,040,000 respectively.

The Company has a health plan for its employees, which is self-insured for medical and pharmaceutical claims up to $35,000 per participant and approximately $277,000 annually in aggregate. In addition, an additional laser liability equal to $20,000 was imposed upon the Company's plan. The excess loss portion of the employees' coverage has been reinsured with a commercial carrier. The total health plan expense included in the consolidated statements of income for the years ended November 30, 2010, 2009, and 2008 is approximately $585,000, $342,000, and $458,000 respectively.

Note 9. Litigation

At times, the Company has pending legal proceedings. These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the Company. In the opinion of management the ultimate disposition of such proceedings are not expected to have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Note 10. Major Customer

Net sales to customers comprising 10% of more of total net sales for the years ended November 30, 2010, 2009, and 2008 and the related trade receivables balance at those dates are approximately as follows:

	Net Sales			Trade Receiovable Balance		
	2010	2009	2008	2010	2009	2008
Customer A	$ 17,002,000	$ 11,661,000	$ 10,169,000	$ 339,000	$ 751,000	$ 387,000
Customer B	8,972,000	*	*	333,000	*	*
	$ 25,974,000	$ 11,661,000	$ 10,169,000	$ 672,000	$ 751,000	$ 387,000

* Customer comprised less than 10% of total net sales

Note 11. Subsequent events:

The Company has evaluated subsequent events for potential recognition and/or disclosure through February 10, 2011, the date the financial statements were available to be issued.

Note 12. Cash Flows Information

Supplemental information relative to the statements of cash flows for the years ended November 30, 2010, 2009, and 2008 are as follows:

	2010	2009	2008
Supplemental disclosures of cash flows information:			
Cash payments for interest	$ 2,532	$ —	$ —
Supplemental schedule of noncash investing and financing activities:			
Purchase of equipment financed through increase in accounts payable	**$ —**	452,370	—

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements of Audiovox Corporation on Form S-8 (Registration Nos. 333-82073, 333-36762, 333-138000, 333-131911, and 333-162569) of our report, dated February 10, 2011, on the consolidated financial statements of Audiovox Specialized Applications, LLC which is included in the Annual Report on Form 10-K of Audiovox Corporation and Subsidiaries for the year ended February 28, 2011.

/s/ MCGLADREY & PULLEN, LLP

Elkhart, Indiana
May 16, 2011