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

FORM 8-K/A

Amendment No. 2

CURRENT REPORT

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

Date of Report (Date of earliest event reported): May 16, 2011

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

Delaware (State or other jurisdiction of incorporation or organization)	**0-28839** (Commission File Number)

13-1964841
(IRS Employer Identification No.)

180 Marcus Blvd., Hauppauge, New York (Address of principal executive offices)	**11788** (Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of file following provisions:
[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(e))

EXPLANATORY NOTE

On March 1, 2011, Audiovox Corporation, (the "Company") completed its acquisition (the "Acquisition") of Klipsch Group, Inc. and its worldwide subsidiaries ("Klipsch"). The Acquisition was reported in a Current Report on Form 8-K filed with the Securities and Exchange Commission on March 7, 2011, as amended on Form 8-K/A filed with the Securities and Exchange Commission on March 10, 2011. The Company is filing this Form 8-K/A (Amendment No. 2) to include the financial statements of Klipsch and pro forma financial information required by parts (a) and (b) of Item 9.01 of Form 8-K. Except as described above, all other information in and exhibits to the original Form 8-K remain unchanged.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The following financial statements of Klipsch are attached as Exhibits 99.2 through 99.4 of this Report and are incorporated by reference herein:

- Audited Consolidated Balance Sheets of Klipsch as of June 30, 2010 and 2009, and the related Consolidated Statements of Operations, Stockholders' Equity and Cash Flows for the years ended June 30, 2010 and 2009.
- Audited Consolidated Balance Sheets of Klipsch as of June 30, 2009 and 2008, and the related Consolidated Statements of Operations, Stockholders' Equity and Cash Flows for the years ended June 30, 2009 and 2008.
- Unaudited Interim Consolidated Balance Sheet of Klipsch as of February 28, 2011, and the related Unaudited Interim Consolidated Statements of Operations and Cash Flows for the eight months ended February 28, 2011 and 2010.

(b) Pro Forma Financial Information.

The following unaudited pro forma financial information is attached as Exhibit 99.5 of this Report and is incorporated by reference herein:

- Unaudited Pro Forma Combined Balance Sheet as of February 28, 2011, and the related Unaudited Pro Forma Combined Statement of Operations for the year ended ended February 28, 2011.

(d) Exhibits

Exhibit 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)
Exhibit 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)
Exhibit 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. (2)
Exhibit 10.1	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)
Exhibit 10.2	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)
Exhibit 10.3	Form of Employment Agreement, dated February 3, 2011, by and among Klipsch Group, Inc. and T. Paul Jacobs. (2)

Exhibit 10.4	Form of Employment Agreement, dated February 3, 2011, by and among Klipsch Group, Inc. and Michael Klipsch. (2)
Exhibit 10.5	Form of Employment Agreement, dated February 3, 2011, by and among Klipsch Group, Inc. and Fred S. Klipsch. (2)
Exhibit 10.6	Form of Employment Agreement, dated February 3, 2011, by and among Klipsch Group, Inc. and Fred Farrar. (2)
Exhibit 10.7	Form of Employment Agreement, dated February 3, 2011, by and among Klipsch Group, Inc. and David P. Kelley. (2)
Exhibit 23.1	Consent of Ernst & Young LLP
Exhibit 99.1	Press Release, dated March 2, 2011, issued by Audiovox Corporation. (1)
Exhibit 99.2	Audited Consolidated Balance Sheets of Klipsch Group, Inc. and Subsidiaries as of June 30, 2010 and 2009, and the related Consolidated Statements of Operations, Stockholders' Equity and Cash Flows for the years ended June 30, 2010 and 2009.
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Exhibit 99.4	Unaudited Interim Consolidated Balance Sheet of Klipsch Group, Inc. and Subsidiaries as of February 28, 2011, and the related Unaudited Interim Consolidated Statements of Operations and Cash Flows for the eight months ended February 28, 2011 and 2010.
Exhibit 99.5	Unaudited Pro Forma Combined Balance Sheet as of February 28, 2011, and the related Unaudited Pro Forma Combined Statement of Operations for the year ended February 28, 2011.

(1) Filed with the Commission as an exhibit to our Current Report on Form 8-K on March 7, 2011.
(2) Filed with the Commission as an exhibit to our Current Report on Form 10-K on May 16, 2011.

SIGNATURES

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

AUDIOVOX CORPORATION (Registrant)

Date: May 16, 2011

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

<u>EXHIBIT INDEX</u>

Exhibit No.	Description
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(1) Filed with the Commission as an exhibit to our Current Report on Form 8-K on March 7, 2011.

(2) Filed with the Commission as an exhibit to our Current Report on Form 10-K on May 16, 2011.

Exhibit 23.1

Consent of Independent Auditors

The Board of Directors
Audiovox Corporation

We consent to the use of our report dated September 17, 2010, with respect to the consolidated financial statements of Klipsch Group, Inc. and subsidiaries as of June 30, 2010 and 2009 and the years then ended, and our report dated September 23, 2009, with respect to the consolidated financial statements of Klipsch Group, Inc. and subsidiaries as of June 30, 2009 and 2008, and for the years then ended, included in the Current Report on Amendment No. 2 to Form 8-K of Audiovox Corporation dated May 16, 2011 filed with the Securities Exchange Commission.

/s/ Ernst & Young LLP
Indianapolis, Indiana
May 16, 2011

Exhibit 99.2

KLIPSCH GROUP, INC. AND SUBSIDIARIES

Consolidated Financial Statements

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

Report of Independent Auditors

The Board of Directors and Stockholders of Klipsch Group, Inc.

We have audited the accompanying consolidated balance sheets of Klipsch Group, Inc. and subsidiaries as of June 30, 2010 and 2009, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended. 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 auditing standards generally accepted in the 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Klipsch Group, Inc. and subsidiaries at June 30, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109*, codified in Accounting Standards Codification Topic No. 740, in 2010.

/s/ Ernst & Young LLP
September 17, 2010
Indianapolis, Indiana

KLIPSCH GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended June 30, 2010 and 2009

	2010	2009
NET SALES	$ 162,284,877	$ 169,405,809
COST OF GOODS SOLD	87,440,437	93,430,141
Gross Margin	74,844,440	75,975,668
OPERATING EXPENSES:		
Selling, general and administrative expenses	51,673,991	72,846,435
Restructuring charges (Note 2)	1,053,997	5,723,842
Total Operating Expenses	52,727,988	78,570,277
Operating Income (Loss)	22,116,452	(2,594,609)
OTHER EXPENSE		
Interest expense	(3,877,436)	(5,152,749)
Foreign currency transaction gains (losses) (Note 1)	34,203	(1,835,738)
Other expense	(812,005)	(205,017)
Total Other Expense	(4,655,238)	(7,193,504)
Income (Loss) Before Income Taxes	17,461,214	(9,788,113)
INCOME TAX (BENEFIT) PROVISION (Note 6)	(5,357,388)	8,552,884
NET INCOME (LOSS)	$ 22,818,602	$ (18,340,997)

See accompanying notes.

KLIPSCH GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
June 30, 2010 and 2009

ASSETS

`	2010	2009
CURRENT ASSETS		
Cash	$ 6,660,478	$ 3,123,089
Accounts receivable, less allowance for cash discounts (2010 - $344,298; 2009 - $406,228) and doubtful accounts (2010 - $1,431,182; 2009 - $3,843,024)	25,279,970	29,850,631
Inventories (Note 1)	29,047,819	36,079,378
Prepaid expenses and other current assets	1,968,189	2,708,648
Income tax receivable (Note 6)	3,399,262	389,519
Deferred income tax (Note 6)	3,319,516	—
Total Current Assets	69,675,234	72,151,265
PROPERTY, PLANT AND EQUIPMENT		
Land	218,485	218,485
Buildings and improvements	6,405,195	6,414,242
Furniture, fixtures and equipment	19,116,505	23,791,816
Equipment not yet placed in service	163,943	111,103
	25,904,128	30,535,646
Less: Accumulated depreciation	19,036,641	20,534,392
Total Property, Plant and Equipment, net	6,867,487	10,001,254
OTHER ASSETS		
Goodwill (Note 7)	4,278,144	3,388,144
Intangible assets, net (Note 7)	8,378,082	9,935,064
Deferred income taxes (Note 6)	4,131,289	—
Other	142,798	157,126
Total Other Assets	16,930,313	13,480,334
TOTAL ASSETS	$ 93,473,034	$ 95,632,853

See accompanying notes.

KLIPSCH GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
June 30, 2010 and 2009

LIABILITIES AND STOCKHOLDERS' EQUITY

	2010	2009
CURRENT LIABILITIES		
Current maturities of long-term debt (Note 3)	$ 3,990,477	$ 31,595,007
Trade accounts payable	20,366,762	19,438,501
Accrued expenses	10,248,933	10,864,162
Income taxes payable (Note 6)	3,966,368	463,569
Total Current Liabilities	38,572,540	62,361,239
LONG-TERM DEBT:		
Non-related parties (Note 3)	2,204,488	1,606,530
Related party (Note 3)	9,108,198	9,000,000
DEFERRED INCOME TAX	999,601	—
Total Liabilities	50,884,827	72,967,769
STOCKHOLDERS' EQUITY		
Convertible Preferred Stock (1,611,730 shares authorized, 1,434,625 shares issued and outstanding, original issue price of $52,250,191 less issuance costs)	50,769,173	50,769,173
Common Stock, no par value:		
voting - 4,249,100 shares authorized, 171,198 shares issued and outstanding	—	—
nonvoting - 3,824,190 shares authorized, 1,540,779 shares issued and outstanding	—	—
Accumulated deficit	(4,811,391)	(27,281,124)
Accumulated other comprehensive loss	(3,267,067)	(689,765)
	42,690,715	22,798,284
Less: Receivable from stockholders	(102,508)	(133,200)
Total Stockholders' Equity	42,588,207	22,665,084
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 93,473,034	$ 95,632,853

See accompanying notes.

KLIPSCH GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock	Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Receivables for Common Stock	Total Stockholders' Equity
BALANCE, JUNE 30, 2008	$ 50,769,173	$ —	$ (8,940,127)	$ 1,600,350	$ (162,609)	$ 43,266,787
Net income	—	—	(18,340,997)	—	—	(18,340,997)
Other Comprehensive Loss:						
Foreign currency translation adjustments	—	—	—	(2,290,115)	—	(2,290,115)
Total Comprehensive Loss						(20,631,112)
Payments received on receivables from stockholders	—	—	—	—	29,409	29,409
BALANCE, JUNE 30, 2009	$ 50,769,173	$ —	$ (27,281,124)	$ (689,765)	$ (133,200)	$ 22,665,084
Adjustment for the adoption of ASC 740	—	—	(348,869)	—	—	(348,869)
Net income	—	—	22,818,602	—	—	22,818,602
Other Comprehensive Loss:						
Foreign currency translation adjustments	—	—	—	(2,577,302)	—	(2,577,302)
Total Comprehensive Income						20,241,300
Payments received on receivables from stockholders	—	—	—	—	30,692	30,692
BALANCE, JUNE 30, 2010	$ 50,769,173	$ —	$ (4,811,391)	$ (3,267,067)	$ (102,508)	$ 42,588,207

See accompanying notes.

KLIPSCH GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2010 and 2009

	2010	2009
OPERATING ACTIVITIES		
Net income (loss)	$ 22,818,602	$ (18,340,997)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	3,117,420	3,229,451
Amortization	1,519,828	467,102
Deferred income taxes	(10,401,793)	8,089,315
Provision for doubtful accounts	1,735,147	1,452,014
Provision for excess and obsolete inventory	935,387	1,966,966
Loss on disposition of assets due to restructuring	—	2,059,639
Loss on disposition of assets	33,964	214,795
Write-off of debt issuance costs	82,813	162,076
	19,841,368	(699,639)
(Increase) decrease in certain current assets:		
Accounts receivable - trade	2,835,514	12,185,663
Inventories	6,096,173	7,736,265
Income taxes receivable	—	(389,519)
Prepaid expenses and other assets	309,733	901,798
Increase (decrease) in certain current liabilities:		
Trade accounts payable and accrued expenses	421,230	(6,762,778)
Income taxes payable	3,153,930	(376,364)
Net Cash Provided by Operating Activities	32,657,948	12,595,426
INVESTING ACTIVITIES		
Decrease in other long-term assets	14,328	1,229,868
Decrease in notes receivable - related party	—	20,855
Purchases of property, plant and equipment	(394,424)	(1,831,789)
Net Cash Used by Investing Activities	(380,096)	(581,066)
FINANCING ACTIVITIES		
Proceeds of related party debt	—	6,000,000
Proceeds from long-term borrowings and line of credit	106,520,892	139,543,827
Principal payments on long-term borrowings and line of credit	(133,527,465)	(158,237,987)
Payment of debt issuance cost	347,914	(411,288)
Payments received from stockholders for common stock	30,692	29,409
Net Cash Used by Financing Activities	(26,627,967)	(13,076,039)
EFFECT OF FOREIGN EXCHANGE RATES ON CASH	(2,112,496)	(1,731,168)
NET INCREASE (DECREASE) IN CASH	3,537,389	(2,792,847)
CASH		
Beginning of Year	3,123,089	5,915,936
End of Year	$ 6,660,478	$ 3,123,089
SUPPLEMENTAL DISCLOSURES		
Cash paid for:		
Interest	$ 2,421,036	$ 3,696,508
Income taxes	1,801,172	1,806,592

See accompanying notes.

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Klipsch Group, Inc. (the Company) has four wholly owned subsidiaries: Klipsch, L.L.C. (Klipsch), Audio Products International, Corp. (API), Klipsch Asia/Pacific Holdings (China), and Jamo US (Jamo). The Company designs, manufactures and distributes high-quality loudspeakers for audio, multi-media and home theater applications. The Company's subsidiary in China is nonoperational. Klipsch conducts its European operations (primarily sales and distribution) through Klipsch Europe, B.V., a wholly owned subsidiary of Klipsch, which is headquartered in the Netherlands.

Approximately 16% of the Company's employees work under a domestic collective bargaining agreement that expires in June 2013.

Codification: In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification Topic No. 105, Generally Accepted Accounting Principles (ASC 105). This standard establishes the FASB Accounting Standards Codification (ASC) as the sole source of authoritative U.S. generally accepted accounting principles (GAAP). The ASC superseded all existing GAAP upon its effective date. Topic 105 was effective for interim or annual reporting periods ending after September 15, 2009. The Company has updated references to GAAP in its consolidated financial statements for the fiscal year ending on June 30, 2010. Adoption of this standard did not have an impact on consolidated net earnings, cash flows or financial position.

Principles of Consolidation: The Company's consolidated financial statements include the accounts of Klipsch Group, Inc. and its wholly owned subsidiaries. All material intercompany balances and transactions have been eliminated. Reference to the Company throughout this report relates to the consolidated entity.

Reclassifications: Certain reclassifications have been made to the prior year financial statements to conform with the current year presentation. These reclassifications have no impact on the net results previously reported.

Estimates: The preparation of financial statements in conformity with U.S. GAAP. U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash: The Company places cash with institutions with high credit quality. However, at times, cash may be in excess of FDIC and SIPC insurance limits.

Receivables and Credit Polices: The Company grants credit to its customers, who are primarily retailers and distributors in the home electronics industry, located both domestically and internationally. Domestic accounts receivable are uncollateralized customer obligations due under normal trade terms, which average 60 days. Certain international accounts receivable are insured up to their credit limit. Accounts receivable are stated at the amount billed to the customer less the anticipated earned discount.

The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews all past due accounts receivable balances, and, based on an assessment of the current creditworthiness, estimates the portion, if any, of the accounts that will not be collected. Additionally, management applies an estimate of the entire accounts receivable balance to compute a general allowance covering those amounts.

The Company has one major customer that represents 29% and 23% of the Company's accounts receivable at June 30, 2010 and 2009, respectively. Additionally, approximately 25% and 19% of the Company's net sales during the years ended June 30, 2010 and 2009, respectively, were to one customer.

Inventories: Inventories are stated at the lower of cost or market using the first-in, first-out method. Inventories consisted of the following at June 30:

		2010		2009
Finished goods	$	26,484,360	$	34,164,408
Work in process		243,068		218,508
Raw materials		4,097,664		4,133,394
Supplies		16,846		346,195
Excess and obsolete reserves		(1,794,119)		(2,783,127)
	$	29,047,819	$	36,079,378

The Company periodically evaluates its inventories for excess quantities and obsolescence. This evaluation includes analyses of sales levels by product and projections of future demand. If future demand or market conditions are less favorable than the Company's projections, inventory write-downs may be required.
The Company is dependent on six major vendors for the outsourced production of its inventory. A loss of one of these vendors or disruption in the supply of the product could have a material adverse effect on the Company's operating results. These suppliers have provided extended payment terms to the Company. To the extent these terms are changed or terminated, there could be a material impact to the Company.

Product Warranties: The Company has provisions for estimated expenses related to product warranties, which are recorded at the time the products are sold. Estimates for warranty costs are calculated based primarily upon historical warranty experience, but may include assumptions related to anticipated changes in warranty costs and failure rates.

Property, Plant and Equipment: Property, plant and equipment is stated at cost and includes expenditures for new facilities, equipment and improvements that materially extend the useful lives of existing assets. Expenditures for normal repairs and maintenance are charged to expense as incurred. Depreciation is computed using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	5-40 years
Furniture, fixtures and equipment	3-15 years

Depreciation expense for 2010 and 2009 was $3,117,420 and $3,229,451, respectively.

Goodwill and Intangible Assets: Goodwill represents the excess of the cost over the fair value of identifiable net assets of businesses acquired. Other intangible assets consist of customer lists and relationships, purchased technology and patents, and trademarks. Under the provisions of Accounting Standards Codification Topic No. 350, “Intangibles - Goodwill and Other” (ASC 350), goodwill and indefinite-lived assets are tested for impairment at the reporting unit level at least annually or whenever an event occurs or circumstances indicate that the carrying amount is impaired. If the fair value of the reporting unit is less than its carrying amount, an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying amount. To date, there has been no impairment of goodwill. See Note 7 of the consolidated financial statements regarding impairment of intangible assets.

Long-lived Assets, including Intangibles: The Company evaluates long-lived assets, including intangible assets with finite lives, in compliance with Accounting Standards Codification Topic No. 360, “Property, Plant, and Equipment” (ASC 360). An impairment loss is recognized whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets (see Note 7 of the consolidated financial statements).

Intangible assets are being amortized on a straight-line basis as follows:

Custom craft trade name	15 years
Patents	10-16 years
Customer list/distribution channel	12-15 years
Non-compete agreement	Term of agreement

The trade names acquired in connection with Jamo and API have indefinite lives and, therefore, are not being amortized.

Fair Value of Financial Instruments: The Company has adopted the provisions of Accounting Standards Codification Subtopic No. 820-10, “Fair Value Measurements and Disclosures” (ASC 820-10). ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosures about fair value measurements. ASC 820-10 was effective for the Company beginning July 1, 2008 for financial assets and liabilities, and July 1, 2009 for all nonfinancial assets and liabilities, except for items recognized or disclosed at fair value in the financial statements on a recurring basis. The adoption of ASC 820-10 at June 30, 2010 and 2009 did not have a material impact on the consolidated financial statements.

Stock Options: The Company recognizes compensation expense related to its stock option plan in accordance with Accounting Standards Codification Topic No. 718, “Compensation - Stock Compensation” (ASC 718). Options are granted at a price not less than the fair value of the Company's common stock on the date of grant.

Income Taxes: Deferred income taxes are recognized for the temporary differences between the tax basis of the assets and liabilities and their financial reporting amounts in accordance with the provisions of Accounting Standards Codification Topic No. 740, “Income Taxes” (ASC 740). The income tax benefit or provision represents the tax receivable or payable for the period and the change during the period in the deferred tax assets and liabilities (see Note 6 of the consolidated financial statements).

Subsequent Events: The Company performed an evaluation of subsequent events for potential recognition and disclosure through September 17, 2010, the date the financial statements were available to be issued, in accordance with Accounting Standards Codification Subtopic No. 855-10-50, “Subsequent Events” (ASC 855-10-50).

Revenue Recognition: Revenue from sales of products, including amounts billed to customers for shipping and handling costs, is recognized at the time (1) ownership and all risks of loss have been transferred to the buyer, which is generally upon shipment, (2) the price is fixed and determinable and (3) collectability is reasonably assured. Provisions for discounts, rebates, returns and other adjustments are reflected as a reduction of revenue in the period the related sales are recorded in accordance with Accounting Standard Codification Topic No. 605, “Revenue Recognition” (ASC 605).

Consideration is paid to certain retailers and distributors for cooperative arrangements related to market development, training and special promotions, which are agreed upon in advance. The amount to be paid is generally in the form of a credit memoranda, which is netted against recognized revenue.

Software Costs: Certain costs are capitalized for software that is developed or obtained for internal use. Software costs are amortized on the straight-line basis over their estimated useful lives generally ranging from three to five years. Software assets are reviewed for impairment when events or circumstances indicate that the carrying value may not be recoverable over the remaining lives of the assets. Software maintenance, training, data conversion and business process reengineering costs are expensed in the period in which they were incurred.

Freight Costs: Freight costs are included in cost of goods sold.

Advertising Costs: Advertising costs are expensed as incurred and approximated $1,757,000 and $2,762,000 for the years ended June 30, 2010 and 2009, respectively.

Research and Development Costs: Research and development costs are expensed as incurred and approximated $5,370,000 and $8,488,000 for the years ended June 30, 2010 and 2009, respectively.

Foreign Currency Translation**:** The assets and liabilities of the Company's international operations are generally translated into U.S. dollars at current exchange rates, and revenues and expenses are translated at average exchange rates for the year. Foreign currency translation adjustments are not included in “net (loss) income”, but are accounted for as “other comprehensive (loss) income” and reflected as a separate component of the change in stockholders' equity.

At June 30, 2010 and 2009, stockholders' equity included accumulated other comprehensive losses arising from translation adjustments of approximately $3,267,067 and $689,765, respectively.
Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, except those transactions that operate as a hedge of an identifiable foreign currency commitment or as a hedge of a foreign currency investment position, are included in the results of operations as incurred. Net foreign currency transaction gains (losses) were approximately $34,203 and ($1,835,738) in the years ended June 30, 2010 and 2009, respectively, and are included in other income in the consolidated statements of operations.

Recently Issued Accounting Pronouncements: In July 2006, the FASB issued FASB Interpretation No. (FIN) 48, “Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109”, which is included in ASC 740, clarifies the accounting for uncertainty in tax positions. The Company adopted, as required effective July 1, 2009, the provisions of FASB Staff Position (FSP) No. FIN-48-3. ASC 740 requires the recognition of a tax position when it is more likely than not that the tax position will be sustained upon examination by relevant taxing authorities, based on the technical merits of the position. An adjustment of $348,869 was made to the beginning balance of retained earnings upon adoption of this pronouncement (see Note 6 of the consolidated financial statements).

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (SFAS 157), now a part of Accounting Standards Codification Topic 820, “Fair Value Measurements and Disclosures” (ASC 820). ASC 820 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. For financial assets and liabilities, ASC 820 was effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB delayed the effective date for the implementation of ASC 820 solely for nonfinancial assets and nonfinancial liabilities, except those nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis (i.e., at least annually). The new effective date is for fiscal years beginning after November 15, 2008. The Company has adopted ASC 820 for fiscal year 2010. The adoption of ASC 820 did not have a material impact on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), “Business Combinations”, now a part of Accounting Standards Codification Topic No. 805, “Business Combinations” (ASC 805), and SFAS No. 160, “Non-controlling Interests in Consolidated Financial Statements - an Amendment of ARB No. 51” now a part of Accounting Standards Codification Topic No. 810, “Consolidation” (ASC 810), which changed the accounting for and reporting of business combinations and noncontrolling interests in consolidated financial statements. ASC 810 and ASC 805 are required to be adopted simultaneously and are effective for the first annual reporting period beginning on or after December 15, 2008, which is the Company's fiscal year 2010. ASC 805 applies prospectively to business combinations for which the acquisition date is on or after the date of adoption. ASC 810 shall be applied prospectively as of the beginning of the fiscal year of adoption, except for the presentation and disclosure requirements, which shall be applied retrospectively for all periods presented. Generally, the effect of ASC 805 will depend on future acquisitions. However, the accounting for the resolution of any tax uncertainties remaining will be subject to the provisions of ASC 810. The adoption of ASC 805 and ASC 810 did not have a material impact on the Company's consolidated financial statements.

NOTE 2 - RESTRUCTURING ACTIVITIES

In fiscal year 2009, the Company initiated a comprehensive series of actions to lower its cost structure and further increase operational efficiency. The restructuring initiatives included office closures, head-count reductions, office consolidation and relocation, and the exit of nonstrategic product lines in certain geographies. Approximately half of the total cost of the restructuring actions is related to streamlining the European operations. The Company has reduced the overall global head count to lower costs in light of challenging global economic conditions.

The severance and employee benefits, exit costs and contract termination costs associated with restructuring initiatives are accounted for in accordance with Accounting Standards Codification Topic No. 420, “Exit or Disposal Cost Obligations” (ASC 420).

The restructuring charges recorded in the 2010 and 2009 consolidated statements of operations consist of the following:

	2010	2009
Severance and employee benefits	$ 917,997	$ 2,965,651
Asset write-offs	—	2,059,639
Lease termination costs	136,000	394,510
Travel and other expenses	—	304,042
	$ 1,053,997	$ 5,723,842

	Liability Beginning Balance 07/01/09	Expense	Activity	Liability Ending Balance 06/30/10
Severance costs	$ 278,357	$ 917,997	$ (1,196,354)	$ —
Contract term costs	298,480	136,000	(261,480)	173,000
Total	$ 576,837	$ 1,053,997	$ (1,457,834)	$ 173,000

NOTE 3 - DEBT AND CREDIT ARRANGEMENTS

Long-term debt consists of the following for June 30:

	2010	2009
Bank facility:		
Revolving loan	$ —	$ 16,029,746
Term loan	4,600,000	3,194,445
Junior debt	—	12,000,000
Related party	9,108,198	9,000,000
Other long-term financing at various rates, due at various dates through 2017	1,594,965	1,977,346
	15,303,163	42,201,537
Less: current maturities	3,990,477	31,595,007
	$ 11,312,686	$ 10,606,530

On March 12, 2009, the Company negotiated amendments to its bank facility and junior debt agreements. The amendments changed the maturity date of the junior debt to April 22, 2010, reduced the maximum borrowing availability on the revolving line of credit to $45 million and amended certain financial covenants for the period ended March 31, 2009 and thereafter. In connection with these amendments, the Company also entered into subordinated notes payable with certain stockholders for $3,000,000, the proceeds of which were used to pay down debt. On March 19, 2010, the Company negotiated a second amendment to its bank facility and junior debt agreements. The amendment reduced the maximum borrowing availability on the revolving line of credit to $27.5 million with a new maturity date of June 30, 2012 and amended certain financial covenants for the period ended March 31, 2010 and thereafter. The term loan was increased to $6.0 million with a new amortization schedule over an 18-month period. The junior debt was paid with the proceeds from the revolving loan and the term debt.

Bank Facility:

Revolving Loan: The Company's revolving loan is with a syndicate of banks, limited to the lesser of (1) $60.0 million less letter of credit obligations or the sum of (a) 85% of eligible accounts receivable at such time, plus (b) the lesser of (i) for the months of March through September, inclusive, of each year, 75% (and for all other months, 85%) of the eligible inventory, valued at the lower of cost or market value, determined on a first-in, first-out basis, at such time and (ii) the product of, for the months of March through September, inclusive, of each year, 85% (and for all other months, 90%) multiplied by the Net Orderly Liquidation Value percentage identified in the most recent inventory appraisal ordered by the administrative agent multiplied by the eligible inventory, valued at the lower of cost or market value, determined on a first-in, first-out basis, at such time, minus (c) reserves. As of June 30, 2010, the Company had a $500,000 letter of credit related to leased office space. There are no other letter-of-credit obligations as of June 30, 2010. Interest rates and payment dates are variable based upon interest rate and term options selected by management. The interest rate at June 30, 2010 on outstanding revolving credit borrowings was 4.50% (prime plus 1.25% spread). At June 30, 2010, the Company had $23.5 million of available borrowings under its revolving loan.

Term Loan: The Company's term loan was initially for a period of two years and required monthly principal payments of $138,889. The March 19, 2010 amendment changed the term loan amount to $6.0 million. The amendment extended the maturity date of the loan to October 1, 2011, or a period of 18 months, and requires monthly principal payments of $250,000, plus an additional five quarterly payments of $300,000 beginning September 1, 2010. The Company is permitted to make prepayments up to $2.0 million. The interest rate is variable based upon interest rate and term options selected by management. The interest rate at June 30, 2010 was 6.75% (prime plus 3.50% spread) on outstanding term borrowings.

Substantially all of the Company's assets serve as collateral for the bank credit facility. The agreement requires the Company to maintain various quarterly and annual covenants. As of June 30, 2010, the Company was in compliance with its financial covenants.

The Company has notes payable to related parties as of June 30, 2010 and 2009. Principal and unpaid interest is due on these notes payable on September 30, 2012. Related party notes consist of the following:

	2010	2009
Due to certain stockholders (3.25% - 10.00%, at June 30, 2010)	$ 6,000,000	$ 6,000,000
Due to preferred stockholder (3.25% at June 30, 2010)	3,108,198	3,000,000
	$ 9,108,198	$ 9,000,000

During the year ended June 30, 2010, accrued and unpaid interest in the amount of $108,198 was added to the principal balance of the preferred stockholder notes. The Company expensed interest on related party notes payable totaling approximately $534,000 and $275,000 for the years ended June 30, 2010 and 2009, respectively.

At June 30, 2010, the aggregate principal payments required by all long-term obligations are as follows:

Payable in Year Ending June 30,	Principal
2011	$ 3,990,477
2012	1,397,299
2013	9,255,014
2014	151,282
2015	155,884
Thereafter	353,207
	$ 15,303,163

NOTE 4 - RENT COMMITMENTS

The Company leases certain machinery and equipment under noncancelable operating leases expiring at various dates through 2011.

The Company leases warehouse and office space under noncancelable operating lease with varying expiration dates through 2013.

During May 2002, the Company entered into an operating lease with Woodview Trace, L.L.C. (Woodview), which is owned by certain stockholders of the Company, for its administrative and engineering headquarters in Indianapolis. The lease was amended and restated in April 2003 to extend the lease until April 2018. Subsequent to June 30, 2010, a new amendment extended the expiration date to April 2021.

At June 30, 2010, future minimum rental payments required by all operating leases are summarized as follows:

Payable in Year Ending June 30,	Rental Payments Related Parties	Rental Payments Non-Related Parties	Total Rental Payments
2011	$ 1,311,988	$ 1,278,303	$ 2,590,291
2012	1,342,499	954,171	2,296,670
2013	1,356,060	676,549	2,032,609
2014	1,369,621	627,617	1,997,238
2015	1,383,181	643,788	2,026,969
Thereafter	8,174,581	375,543	8,550,124
Total	$ 14,937,930	$ 4,555,971	$ 19,493,901

Rent expense pursuant to all operating leases approximated $2,938,000 and $3,853,000 for the years ended June 30, 2010 and 2009, respectively. Rent expense to related parties for the years ended June 30, 2010 and 2009 was approximately $1,380,000 and $1,551,000, respectively.

NOTE 5 - PENSION PLAN

The Company sponsors the Klipsch Group, Inc. 401(k) Plan. All of the Company's full-time employees are eligible to participate. The 401(k) Plan participants may elect to contribute a portion of their pretax salary or after-tax salary to the 401(k) Plan. Klipsch contributes a matching amount to participants who are at least 21 years of age and have attained six months of service as of entry dates of January 1 or July 1. The Company reestablished a matching contribution schedule as of January 1, 2010, after being temporarily suspended on November 17, 2008. Effective January 1, 2010, the Company matches 25% of the participant's first 4% of salary. During fiscal years 2010 and 2009, the Company contributed, net of forfeitures, approximately $5,000 and $163,000, respectively, to the 401(k) Plan.

NOTE 6 - INCOME TAXES

The income tax provision for the years ended June 30 consisted of the following:

	2010	2009
Current:		
Federal	$ 1,591,643	$ 463,569
State	378,422	—
Foreign	3,074,340	—
	5,044,405	463,569
Deferred:		
Federal	955,826	(1,959,891)
State	861,903	(152,300)
Foreign	1,050,587	(2,773,988)
Valuation allowance change	(13,270,109)	12,975,494
	(10,401,793)	8,089,315
Income tax provision	$ (5,357,388)	$ 8,552,884

The net deferred tax asset for the years ended June 30 consisted of the following:

	2010	2009
Deferred tax assets:		
Accruals and allowances	$ 3,421,996	$ 5,073,543
Net operating losses	1,772,319	9,001,224
Foreign tax credit carryforwards	4,817,455	1,487,000
R&D credit carryforwards	267,624	370,899
Depreciation and amortization	165,201	724,275
Total deferred tax assets	10,444,595	16,656,941
Deferred tax liabilities:		
Depreciation and amortization	(1,701,368)	(1,303,240)
Other	(213,372)	(4,941)
Total deferred tax liabilities	(1,914,740)	(1,308,181)
Less: valuation allowance	(2,078,651)	(15,348,760)
Net deferred tax asset	$ 6,451,204	$ —

The difference between the Company's effective tax rate and the statutory tax rate is primarily the result of changes in the valuation allowance against deferred tax assets. The Company records a valuation allowance when it is more likely than not that all or a portion of a deferred tax asset will not be realized. As of June 30, 2010, the Company has recorded a full valuation allowance against its foreign net operating loss carryforwards and a partial valuation allowance against its tax credit carryforwards amounting to approximately $1,504,000 and $575,000, respectively. The Company carried back fiscal year 2009 federal taxable loss of approximately $8,875,000, which resulted in an income tax receivable of approximately $3,061,000. During the year ended June 30, 2010, the Company utilized approximately $9,196,000 of its previously accumulated federal net operating loss carryforwards.

The foregoing resulted in the change to the valuation allowance in 2010.

As of June 30, 2010, the Company had (1) foreign net operating loss carryforwards, which do not expire, amounting to approximately $1,504,000, and (2) foreign tax credits, which expire ten years from the tax year when originated, of approximately $4,817,455. In general, it is the practice and intention of the Company to reinvest the undistributed earnings of its non-U.S. subsidiaries. Should the Company repatriate undistributed earnings, such amounts become subject to U.S. taxation giving recognition to tax expense and foreign tax credits.

During 2010, an adjustment was recorded by the Company to account for a deferred tax liability that existed at the acquisition date (August 2006) of its Canadian subsidiary. Accordingly, an adjustment was recorded as of June 30, 2010 to increase deferred tax liability $658,000 and increase goodwill $890,000 with a corresponding income tax benefit of $232,000.

The Company's uncertain tax positions are recorded in accordance with ASC 740. The provisions of ASC 740 regarding uncertain tax positions became effective for the Company on July 1, 2010 and require the recognition of a tax position when it is more likely than not that the tax position will be sustained upon examination by relevant taxing authorities, based on the technical merits of the position. As a result, the adoption of ASC 740 decreased the July 1, 2010 retained earnings by $348,869.

NOTE 7 - INTANGIBLE ASSETS

Following is a summary of intangible assets subject to amortization at June 30,

	2010		2009	
	Gross Amount	**Accumulated Amortization**	**Gross Amount**	**Accumulated Amortization**
Patents	$ 2,735,154	$ 748,943	$ 2,735,154	$ 565,911
Non-compete agreement	35,576	27,571	35,576	20,456
Custom Craft trade name	10,000	6,779	10,000	6,112
Customer list and distribution channel	4,465,994	1,402,591	4,797,282	1,159,277
	$ 7,246,724	$ 2,185,884	$ 7,578,012	$ 1,751,756

Future amortization expense for each of the next five years is estimated to be approximately $465,000 per year. During fiscal year 2010, in an effort to consolidate product lines, the Company decided to discontinue the Athena brand products. This was considered a triggering event and required the testing for impairment of the carrying value of the Athena trademark . As a result of this testing, the Company recorded a trademark impairment charge of $791,566. This charge was based on the excess of carrying value over the estimated fair value. At June 30, 2010, the trademark impairment charge is reflected as a decrease in the carrying value of the trademarks in the consolidated balance sheet, as a charge to amortization expense in the consolidated statement of income, and had no impact to cash flows.

At June 30, 2010 and 2009, intangible assets not subject to amortization include the Jamo, Mirage and Energy trade names totaling $3,317,242 and $4,108,808, respectively, and goodwill related to the acquisition of API of $4,278,144.

NOTE 8 - STOCKHOLDERS' EQUITY

Preferred Stock:

Conversion Features

The Company's preferred stock is convertible at the holders' option into common stock at a rate of 0.10 share of voting common stock and 0.90 nonvoting common stock for every 1 share of preferred stock.

Redemption

At the earlier of October 1, 2010 or the occurrence of conditions described in Section 6 of the “Major Holder Agreement,” at the election of the preferred stockholder, a process can begin that over time could cause the Company to redeem all of the outstanding shares of the preferred stock. The preferred stockholder has the right to compel the Company to initiate an orderly process for liquidity if the right is exercised. Upon completion of a required valuation, the Company shall have the option of 1) redemption of the preferred stock or 2) affect a sale of the Company.

Liquidation

In the event of the occurrence of any "liquidation event," as defined, the Company's preferred stockholders are entitled to receive an amount per share of preferred stock held by them equal to the greater of (1) the amount the preferred stockholders would be entitled to receive on an "as-to-converted-common stock basis" or (2) the sum of (A) the $32.42 per share price and (B) all declared but unpaid dividends on the preferred stock. This amount is to be paid to the preferred stockholders prior to any amount paid to the common stockholders.

Voting

The Company's preferred stockholders are entitled to voting rights. The number of votes equals the number of shares of voting common stock into which the preferred stock held by such holder could be converted into as of the record date.

Receivable from Stockholders

At June 30, 2010 and 2009, the Company had notes receivable due from certain of the Company's executives for the purchase of common stock totaling approximately $102,508 and $133,200, respectively, bearing interest at the prime rate, as defined, plus 0.50%, and maturing in December 2010. Such notes are reflected as a reduction of stockholders' equity.

NOTE 9 - STOCK OPTION PLAN

During the year ended June 30, 2009, the Company approved the 2008 Stock Option Plan (the 2008 Plan) whereby 54,000 shares of non-voting common stock were authorized and reserved. The 2008 Plan is available to key employees, directors and consultants of the Company as determined by the Board of Directors. The 2008 Plan allows the holder of the option to purchase common stock at an exercise price of $14.89. The Company granted stock options under the 2008 Plan on July 1, 2008. The estimated fair market value of the Company's common stock at the date of the grant was equal to the exercise price; therefore, the Company has elected to account for its employee stock options granted under the intrinsic-value method. Accordingly, no compensation expense has been recognized for options granted to employees. Options under the 2008 Plan generally vest ratably in three years or three years or less.

In the event certain options are exercised, pursuant to its agreement with the preferred stockholders, the Company is obligated to purchase converted preferred stock, at a price per share equal to the exercise price of the option. The purchased preferred shares will be sold to the optionee in connection with the options.

The Company's stock option activity and related information is summarized as follows:

	Non-voting Common	Voting Common	Weighted Average Exercise Price
Outstanding at June 30, 2010 and 2009	179,055	16,118	$ 29.36

The following table summarizes information about the fixed price stock options outstanding at June 30, 2010:

Range of Exercise Prices	Number of Outstanding at June 30, 2010	Weighted Average Remaining Contractual Life
$32.42	161,173	4.6 years
$14.89	34,000	8.0 years
Outstanding at June 30, 2010	195,173	

At June 30, 2010, all options outstanding were exercisable.

Pro forma information regarding net income is required by ASC 718, which also requires that the information be determined as if the Company has accounted for its employee stock options granted under the fair value method. The fair value of the options under the 2008 Plan was estimated at the date of grant using the Black-Scholes option valuation model with the following weighted average assumptions:

- Risk-free interest rate of 4.5%
- a dividend year of 0%
- a weighted average expected life of one year past the vesting date, and
- a volatility factor of 0.01%

Because the Company's stock options have characteristics significantly different than those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options issued to employees is amortized to expense over the options' vesting period. The Company's pro forma net income for the years ended June 30, 2010 and 2009 would have been reduced by approximately $83,000 and $32,000, respectively, had the Company accounted for its employee stock options granted under the fair value method.

NOTE 10 - CONTINGENCIES

The Company is subject to lawsuits and claims arising out of the normal conduct of its business. In management's opinion, the ultimate outcome of the lawsuits and claims will not have an adverse effect on the Company's consolidated financial position or the results of its operations.

NOTE 11 - SELF-FUNDED HEALTH INSURANCE

The Company has elected to self-insure certain costs related to employee health benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The Company is directly liable for annual health insurance claims up to $70,000 per employee with an aggregate annual amount of approximately $1,930,000. The Company carries stop-loss insurance to limit its liability. Total health insurance expense was approximately $1,109,000 and $1,486,000 for the years ended June 30, 2010 and 2009, respectively.

Exhibit 99.3

KLIPSCH GROUP, INC AND SUBSIDIARIES

Consolidated Financial Statements

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

Report of Independent Auditors

The Board of Directors and Stockholders
Klipsch Group, Inc.

We have audited the consolidated balance sheets of Klipsch Group, Inc. and subsidiaries as of June 30, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Klipsch Group, Inc. and subsidiaries at June 30, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that Klipsch Group, Inc. will continue as a going concern. As more fully described in Note 2, certain of the Company's borrowing arrangements come due in April 2010. Management's plan with respect to renewing or extending these borrowing arrangements is also discussed in Note 2. This condition raises substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements as of and for the year ended June 30, 2009, do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/ Ernst & Young LLP
September 23, 2009
Indianapolis, Indiana

KLIPSCH GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended June 30, 2009 and 2008

		2009		2008
NET SALES	$	169,405,809	$	223,609,804
COST OF GOODS SOLD (including $1,966,966 for 2009 and $626,342 for 2008 provision for excess and obsolete reserves)		92,943,051		120,057,332
Gross Margin		76,462,758		103,552,472
OPERATING EXPENSES:				
Selling, general and administrative expenses		73,333,525		93,491,837
Restructuring charges (Note 3)		5,723,842		—
Total Operating Expenses		79,057,367		93,491,837
Operating (Loss) Income		(2,594,609)		10,060,635
OTHER INCOME (EXPENSE)				
Interest expense		(5,152,749)		(5,684,258)
Foreign currency transaction (losses) gains		(1,835,738)		2,113,734
Other expense		(205,017)		(250,000)
Total Other Expense		(7,193,504)		(3,820,524)
(Loss) Income Before Income Taxes		(9,788,113)		6,240,111
INCOME TAX PROVISION (Note 7)		8,552,884		2,085,156
NET (LOSS) INCOME	$	(18,340,997)	$	4,154,955

See accompanying notes.

KLIPSCH GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
June 30, 2009 and 2008

ASSETS

	2009	2008
CURRENT ASSETS		
Cash	$ 3,123,089	$ 5,915,936
Accounts receivable, less allowance for cash discounts (2009 - $406,228; 2008 - $768,860) and doubtful accounts (2009 - $3,843,024; 2008 - $2,834,843)	29,850,631	43,488,308
Inventories	36,079,378	45,782,609
Prepaid expenses and other current assets	2,708,648	3,727,383
Income taxes receivable	389,519	—
Deferred income taxes (Note 7)	—	7,716,561
Total Current Assets	72,151,265	106,630,797
PROPERTY, PLANT AND EQUIPMENT		
Land	218,485	218,485
Buildings and improvements	6,414,242	6,571,929
Furniture, fixtures and equipment	23,791,816	24,584,580
Equipment not yet placed in service	111,103	983,577
	30,535,646	32,358,571
Less: Accumulated depreciation	20,534,392	18,740,156
Total Property, Plant and Equipment, net	10,001,254	13,618,415
OTHER ASSETS		
Goodwill (Note 8)	3,388,144	3,388,144
Intangible assets, net (Note 8)	9,935,064	10,649,898
Deferred income taxes (Note 7)	—	457,441
Notes receivable from related parties	—	20,855
Other	157,126	1,386,995
Total Other Assets	13,480,334	15,903,333
TOTAL ASSETS	$ 95,632,853	$ 136,152,545

See accompanying notes.

KLIPSCH GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
June 30, 2009 and 2008

LIABILITIES AND STOCKHOLDERS' EQUITY

		2009		2008
CURRENT LIABILITIES				
Current maturities of long-term debt (Note 4)	$	31,595,007	$	3,370,126
Trade accounts payable		19,438,501		22,594,539
Accrued expenses		10,864,162		14,470,902
Income taxes payable		463,569		839,933
Total Current Liabilities		62,361,239		41,275,500
LONG-TERM DEBT				
Non-related parties (Note 4)		1,606,530		48,525,571
Related party (Note 4)		9,000,000		3,000,000
DEFERRED INCOME TAX		—		84,687
Total Liabilities		72,967,769		92,885,758
STOCKHOLDERS' EQUITY				
Preferred Stock (1,611,730 shares authorized, 1,593,250 shares issued and outstanding, original issue price of $52,250,191 less issuance costs		50,769,173		50,769,173
Common Stock, no par value:				
Voting - 4,249,100 shares authorized, 173,046 shares issued and outstanding		—		—
Non-voting - 3,824,190 shares authorized, 1,557,411 shares issued and outstanding		—		—
Accumulated deficit		(27,281,124)		(8,940,127)
Accumulated other comprehensive (loss) income		(689,765)		1,600,350
		22,798,284		43,429,396
Less: Receivable from stockholders		(133,200)		(162,609)
Total Stockholders' Equity		22,665,084		43,266,787
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	95,632,853	$	136,152,545

See accompanying notes.

KLIPSCH GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock	Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Receivables for Common Stock	Total Stockholders' Equity
BALANCE, JULY 1, 2007	$ 50,769,173	$ —	$ (13,095,082)	$ 341,351	$ (186,687)	$ 37,828,755
Net income	—	—	4,154,955	—	—	4,154,955
Other Comprehensive Income:						
Foreign currency translation adjustments	—	—	—	1,258,999	—	1,258,999
Total Comprehensive Income						5,413,954
Payments received on receivables for common stock	—	—	—	—	24,078	24,078
BALANCE, JUNE 30, 2008	50,769,173	—	(8,940,127)	1,600,350	(162,609)	43,266,787
Net loss	—	—	(18,340,997)	—	—	(18,340,997)
Other Comprehensive Loss:						
Foreign currency translation adjustments	—	—	—	(2,290,115)	—	(2,290,115)
Total Comprehensive Loss						(20,631,112)
Payments received on receivables from stockholders	—	—	—	—	29,409	29,409
BALANCE, JUNE 30, 2009	$ 50,769,173	$ —	$ (27,281,124)	$ (689,765)	$ (133,200)	$ 22,665,084

See accompanying notes.

KLIPSCH GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2009 and 2008

	2009	2008
OPERATING ACTIVITIES		
Net (loss) income	$ (18,340,997)	$ 4,154,955
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	3,229,451	2,830,778
Amortization	467,102	487,789
Deferred income taxes	8,089,315	(320,172)
Provision for doubtful accounts	1,452,014	1,186,546
Provision for excess and obsolete inventory	1,966,966	626,342
Loss on disposition of assets due to restructuring	2,059,639	—
Loss on disposition of assets	214,795	12,354
Write-off of debt issuance costs	162,076	77,620
	(699,639)	9,056,212
(Increase) decrease in certain current assets:		
Accounts receivable-trade	12,185,663	966,294
Inventories	7,736,265	(4,967,729)
Income taxes receivable	(389,519)	4,609,915
Prepaid expenses and other assets	901,798	(909,842)
Increase (decrease) in certain current liabilities:		
Trade accounts payable and accrued expenses	(6,762,778)	1,591,661
Income taxes payable	(376,364)	839,933
Net Cash Provided by Operating Activities	12,595,426	11,186,444
INVESTING ACTIVITIES		
(Increase) in deposits	—	(96,848)
Decrease (increase) in other long-term assets	1,229,868	(918,449)
Decrease in notes receivable-related party	20,855	187,120
Purchases of property, plant and equipment	(1,831,789)	(4,070,477)
Net Cash Used by Investing Activities	(581,066)	(4,898,654)
FINANCING ACTIVITIES		
Proceeds from related-party debt	6,000,000	—
Proceeds from long-term borrowings and line of credit	139,543,827	94,136,902
Principal payments on long-term borrowings and line of credit	(158,237,987)	(105,022,962)
Payment of debt issuance cost	(411,288)	(2,299,522)
Payments received from stockholders for common stock	29,409	24,078
Net Cash Used by Financing Activities	(13,076,039)	(13,161,504)
FOREIGN EXCHANGE TRANSLATION ADJUSTMENTS	(1,731,168)	272,608
NET DECREASE IN CASH	(2,792,847)	(6,601,106)
CASH		
Beginning of Year	5,915,936	12,517,042
End of Year	$ 3,123,089	$ 5,915,936
SUPPLEMENTAL DISCLOSURES		
Cash paid for:		
Interest	$ 3,696,508	$ 5,317,553
Income taxes	1,806,592	529,159

See accompanying notes.

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Klipsch Group, Inc. (the Company) has five wholly owned subsidiaries: Klipsch, L.L.C. (Klipsch), Audio Products International, Corp. (API), Klipsch Asia/Pacific Holdings (China), Jamo Acquisition, L.L.C. (Jamo Acquisition) and Jamo Denmark ApS. The Company designs, manufactures and distributes high-quality loudspeakers for audio, multi-media and home theater applications. Klipsch conducts its European operations (primarily sales and distribution) through Klipsch Europe, B.V., a wholly owned subsidiary of Klipsch, which is headquartered in the Netherlands.

Approximately 14% of the Company's employees work under a domestic collective bargaining agreement which expires in June 2010.

The accompanying consolidated financial statements include the accounts of the Company. All material intercompany balances and transactions have been eliminated.

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities at the financial statement date and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from the estimated amounts.

Cash: Cash is maintained in bank deposit accounts which, at times, may exceed federally insured limits.

Receivables and Credit Policies: The Company grants credit to its customers, who are primarily retailers and distributors in the home electronics industry, located both domestically and internationally. Domestic accounts receivable are uncollateralized customer obligations due under normal trade terms, which average 60 days. Certain international accounts receivable are insured up to their credit limit. Accounts receivable are stated at the amount billed to the customer less the anticipated earned discount.

The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews all past due accounts receivable balances and, based on an assessment of the current creditworthiness, estimates the portion, if any, of the accounts that will not be collected. Additionally, management applies an estimate of the entire accounts receivable balance to compute a general allowance covering those amounts.

The Company has one major customer that represents 23% and 35% of the Company's accounts receivable at June 30, 2009 and 2008, respectively. Additionally, approximately 18% and 20% of the Company's net sales during the years ended June 30, 2009 and 2008, respectively, were to one customer.
During fiscal year 2009, one of the Company's customers representing approximately 2% of 2009 net sales filed for bankruptcy under Chapter 7 of the U.S. Bankruptcy Code. Management has evaluated the Company's outstanding receivables and established an appropriate allowance.

Inventories: Inventories are stated at the lower of cost or market using the first-in, first-out method. Inventories consisted of the following at June 30:

	2009	**2008**
Finished goods	$ 34,164,408	$ 42,218,837
Work in process	218,508	201,718
Raw materials	4,133,394	4,523,554
Supplies	346,195	77,441
Excess and obsolete reserves	(2,783,127)	(1,238,941)
	$ 36,079,378	$ 45,782,609

The Company periodically evaluates inventories for excess quantities and obsolescence. This evaluation includes analyses of sales levels by product and projections of future demand. If future demand or market conditions are less favorable than the Company's projections, inventory write-downs may be required.

The Company is dependent on six major vendors for the outsourced production of its inventory. A loss of one of these vendors or disruption in the supply of the product could have a material adverse effect on the Company's operating results. These suppliers have provided extended payment terms to the Company. To the extent these terms are changed or terminated, there could be a material impact to the Company.

Product Warranties: The Company has provisions for estimated expenses related to product warranties which are recorded at the time the products are sold. Estimates for warranty costs are calculated based primarily upon historical warranty experience, but may include assumptions related to anticipated changes in warranty costs and failure rates.

Property, Plant and Equipment: Property, plant and equipment is stated at cost and includes expenditures for new facilities, equipment and improvements that materially extend the useful lives of existing assets. Expenditures for normal repairs and maintenance are charged to expense as incurred. Depreciation is computed using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	5-40 years
Furniture, fixtures and equipment	3-15 years

Intangible Assets: Intangible assets are being amortized on a straight-line basis as follows:

Custom Craft trade name	15 years
Patents	10-16 years
Customer list/distribution channel	12-15 years
Non-compete agreement	Term of agreement

The trade names acquired in connection with Jamo and API have indefinite lives and, therefore, are not being amortized.

Goodwill: Goodwill, which represents the excess of the cost over the fair value of the net assets acquired, is tested for impairment annually or whenever an event occurs or circumstances indicate the carrying amount is impaired. Impairment testing is performed at a reporting unit level. If the fair value of the reporting unit is less than its carrying amount, an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying amount. To date, there has been no impairment of goodwill.

Long-lived Assets: The Company evaluates long-lived assets, including property, plant and equipment and certain intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets.

Stock Options: In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* (SFAS 123(R)), which requires companies to recognize the grant date fair value of stock options and other equity-based compensation issued to employees in their income statements.

Income Taxes: Income taxes are provided based upon income reported for financial statement purposes. Deferred income taxes are recognized for the tax effect of temporary differences between financial and taxable income and are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period of enactment.

Revenue Recognition: Revenue from sales of products, including amounts billed to customers for shipping and handling costs, is recognized at the time (1) ownership and all risks of loss have been transferred to the buyer, which is generally upon shipment, (2) the price is fixed and determinable and (3) collectability is reasonably assured. Provisions for discounts, rebates, returns and other adjustments are reflected as a reduction of revenue in the period the related sales are recorded.

Freight Costs: Freight costs are included in cost of goods sold.

Advertising Costs: Advertising costs are expensed as incurred and approximated $2,762,000 and $5,903,000 for the years ended June 30, 2009 and 2008, respectively.

Research and Development Costs: Research and development costs are expensed as incurred and approximated $8,488,000 and $12,080,000 for the years ended June 30, 2009 and 2008, respectively.

***Foreign Currency Translation*:** The assets and liabilities of the Company's international operations are generally translated into U.S. dollars at current exchange rates, and revenues and expenses are translated at average exchange rates for the year. Foreign currency translation adjustments are not included in “net (loss) income,” but are accounted for as “other comprehensive (loss) income” and reflected as a separate component of the change in stockholders' equity. At June 30, 2009 and 2008, stockholders' equity included accumulated other comprehensive (losses) and gains arising from translation adjustments of ($690,000) and $1,600,000, respectively.

Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, except those transactions which operate as a hedge of an identifiable foreign currency commitment or as a hedge of a foreign currency investment position, are included in the results of operations as incurred. Net foreign currency transaction (losses) and gains were ($1,836,000) and $2,114,000 in the years ended June 30, 2009 and 2008, respectively, and are included in other income in the consolidated statements of income.

Variable Interest Entities: The Company has evaluated its interests in other entities and management has determined that the Company does not interact with a variable interest entity in which the Company would be considered the primary beneficiary. Accordingly, the Company is not required to consolidate any other entities in its consolidated financial statements pursuant to FASB Interpretation No. (FIN) 46R, *Consolidation of Variable Interest Entities*.

Recently Issued Accounting Pronouncements: In July 2006, the FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109*, which clarifies the accounting for uncertainty in tax positions. On December 30, 2008, the FASB issued FASB Staff Position (FSP) No. FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. This FSP further delays the effective date of FIN 48 for the Company to July 1, 2009, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. This Interpretation requires the recognition of a tax position when it is more likely than not that the tax position will be sustained upon examination by relevant taxing authorities, based on the technical merits of the position. The Company does not expect the adoption of FIN 48 to have a material impact on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP) and expands disclosures about fair value measurements. For financial assets and liabilities, SFAS 157 was effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company has adopted the provisions of SFAS 157 as of July 1, 2008, for financial instruments. The adoption of SFAS 157 did not have a material impact on the Company's consolidated financial statements. In February 2008, the FASB issued FSP No. 157-2, which delays the effective date of SFAS 157 one year for all nonfinancial assets and nonfinancial liabilities, except those recognized or disclosed at fair value in the financial statements on a recurring basis. FSP 157-2 is effective for the Company beginning July 1, 2009. The Company does not expect the adoption of FSP 157-2 to have a material impact on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS 141(R)), and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an Amendment of ARB No. 51* (SFAS 160), which changed the accounting for and reporting of business combinations and noncontrolling interests in consolidated financial statements. SFAS 141(R) and SFAS 160 are required to be adopted simultaneously and are effective for the first annual reporting period beginning on or after December 15, 2008, which is the Company's fiscal year 2010. Earlier adoption is prohibited. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the date of adoption. SFAS 160 shall be applied prospectively as of the beginning of the fiscal year of adoption, except for the presentation and disclosure requirements, which shall be applied retrospectively for all periods presented. Generally, the effect of SFAS 141(R) will depend on future acquisitions. However, the accounting for the resolution of any tax uncertainties remaining will be subject to the provisions of SFAS 141(R). The Company does not expect the adoption of SFAS 141(R) or SFAS 160 to have a material impact on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). SFAS 161 applies to all derivative instruments and related hedged items accounted for under SFAS No. 133, *Accounting for*

Derivative Instruments and Hedging Activities (SFAS 133). SFAS 161 requires entities to provide greater transparency about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, results of operations, and cash flows. To meet those objectives, SFAS 161 requires (1) qualitative disclosures about objectives for using derivatives by primary underlying risk exposure (e.g., interest rate, credit or foreign exchange rate) and by purpose or strategy (fair value hedge, cash flow hedge, net investment hedge and non-hedges); (2) information about the volume of derivative activity in a flexible format that the preparer believes is the most relevant and practicable; (3) tabular disclosures about balance sheet location and gross fair value amounts of derivative instruments, income statement and other comprehensive income location and amounts of gains and losses on derivative instruments by type of contract (e.g., interest rate contracts, credit contracts or foreign exchange contracts); and (4) disclosures about credit-risk-related contingent features in derivative agreements. Comparative disclosures for earlier periods are not required. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, which is the Company's fiscal year 2010. The Company does not expect the adoption of SFAS 161 to have a material impact on its consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (SFAS 165). This statement requires the Company to disclose the date through which subsequent events are evaluated, as well as whether that date represents the date the financial statements were issued or the date the financial statements were available to be issued. The provisions of SFAS 165 were effective for the Company June 30, 2009. The Company has evaluated subsequent events through September 23, 2009.

NOTE 2 - GOING CONCERN UNCERTAINTY AND MANAGEMENT'S PLAN

The accompanying consolidated financial statements are prepared on a basis of the Company continuing as a going concern. As discussed in Note 4, the Company's bank and junior debt arrangements mature on April 22, 2010. The Company's ability to refinance, or extend, these obligations will be dependent on a number of factors, including the Company's ability to borrow funds from the same or alternative lenders in a difficult lending environment, the Company's ability to forecast and generate cash flow from future operations, and the Company's ability to structure alternative capital transactions with third parties, if necessary. The Company has commenced discussions with its lenders and believes that refinancing these agreements is obtainable. Given the current credit market environment, the outcome of the refinancing is uncertain and under what terms. A refinancing is required in order for the Company to meet its April 22, 2010, debt obligations. Accordingly, there is substantial doubt as to the ability of the Company to continue as a going concern. The consolidated financial statements as of and for the year ended June 30, 2009, do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

NOTE 3 - RESTRUCTURING ACTIVITIES

During the first quarter of fiscal year 2009, the Company initiated a comprehensive series of actions to lower its cost structure and further increase operational efficiency. The restructuring activities in 2009 resulted in pretax charges of $5,723,842, primarily related to employee severance and contract termination costs. At June 30, 2009, approximately $577,000 is accrued, which is expected to be paid out during fiscal 2010 and 2011. The Company expects to incur additional restructuring costs in 2010 related to employee severance of approximately $660,000.

The restructuring initiatives include office closures, head-count reductions, office consolidation and relocation, and the exit of non-strategic product lines in certain geographies. Approximately half of the total cost of the restructuring actions is related to streamlining the European operations. The Company has reduced the overall global headcount to lower costs in light of challenging global economic conditions.

The severance and employee benefits, exit costs and contract termination costs associated with restructuring initiatives are primarily accounted for in accordance with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS 146).

The restructuring charges recorded in the 2009 consolidated statement of operations consist of the following:

Severance and employee benefits	$	2,965,651
Asset write-offs		2,059,639
Lease termination costs		394,510
Travel and other expenses		304,042
	$	5,723,842

NOTE 4 - DEBT AND CREDIT ARRANGEMENTS

Long-term debt consists of the following for June 30:

		2009		2008
Bank facility:				
Revolving loan	$	16,029,746	$	28,410,635
Term loan		3,194,445		4,861,111
Junior debt		12,000,000		12,000,000
Subordinate bank debt		—		3,000,000
Related party		9,000,000		3,000,000
Other long-term financing at various rates, due at various dates through 2017		1,977,346		3,623,951
		42,201,537		54,895,697
Less current maturities		31,595,007		3,370,126
	$	10,606,530	$	51,525,571

On March 12, 2009, the Company negotiated amendments to its bank facility and junior debt agreements. The Company also received a waiver of events of default under these agreements related to the Company's noncompliance with certain financial and non-financial covenants as of December 31, 2008. The amendments also changed the maturity date of the junior debt to April 22, 2010, reduced the maximum borrowing availability on the revolving line of credit to $45 million, and amended certain financial covenants for the period ended March 31, 2009 and thereafter. In connection with these amendments, the Company also entered into subordinated notes payable with certain stockholders for $3,000,000, the proceeds of which were used to pay down debt.

Bank Facility:

Revolving Loan: On April 22, 2008, the Company entered into a credit facility with a syndicate of banks, limited to the lesser of (1) $60 million less letter-of-credit obligations or the sum of (a) 85% of eligible accounts receivable at such time, plus (b) the lesser of (i) for the months of March through September, inclusive, of each year, 75% (and for all other months 85%) of the eligible inventory, valued at the lower of cost or market value, determined on a first-in, first-out basis, at such time, and (ii) the product of, for the months of March through September, inclusive, of each year, 85% (and for all other months 90%) multiplied by the Net Orderly Liquidation Value percentage identified in the most recent inventory appraisal ordered by the administrative agent multiplied by the eligible inventory, valued at the lower of cost or market value, determined on a first-in, first-out basis, at such time, minus (c) reserves. The March 12, 2009 amendment changed the maximum availability on the revolving line-of-credit to $45 million. As of June 30, 2009, the Company had a $500,000 letter of credit related to leased office space. There are no other letter of credit obligations as of June 30, 2009. The credit facility matures April 22, 2010. Interest rates and payment dates are variable based upon interest rate and term options selected by management. The interest rate at June 30, 2009, on outstanding revolving credit borrowing was 4.50% (prime plus 1.25% spread). At June 30, 2009, the Company had $6,318,000 of available borrowings under its revolving loan.
Term Loan: A $5.0 million term loan was entered into on April 22, 2008. The loan is for a period of two years and requires monthly principal payments of $138,889. The interest rate is variable based upon interest rate and term options selected by management. The interest rate at June 30, 2009, was 5.50% (prime plus 2.25% spread) on outstanding term borrowing.

Junior Debt:

On April 22, 2008, the Company entered into a credit agreement with LBC Credit Partners, L.P. in the total amount of $12 million. Interest is computed at a variable interest rate, as defined by the agreement (14.5% at June 30, 2009) and is usually due monthly unless tied to a LIBOR contract. The loan requires interest-only payments. The March 12, 2009, amendment changed the maturity date to April 22, 2010.

Combined Bank Facility and Junior Debt:

Substantially all of the Company's assets serve as collateral for the revolving, term and junior debt agreements. These agreements require the Company to maintain various quarterly and annual covenants. As of June 30, 2009, the Company was in compliance with its financial covenants.

Subordinated Bank Debt:

At June 30, 2008, the Company had a subordinated note payable to a bank totaling $3,000,000. On November 21, 2008, the loan was paid in full with funds borrowed from the holder of the Company's preferred stock.

Related-party notes consist of the following:

	2009	2008
Due to certain stockholders (3.25% - 10.00% at June 30, 2009)	$ 6,000,000	$ 3,000,000
Due to preferred stockholder (3.25% at June 30, 2009)	3,000,000	—
	$ 9,000,000	$ 3,000,000

The Company expensed interest totaling $275,000 and $203,000 for the years ended June 30, 2009 and 2008, respectively, on these related-party notes.

At June 30, 2009, the aggregate principal payments required by all long-term obligations are as follows:

Payable in Year Ending June 30,	Principal
2010	$ 31,595,007
2011	9,390,476
2012	397,299
2013	146,817
2014	151,282
Thereafter	520,656
	$ 42,201,537

NOTE 5 - RENT COMMITMENTS

The Company leases certain machinery and equipment under noncancellable operating leases expiring at various dates through 2011.

The Company leases warehouse and office space under noncancellable operating lease with varying expiration dates through 2013. One of the Company's warehouses has sublet a portion of this space through a noncancellable sublease, which expired in December 2008.

During May 2002, the Company entered into an operating lease with Woodview Trace, L.L.C. (Woodview), which is owned by certain stockholders of the Company, for its administrative and engineering headquarters in Indianapolis. The lease was amended and restated in April 2003 to extend the lease until April 2018. The Company is responsible for payment of operating expenses, property tax, utilities and other items. The Company has sublet a portion of the building through a noncancellable sublease, which expires in January 2011.

At June 30, 2009, future minimum rental payments required by all operating leases are summarized as follows:

Payable in Year Ending June 30,	Gross Rental Payments Related Parties	Gross Rental Payments Non-Related Parties	Sublease Rental Receipts	Net Rental Payments
2010	$ 1,380,479	$ 1,234,430	$ (74,575)	$ 2,540,334
2011	1,387,888	1,116,802	—	2,504,690
2012	1,399,531	635,666	—	2,035,197
2013	1,413,225	49,286	—	1,462,511
2014	1,427,913	—	—	1,427,913
Thereafter	5,505,133	—	—	5,505,133
Total	$ 12,514,169	$ 3,036,184	$ (74,575)	$ 15,475,778

Rent expense, net of sublease income, pursuant to all operating leases approximated $3,853,000 and $4,789,000 for the years ended June 30, 2009 and 2008, respectively. Rent expense to related parties for the years ended June 30, 2009 and 2008, was $1,550,513 and $1,577,845, respectively.

NOTE 6 - PENSION PLAN

The Company sponsors the Klipsch Company 401(k) Plan. All of the Company's full-time employees who are at least 21 years of age and have attained six months of service are eligible for the 401(k) Plan. The 401(k) Plan participants may elect to contribute a percentage of their pretax salary to the 401(k) Plan and the Company matches 50% of the participant's first 4% of pretax salary and 80% of the participant's next 2.5% of pretax salary. During fiscal 2009 and 2008, the Company contributed $162,616 and $455,507, respectively, to the plan.
Effective November 17, 2008, the Company elected to discontinue the matching of participant contributions.

NOTE 7 - INCOME TAXES

The income tax provision for the years ended June 30 consisted of the following:

		2009	2008
Current:			
	Federal	$ 463,569	$ 1,581,716
	State	—	145,780
	Foreign	—	677,832
		463,569	2,405,328
Deferred:			
	Federal	5,804,970	(1,298,003)
	State	1,625,414	(163,763)
	Foreign	658,931	1,141,594
		8,089,315	(320,172)
	Income tax provision	$ 8,552,884	$ 2,085,156

The following table provides a reconciliation of differences from the U.S. federal statutory rate of 35% as follows:

	2009	2008
Pretax (loss) book income	$ (9,788,113)	$ 6,240,111
Federal tax (benefit) expense at 35% statutory rate	(3,425,840)	2,184,039
Provisions for valuation allowance	12,975,494	673,562
Benefit for state taxes, foreign taxes, other, net	(996,770)	(772,445)
Income tax provision	$ 8,552,884	$ 2,085,156

The net deferred tax asset for the years ended June 30 consisted of the following:

	2009	2008
Deferred tax assets:		
Accruals and allowances	$ 5,073,543	$ 4,461,536
Net operating losses	9,001,224	6,428,514
AMT and foreign tax credit carryforwards	1,487,000	1,138,342
R&D credit carryforwards	370,899	127,450
Depreciation and amortization	724,275	811,432
Total deferred tax assets	16,656,941	12,967,274
Deferred tax liabilities:		
Depreciation and amortization	(1,303,240)	(1,699,662)
Other	(4,941)	(805,031)
Total deferred tax liabilities	(1,308,181)	(2,504,693)
Less valuation allowance	(15,348,760)	(2,373,266)
Net deferred tax asset	$ —	$ 8,089,315

At June 30, 2009, the Company had a domestic net operating loss carryforward of $16,636,000, a Danish net operating loss carryforward of $7,995,000 and a Canadian net operating loss carryforward of $674,000 available to offset future taxable income. The domestic carryforwards relate to the Company's U.S. operations and expire between 2027 and 2029. The Danish and Canadian carryforwards do not expire.

The Company follows the requirements of SFAS No. 109, *Accounting for Income Taxes* (SFAS 109), in connection with recording income tax related amounts. In respect to the valuation allowance, SFAS 109 requires an evaluation of the realizability of the net deferred tax assets by jurisdiction. Such net assets include the net operating losses and temporary differences reported for financial and tax purposes. As discussed and presented elsewhere in the consolidated financial statements and footnotes, the Company's 2009 operating results were significantly impacted for restructuring activities, asset write-downs and foreign currency losses. SFAS 109 requires an evaluation of positive and negative evidence in respect to establishing a valuation allowance. Recent pretax cumulative financial reporting losses constituting negative evidence must be pervasively overcome by positive evidence to preclude the need for providing a valuation allowance against the net deferred tax assets. Accordingly, the Company increased the valuation allowance by $12,975,494 for the year ended June 30, 2009.

API was acquired by the Company in fiscal year 2007. At the date of acquisition, the Company recognized deferred tax assets related to net operating losses generated in Canada. During the current fiscal year, additional net operating losses of API were identified that existed as of the acquisition date, which were realized by the Company during fiscal year 2008. Accordingly, a reclassification adjustment was recorded as of June 30, 2008, to increase deferred tax assets to $7,716,561 and decrease goodwill to $3,388,144.

NOTE 8 - INTANGIBLE ASSETS

Following is a summary of intangible assets subject to amortization at June 30:

	2009		2008	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Patents	$ 2,735,154	$ 565,911	$ 2,735,154	$ 381,244
Noncompete agreement	35,576	20,456	35,576	13,341
Custom Craft trade name	10,000	6,112	10,000	5,445
Customer list and distribution channel	4,797,282	1,159,278	5,112,546	952,166
	$ 7,578,012	$ 1,751,757	$ 7,893,276	$ 1,352,196

Future amortization expense for each of the next five years is estimated to be approximately $550,000 per year.
At June 30, 2009 and 2008, intangible assets not subject to amortization include Jamo and API trade names, totaling $4,108,808.

NOTE 9 - STOCKHOLDERS' EQUITY

Preferred Stock:

Conversion Features

The Company's preferred stock is convertible at the holders' option into common stock at a rate of 0.10 share of voting common stock and 0.90 nonvoting common stock for every 1 share of preferred stock.
During 2008, 18,480 shares of preferred stock valued at $32.42 per share were converted into 1,848 shares of voting common stock and 16,632 shares of nonvoting common stock.

Redemption

At the earlier of December 31, 2009, or the occurrence of conditions described in Section 6 of the “Major Holder Agreement,” at the election of the preferred stockholder, the Company may be required to redeem all of the outstanding shares of the preferred stock. The Company is obligated to pay the preferred stockholders
a redemption price which is the greater of (1) the original issue price plus the amount equal to all declared and unpaid dividends or (2) the appraised value of the preferred stock. Fifty percent of the redemption price is paid in immediately available funds, with the remaining 50% due one year later. In accordance with Section 6(a) of the Company's Articles of Incorporation, if the funds legally available for redemption of the preferred stock shall be insufficient to permit the payment to such holders of the full respective redemption price, the Company shall effect the sale of the Company to a third party who is not a current stockholder; provided, however, the Company may continue to seek additional financing during such period, provided that such efforts do not unreasonably interfere with the efforts to effect the sale of the Company. The preferred stockholder cannot force the Company into liquidation.

Liquidation

In the event of the occurrence of any “liquidation event,” as defined, the Company's preferred stockholders are entitled to receive an amount per share of preferred stock held by them equal to the greater of (1) the amount the preferred stockholders would be entitled to receive on an “as-to-converted-common stock basis” and (2) the sum of (A) the $32.42 per share price and (B) all declared but unpaid dividends on the preferred stock. This amount is to be paid to the preferred stockholders prior to any amount paid to the common stockholders.

Voting

The Company's preferred stockholders are entitled to voting rights. The number of votes equals the number of shares of voting common stock into which the preferred stock held by such holder could be converted into as of the record date.
Receivable from Stockholders

At June 30, 2009 and 2008, the Company had notes receivable due from certain of the Company's executives for the purchase of common stock totaling $133,200 and $162,609, respectively, bearing interest at the prime rate, as defined, plus 0.50%, and maturing in December 2010. Such notes are reflected as a reduction of stockholders' equity.

NOTE 10 - STOCK OPTION PLAN

During the year ended June 30, 2005, the Company approved the 2005-1 Stock Option Plan (the Plan) whereby 145,055 shares of nonvoting common stock and 16,118 shares of voting common stock were authorized and reserved. The Plan is available to key employees, directors and consultants of the Company, as determined by the Board of Directors. The Plan allows the holder of the option to purchase common stock at the exercise price. The Company granted stock options at an exercise price equal to the estimated fair market value of the Company's common stock at the time of grant. Therefore, the Company has elected to account for its employee stock options granted under the intrinsic-value method. Accordingly, no compensation expense has been recognized for options granted to employees. Options under the Plan generally vest ratably in less than three years.

The Company's stock option activity and related information is summarized as follows:

	Non-voting Common	Voting Common	Total
Option price	$ 32.42	$ 32.42	
Options granted	145,055	16,118	161,173
Options outstanding at June 30, 2009 and 2008	145,055	16,118	161,173
Options available for grant at year-end	—	—	—

At June 30, 2009, all options outstanding were exercisable at an exercise price of $32.42. No options have been exercised since the beginning of the Plan.

Pro forma information regarding net income is required by SFAS No. 123(R), which also requires that the information be determined as if the Company has accounted for its employee stock options granted under the fair value method. The fair value of the options under the Plan was estimated at the date of grant using the Black-Scholes option valuation model with the following weighted-average assumptions:

- Risk-free interest rate of 4.0% in 2005,
- a dividend year of 0% in 2005,
- a weighted-average expected life of one year past the vesting date, and
- a volatility factor of 0.01% for 2005

Because the Company's stock options have characteristics significantly different than those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options issued to employees during 2005 is amortized to expense over the options' vesting period. The Company's pro forma net income for the year ended June 30, 2008, would have been reduced by approximately $29,764, had the Company accounted for its employee stock options granted under the fair value method. There was no impact to 2009.

NOTE 11 - CONTINGENCIES

The Company is subject to lawsuits and claims arising out of the normal conduct of its business. In management's opinion, the ultimate outcome of the lawsuits and claims will not have an adverse effect on the Company's consolidated financial position or the results of its operations.

NOTE 12 - SELF-FUNDED HEALTH INSURANCE

The Company has elected to self-insure certain costs related to employee health benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The Company is directly liable for annual health insurance claims up to $70,000 per employee, with an aggregate annual amount of approximately $1,930,000. The Company carries stop-loss insurance to limit its liability. Total health insurance expense net of reimbursements was $1,486,000 and $1,336,000 for the years ended June 30, 2009 and 2008, respectively.

NOTE 13 - SUBSEQUENT EVENT

In September 2009, the Company entered into a distribution agreement with a Canadian partnership to represent and distribute Klipsch Group, Inc. products exclusively in Canada. Prior to this arrangement, the Company's products were sold directly to Canadian dealers and contractors. This change was part of a strategic initiative to reduce the overall cost of doing business in Canada.

Exhibit 99.4

KLIPISCH GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Financial Statements

February 28, 2011

(Unaudited)

Audiovox Corporation
Index to Unaudited Pro Forma Combined Financial Statements

KLIPSCH GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2011 AND 2010
(Unaudited)

	2011	2010
NET SALES	$ 119,833,547	$ 112,754,702
COST OF GOODS SOLD	68,130,157	61,371,186
Gross Margin	51,703,390	51,383,516
OPERATING EXPENSES:		
Selling, general and administrative expenses	38,734,968	35,194,122
Total Operating Expenses	38,734,968	35,194,122
Operating Income	12,968,422	16,189,394
OTHER EXPENSE		
Interest expense	(994,404)	(3,040,741)
Foreign currency transaction (losses) gains	(148,385)	509,718
Other expense	(278,006)	(706,824)
Total Other Expense	(1,420,795)	(3,237,847)
Income Before Income Taxes	11,547,627	12,951,547
INCOME TAX PROVISION (BENEFIT) (Note 3)	5,279,712	(7,285,221)
NET INCOME	$ 6,267,915	$ 20,236,768

See accompanying notes.

KLIPSCH GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
February 28, 2011
(Unaudited)

ASSETS

CURRENT ASSETS		
Cash	$	10,808,313
Accounts receivable, less allowance for cash discounts ($299,240) and doubtful accounts ($115,786)		28,613,688
Inventories (Note 1)		30,166,919
Prepaid expenses and other current assets		717,169
Income tax receivable		1,747,909
Deferred income tax		1,481,440
Total Current Assets		73,535,438
PROPERTY, PLANT AND EQUIPMENT		
Land		218,485
Buildings and improvements		6,201,755
Furniture, fixtures and equipment		18,310,093
Equipment not yet placed in service		51,338
		24,781,671
Less: Accumulated depreciation		18,934,896
Total Property, Plant and Equipment, net		5,846,775
OTHER ASSETS		
Goodwill (Note 4)		4,278,144
Intangible assets, net (Note 4)		8,224,625
Deferred income taxes		2,892,443
Other		139,938
Total Other Assets		15,535,150
TOTAL ASSETS	$	94,917,363

See accompanying notes.

KLIPSCH GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
February 28, 2011
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Current maturities of long-term debt (Note 2)	$	2,151,436
Trade accounts payable		15,796,149
Accrued expenses		12,766,039
Income taxes payable		2,881,830
Total Current Liabilities		33,595,454
LONG-TERM DEBT:		
Non-related parties (Note 2)		936,511
Related party (Note 2)		9,000,000
DEFERRED INCOME TAX		1,000,994
Total Liabilities		44,532,959
STOCKHOLDERS' EQUITY		
Convertible Preferred Stock (1,611,730 shares authorized, 1,434,625 shares issued and outstanding, original issue price of $52,250,191 less issuance costs)		50,769,173
Common Stock, no par value:		
voting - 4,249,100 shares authorized, 171,198 shares issued and outstanding		—
non-voting - 3,824,190 shares authorized, 1,540,779 shares issued and outstanding		—
Retained earnings		1,456,523
Accumulated other comprehensive loss		(1,760,455)
		50,465,241
Less: Receivable from stockholders		(80,837)
Total Stockholders' Equity		50,384,404
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	94,917,363

See accompanying notes.

KLIPSCH GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Eight Months Ended February 28, 2011 and 2010
(Unaudited)

	2011	2010
OPERATING ACTIVITIES		
Net income	$ 6,267,915	$ 20,236,768
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,425,767	2,220,334
Amortization	328,361	366,355
Deferred income taxes	3,078,315	(6,044,486)
Provision for doubtful accounts	(1,016,155)	(2,176,445)
Provision for excess and obsolete inventory	(1,407,001)	(1,582,978)
Loss on disposition of assets	126,793	33,772
	8,803,995	13,053,320
(Increase) decrease in certain current assets:		
Accounts receivable-trade	(2,317,562)	3,156,392
Inventories	287,902	12,187,287
Income taxes receivable	1,695,104	(3,060,588)
Prepaid expenses and other assets	1,251,017	700,519
(Decrease) increase in certain current liabilities:		
Trade accounts payable and accrued expenses	(2,053,508)	(6,240,824)
Income taxes payable	(1,084,538)	1,321,543
Net Cash Provided by Operating Activities	6,582,410	21,117,649
INVESTING ACTIVITIES		
Decrease (increase) in other long term assets	22,577	(658,000)
Decrease in notes receivable-related party	2,859	1,810
Purchases of property, plant and equipment	(471,265)	(167,287)
Net Cash Used In Investing Activities	(445,829)	(823,477)
FINANCING ACTIVITIES		
Proceeds from long-term borrowings and line of credit	88,228,775	71,827,686
Principal payments on long-term borrowings and line of credit	(91,443,990)	(89,229,647)
Payments received from stockholders for common stock	21,671	20,503
Net Cash Used in Financing Activities	(3,193,544)	(17,381,458)
EFFECT OF FOREIGN EXCHANGE RATES ON CASH	1,204,798	(527,305)
NET INCREASE IN CASH	4,147,835	2,385,409
CASH		
Beginning of Year	6,660,478	3,123,089
End of Year	$ 10,808,313	$ 5,508,498
SUPPLEMENTAL DISCLOSURES		
Cash paid for:		
Interest	$ 1,133,444	$ 2,421,036
Income taxes	4,403,454	4,151,950

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business: Klipsch Group, Inc. (the Company) has four wholly owned subsidiaries: Klipsch, L.L.C. (Klipsch), Audio Products International, Corp. (API), Klipsch Asia/Pacific Holdings (China), and Jamo US (Jamo). The Company designs, manufactures and distributes high-quality loudspeakers for audio, multi-media and home theater applications. The Company's subsidiary in China is nonoperational. Klipsch conducts its European operations (primarily sales and distribution) through Klipsch Europe, B.V., a wholly -owned subsidiary of Klipsch, which is headquartered in the Netherlands.

Basis of Presentation: The Company's interim condensed consolidated financial statements include the accounts of Klipsch Group, Inc. and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated. Reference to the Company throughout this report relates to the consolidated entity.

The interim financial statements for the eight months ended February 28, 2011 and 2010 are unaudited and have been prepared on the same basis as the audited consolidated financial statements. These interim condensed consolidated financial statements have not been reviewed by the Company's independent accountants. The financial statements contained in this report do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America (“GAAP”) for audited financial statements. In the opinion of management, the unaudited information includes all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of the interim financial statements. Accordingly, these statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto contained within this Form 8-K/A.

Receivables and Credit Polices: The Company grants credit to its customers, who are primarily retailers and distributors in the home electronics industry, located both domestically and internationally. Domestic accounts receivable are uncollateralized customer obligations due under normal trade terms, which average 60 days. Certain international accounts receivable are insured up to their credit limit. Accounts receivable are stated at the amount billed to the customer less the anticipated earned discount.

The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews all past due accounts receivable balances, and, based on an assessment of the current creditworthiness, estimates the portion, if any, of the accounts that will not be collected. Additionally, management applies an estimate of the entire accounts receivable balance to compute a general allowance covering those amounts.

The Company had one major customer that represented 25% of the Company's accounts receivable at February 28, 2011. Additionally, approximately 21% and 27% of the Company's net sales during the eight months ended February 28, 2011 and 2010, respectively, were to one customer.

Inventories: Inventories are stated at the lower of cost or market using the first-in, first-out method. Inventories consisted of the following at February 28, 2011:

Finished goods	$	24,876,395
Work in process		256,403
Raw materials		4,952,073
Supplies		82,048
	$	30,166,919

The Company periodically evaluates its inventories for excess quantities and obsolescence. This evaluation includes analyses of sales levels by product and projections of future demand. If future demand or market conditions are less favorable than the Company's projections, inventory write-downs may be required.

The Company is dependent on six major vendors for the outsourced production of its inventory. A loss of one of these vendors or disruption in the supply of the product could have a material adverse effect on the Company's operating results. These suppliers have provided extended payment terms to the Company. To the extent these terms are changed or terminated, there could be a material impact to the Company.

NOTE 2 - DEBT AND CREDIT ARRANGEMENTS

Long-term debt consists of the following at February 28, 2011:

Revolving loan	$ —
Term loan	1,750,000
Related party	9,000,000
Other long-term financing at various rates, due at various dates through 2017	1,337,947
	12,087,947
Less: current maturities	2,151,436
	$ 9,936,511

On March 12, 2009, the Company negotiated amendments to its bank facility and junior debt agreements. The amendments changed the maturity date of the junior debt to April 22, 2010, reduced the maximum borrowing availability on the revolving line of credit to $45 million and amended certain financial covenants for the period ended March 31, 2009 and thereafter. In connection with these amendments, the Company also entered into subordinated notes payable with certain stockholders for $3,000,000, the proceeds of which were used to pay down debt. On March 19, 2010, the Company negotiated a second amendment to its bank facility and junior debt agreements. The amendment reduced the maximum borrowing availability on the revolving line of credit to $27.5 million with a new maturity date of June 30, 2012 and amended certain financial covenants for the period ended March 31, 2010 and thereafter. The term loan was increased to $6.0 million with a new amortization schedule over an 18-month period. The junior debt was paid with the proceeds from the revolving loan and the term debt.

Bank Facility:

Revolving Loan: The Company's revolving loan is with a syndicate of banks, limited to the lesser of (1) $60 million less letter of credit obligations or the sum of (a) 85% of eligible accounts receivable at such time, plus (b) the lesser of (i) for the months of March through September, inclusive, of each year, 75% (and for all other months, 85%) of the eligible inventory, valued at the lower of cost or market value, determined on a first-in, first-out basis, at such time and (ii) the product of, for the months of March through September, inclusive, of each year, 85% (and for all other months, 90%) multiplied by the Net Orderly Liquidation Value percentage identified in the most recent inventory appraisal ordered by the administrative agent multiplied by the eligible inventory, valued at the lower of cost or market value, determined on a first-in, first-out basis, at such time, minus (c) reserves. As of February 28, 2011, the Company had a $500,000 letter of credit related to leased office space. There are no other letter-of-credit obligations as of February 28, 2011. Interest rates and payment dates are variable based upon interest rate and term options selected by management. The interest rate at February 28, 2011 on outstanding revolving credit borrowings was 4.50% (prime plus 1.25% spread). At February 28, 2011, the Company had $23.5 million of available borrowings under its revolving loan.

Term Loan: The Company's term loan was initially for a period of two years and required monthly principal payments of $138,889. The March 19, 2010 amendment changed the term loan amount to $6.0 million. The amendment extended the maturity date of the loan to October 1, 2011, or a period of 18 months, and requires monthly principal payments of $250,000, plus an additional five quarterly payments of $300,000 beginning September 1, 2010. The Company is permitted to make prepayments up to $2.0 million. The interest rate is variable based upon interest rate and term options selected by management. The interest rate at February 28, 2011 was 6.75% (prime plus 3.50% spread) on outstanding term borrowings.

Substantially all of the Company's assets serve as collateral for the bank credit facility. The agreement requires the Company to maintain various quarterly and annual covenants. As of February 28, 2011, the Company was in compliance with its financial covenants.

The Company has notes payable to related parties as of February 28, 2011. Principal and unpaid interest is due on these notes payable on September 30, 2012. Related party notes consist of the following at February 28, 2011:

Due to certain stockholders (3.25% - 10.00%)	$	6,000,000
Due to preferred stockholder (3.25%)		3,000,000
	$	9,000,000

The Company expensed interest on related party notes payable totaling approximately $843,306 and $1,159,016 for the eight months ended February 28, 2011 and 2010, respectively.

NOTE 3 - INCOME TAXES

The Company's provision for income taxes consists of U.S. and foreign taxes in amounts necessary to align the Company's year-to-date provision for income taxes with the effective tax rate that the Company expects to achieve for the full year.

For the eight months ended February 28, 2011, the Company recorded a provision for income taxes of $5,279,712 which consisted of U.S federal, state and local and foreign taxes. The difference between the Company's effective tax rate and statutory tax rate is primarily related to the impact of state and local taxes and the resolution of various foreign tax jurisdictional items in connection with the filing of various foreign tax returns.

For the eight months ended February 28, 2010, the Company recorded a benefit for income taxes of $7,285,221 which consisted of U.S federal, state and local and foreign taxes. The difference between the Company's effective tax rate and statutory tax rate is primarily related to the reversal of the Company's valuation allowance as its deferred tax assets became realizable on a more-likely-than-not basis based on current operating results and forecasts of earnings coupled with the Company's ability to carryback taxable losses generated in Fiscal 2009 as permitted by the Worker Home Ownership and Business Assistance Act of 2009.

NOTE 4 - INTANGIBLE ASSETS

Following is a summary of intangible assets subject to amortization at February 28, 2011:

	Gross Amount		Accumulated Amortization	
Patents	$	2,735,155	$	870,865
Non-compete agreement		35,576		32,315
Custom Craft trade name		10,000		7,224
Customer list and distribution channel		4,749,930		1,712,874
	$	7,530,661	$	2,623,278

During fiscal year 2010, in an effort to consolidate product lines, the Company decided to discontinue the Athena brand products. This was considered a triggering event and required the testing for impairment of the carrying value of the Athena trademark. As a result of this testing, the Company recorded a trademark impairment charge of $791,566. This charge was based on the excess of carrying value over the estimated fair value. The trademark impairment charge is reflected as a decrease in the carrying value of the trademarks in the consolidated balance sheet at February 28, 2011.

At February 28, 2011, intangible assets not subject to amortization include the Jamo, Mirage and Energy trade names totaling $3,317,242 and goodwill related to the acquisition of API of $4,278,144.

NOTE 5 - STOCKHOLDERS' EQUITY

Preferred Stock:

Conversion Features

The Company's preferred stock is convertible at the holders' option into common stock at a rate of 0.10 share of voting common stock and 0.90 non-voting common stock for every 1 share of preferred stock.

Redemption

At the earlier of October 1, 2010 or the occurrence of conditions described in Section 6 of the “Major Holder Agreement,” at the election of the preferred stockholder, a process can begin that over time could cause the Company to redeem all of the outstanding shares of the preferred stock. The preferred stockholder has the right to compel the Company to initiate an orderly process for liquidity if the right is exercised. Upon completion of a required valuation, the Company shall have the option of 1) redemption of the preferred stock or 2) affect a sale of the Company.

Liquidation

In the event of the occurrence of any “liquidation event,” as defined, the Company's preferred stockholders are entitled to receive an amount per share of preferred stock held by them equal to the greater of (1) the amount the preferred stockholders would be entitled to receive on an “as-to-converted-common stock basis” or (2) the sum of (A) the $32.42 per share price and (B) all declared but unpaid dividends on the preferred stock.

This amount is to be paid to the preferred stockholders prior to any amount paid to the common stockholders.

Voting

The Company's preferred stockholders are entitled to voting rights. The number of votes equals the number of shares of voting common stock into which the preferred stock held by such holder could be converted into as of the record date.

Receivable from Stockholders

At February 28, 2011, the Company had notes receivable due from certain of the Company's executives for the purchase of common stock totaling approximately $80,837, bearing interest at the prime rate, as defined, plus 0.50%, which were due in December 2010. Such notes are reflected as a reduction of stockholders' equity.

NOTE 6 - STOCK OPTION PLAN

During the year ended June 30, 2009, the Company approved the 2008 Stock Option Plan (the 2008 Plan) whereby 54,000 shares of non-voting common stock were authorized and reserved. The 2008 Plan is available to key employees, directors and consultants of the Company as determined by the Board of Directors. The 2008 Plan allows the holder of the option to purchase common stock at an exercise price of $14.89. The Company granted stock options under the 2008 Plan on July 1, 2008. The estimated fair market value of the Company's common stock at the date of the grant was equal to the exercise price; therefore, the Company has elected to account for its employee stock options granted under the intrinsic-value method. Accordingly, no compensation expense has been recognized for options granted to employees. Options under the 2008 Plan generally vest ratably in three years or three years or less.

In the event certain options are exercised, pursuant to its agreement with the preferred stockholders, the Company is obligated to purchase converted preferred stock, at a price per share equal to the exercise price of the option. The purchased preferred shares will be sold to the optionee in connection with the options.

The Company's stock option activity and related information is summarized as follows:

	Non-voting Common	Voting Common	Weighted Average Exercise Price
Outstanding at February 28, 2011	180,575	16,118	$ 29.36

The following table summarizes information about the fixed price stock options outstanding at February 28, 2011:

Exercise Prices	Options Outstanding at February 28, 2011	Weighted Average Remaining Contractual Life
$32.42	142,693	3.8 years
$14.89	54,000	7.2 years
Outstanding at February 28, 2011	196,693	

At February 28, 2011, all options outstanding were exercisable.

NOTE 7 - CONTINGENCIES

The Company is subject to lawsuits and claims arising out of the normal conduct of its business. In management's opinion, the ultimate outcome of the lawsuits and claims will not have an adverse effect on the Company's consolidated financial position or the results of its operations.

NOTE 8- SUBSEQUENT EVENT

On March 1, 2011, the Company was acquired by Audiovox Corporation and became a wholly-owned subsidiary of Audiovox.

Audiovox paid the stockholders of the Company total consideration of approximately $167,639,000 at closing, which consisted of a purchase price of $166,000,000 plus a working capital adjustment of $1,639,000. As part of the transaction, the Company repaid amounts due under its revolving credit facility and related party debt totaling $11,151,436 and the remaining outstanding stock options of 196,693 shares were exercised. Additionally, 1,450,557 shares of convertible preferred stock were redeemed for approximately $69,494,000.

Exhibit 99.5

AUDIOVOX CORPORATION

FEBRUARY 28, 2011

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

Audiovox Corporation
Index to Unaudited Pro Forma Combined Financial Statements

AUDIOVOX CORPORATION

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

All amounts presented are in thousands (unless otherwise indicated) except share and per share data.

On March 1, 2011, Soundtech, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Audiovox Corporation (the “Company” or” “Audiovox”) completed its acquisition (“Acquisition”) of Klipsch Group, Inc. and its worldwide subsidiaries (“Klipsch”) pursuant to a Stock Purchase Agreement (“Purchase Agreement”) for a total purchase price of $167.6 million, which consisted of a purchase price of $166 million plus a working capital adjustment of $1.6 million, (the “Purchase Price”) plus related transaction fees and expenses. The Company purchased all of the issued and outstanding shares of Klipsch from the former stockholders.

On March 1, 2011, Audiovox, as Parent, and certain of its directly and indirectly wholly-owned subsidiaries (the “Borrowers”) entered into a Credit Agreement (the “Credit Agreement”) with, Wells Fargo Capital Finance, LLC (“Wells Fargo”) as Administrative Agent and Sole Lead Arranger and Sole Bookrunner, and the other lenders party thereto. The Credit Agreement provides for a revolving credit facility (the "Credit Facility") 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.

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.

This Acquisition was financed through a combination of existing Audiovox cash and approximately $89 million of borrowings under the Credit Agreement.

As prescribed by Securities and Exchange Commission guidelines, the following unaudited pro forma combined consolidated financial statements are based on the historical financial statements of Audiovox and Klipsch after giving effect to the Acquisition, and the assumptions, reclassifications and adjustments described in the accompanying notes to the unaudited pro forma combined financial statements.

The historical financial information has been adjusted in the unaudited pro forma combined financial data to give effect to pro forma events that are, based upon available information and certain assumptions: (i) directly attributable to the Acquisition, (ii) factually supportable and reasonable under the circumstances, and (iii) with respect to the statement of income, expected to have a continuing impact on the combined results.

The unaudited pro forma combined balance sheet as of February 28, 2011 is presented as if the Acquisition had occurred on February 28, 2011. The unaudited pro forma combined statements of income for the year ended February 28, 2011, is presented as if the Acquisition had occurred on March 1, 2010 with recurring acquisition-related adjustments reflected in the year.

The Acquisition will be accounted for under the acquisition method of accounting in accordance with ASC 805-10 topic for “Business Combinations” (formerly referred to as FASB Statement of Financial Accounting Standards No. 141R). Management has estimated the fair value of tangible and intangible assets acquired and liabilities assumed based on preliminary estimates and assumptions. These preliminary estimates and assumptions could change significantly during the purchase price measurement period as we finalize the valuations of the net tangible assets and intangible assets. Any change could result in material variances between the Company's future financial results and the amounts presented in these unaudited combined financial statements, including variances in fair values recorded, as well as expenses associated with these items.

The following unaudited pro forma combined financial statements are prepared for illustrative purposes only and are not necessarily indicative of or intended to represent the results that would have been achieved had the Acquisition been consummated as of the dates indicated or that may be achieved in the future. The unaudited pro forma combined financial statements do not reflect any operating efficiencies, associated cost savings or additional costs that we may achieve with respect to the combined companies.

The unaudited pro forma combined financial statements should be read in conjunction with Audiovox's historical consolidated financial statements and accompanying notes included in its Annual Report on Form 10-K for the year ended February 28, 2011, the historical consolidated financial statements of Klipsch for the years ended June 30, 2010, 2009, and 2008 (Exhibit 99.2 to 99.3 to this Form 8-K/A), the historical unaudited consolidated financial statements of Klipsch as of and for the eight months ended

February 28, 2011 (Exhibit 99.4 to this Form 8-K/A) and other information pertaining to Audiovox and Klipsch contained in this Form 8-K/A.

For ease of reference, all pro forma financial statements are based on Audiovox's fiscal year end.

AUDIOVOX CORPORATION AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
February 28, 2011
(in thousands)

	Historical			Pro Forma Adjustments		Pro Forma Combined
	Audiovox Corporation	Klipsch Group, Inc.	Total			
Assets						
Current assets:						
Cash and cash equivalents	$ 98,630	$ 10,808	$ 109,438	$ (10,808)	(a)	$ 16,901
				(78,487)	(a)	
				(3,242)	(g)	
Accounts receivable, net	108,048	28,614	136,662	—		136,662
Inventory	113,620	30,167	143,787	—		143,787
Receivables from vendors	8,382	—	8,382	—		8,382
Prepaid expenses and other current assets	9,382	717	10,099	—		10,099
Income tax receivable	—	1,748	1,748	—		1,748
Deferred income taxes	2,768	1,481	4,249	—		4,249
Total current assets	340,830	73,535	414,365	(92,537)		321,828
Investment securities	13,500	—	13,500	—		13,500
Equity investments	12,764	—	12,764	—		12,764
Property, plant and equipment, net	19,563	5,847	25,410	500	(b)	25,910
Goodwill	7,373	4,278	11,651	57,125	(c)	68,776
Intangible assets	99,189	8,225	107,414	72,838	(d)	180,252
Deferred income taxes	6,244	2,892	9,136	—		9,136
Other assets	1,634	140	1,774	3,242	(g)	5,016
Total assets	$ 501,097	$ 94,917	$ 596,014	$ 41,168		$ 637,182

AUDIOVOX CORPORATION AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED BALANCE SHEET

February 28, 2011

(in thousands)

	Historical			Pro Forma Adjustments		Pro Forma Combined
	Audiovox Corporation	Klipsch Group, Inc.	Total			
Liabilties and Stockholders' Equity						
Current liabilities:						
Accounts payable	$ 27,341	$ 15,797	$ 43,138	—		43,138
Accrued expenses and other current liabilities	36,500	12,766	49,266	—		49,266
Accrued sales incentives	11,981	—	11,981	—		11,981
Income taxes payable	1,610	2,882	4,492	—		4,492
Deferred income taxes	399	—	399	—		399
Current portion of long-term debt	4,471	2,151	6,622	(2,151)	(f)	4,471
Total current liabilities	82,302	33,596	115,898	(2,151)		113,747
Long-term debt	5,895	936	6,831	89,152	(f)	95,983
Capital lease obligations	5,348	—	5,348	—		5,348
Related party debt	—	9,000	9,000	(9,000)	(f)	—
Deferred compensation	3,554	—	3,554	—		3,554
Other tax liabilties	1,788	—	1,788	—		1,788
Deferred tax liabilities	4,919	1,001	5,920	13,551	(k)	19,471
Other long-term liabilities	4,345	—	4,345	—		4,345
Total liabilities	108,151	44,533	152,684	91,552		244,236
Stockholders' equity:						
Convertible preferred stock	—	50,769	50,769	(50,769)	(l)	—
Common stock	248	—	248	—		248
Paid-in-capital	277,896	—	277,896	—		277,896
Retained earnings	137,027	1,456	138,483	(1,456)	(l)	137,027
Accumulated other comprehensive loss	(3,849)	(1,760)	(5,609)	1,760	(l)	(3,849)
Treasury stock	(18,376)	—	(18,376)	—		(18,376)
	392,946	50,465	443,411	(50,465)		392,946
Less: Receivable from stockholders	—	(81)	(81)	81	(l)	—
Total stockholders' equity	392,946	50,384	443,330	(50,384)		392,946
Total liabilities and stockholders' equity	$ 501,097	$ 94,917	$ 596,014	$ 41,168		$ 637,182

AUDIOVOX CORPORATION AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

For the Year Ended February 28, 2011

(in thousands, except share and per share data)

	Historical			Pro Forma Adjustments		Pro Forma Combined
	Audiovox Corporation	Klipsch Group, Inc.	Total			
Net sales	$ 561,672	$ 166,594	$ 728,266	—		$ 728,266
Cost of sales	437,735	106,810	544,545	17	(b)	544,562
Gross profit	123,937	59,784	183,721	(17)		183,704
Operating expenses:						
Selling	34,517	17,501	52,018	—		52,018
General and administrative	68,469	18,325	86,794	948	(e)	86,550
				(1,192)	(i)	
Engineering and technical support	11,934	5,063	16,997	—		16,997
Total operating expenses	114,920	40,889	155,809	(244)		155,565
Operating income	9,017	18,895	27,912	227		28,139
Other income (expense):						
Interest and bank charges	(2,630)	(1,831)	(4,461)	(1,319)	(h)	(5,780)
Equity in income of equity investee	2,905	—	2,905	—		2,905
Other, net	3,204	(1,007)	2,197	—		2,197
Total other income (expense), net	3,479	(2,838)	641	(1,319)		(678)
Income before income taxes	12,496	16,057	28,553	(1,092)		27,461
Income tax expense (benefit)	(10,535)	7,020	(3,515)	(426)	(j)	(3,941)
Net income	$ 23,031	$ 9,037	$ 32,068	$ (666)		$ 31,402
Net income per common share (basic)	$ 1.00					$ 1.37
Net income per common share (diluted)	$ 1.00					$ 1.36
Weighted-average common shares outstanding (basic)	22,938,754					22,938,754
Weighted-average common shares outstanding (diluted)	23,112,518					23,112,518

Audiovox Corporation
Notes to Pro Forma Combined Financial Statements
(Unaudited)
(In thousands, unless otherwise indicated)

1. Description of Transaction

On March 1, 2011, Audiovox, through its wholly-owned subsidiary Soundtech, LLC., completed its acquisition of Klipsch, a global provider of high-quality loudspeakers for audio, multi-media and home theater applications, pursuant to the Purchase Agreement for $167.6 million in cash, on a cash free basis, subject to certain adjustments.

This Acquisition was financed through a combination of existing Audiovox cash and approximately $89 million of borrowings under the Credit Facility.

The terms of the Purchase Agreement and the Credit Agreement were previously described in Audiovox's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 7, 2011 (the “Original 8-K”) and such description of the Purchase Agreement is incorporated herein by reference. Such description of the Purchase Agreement is qualified in its entirety by reference to the full text of the Purchase Agreement, which is attached as Exhibit 2.1 to the the Form 10-K filed on May 16, 2011.

2. Basis of Presentation

The unaudited pro forma combined financial information was prepared using the acquisition method of accounting and was based on the historical financial statements of Audiovox and Klipsch as of February 28, 2011 and for the year then ended.

The unaudited pro forma combined balance sheet as of February 28, 2011 is presented as if the acquisition of Klipsch had occurred on February 28, 2011. The unaudited pro forma combined statement of income for the year ended February 28, 2011, is presented as if the Acquisition had occurred on March 1, 2010. The unaudited pro forma combined financial information was prepared under existing U.S. GAAP.

The acquisition method of accounting under U.S. GAAP requires, among other things, that most assets acquired and liabilities assumed be recognized at their fair values at the acquisition date. Fair value is defined under U.S. GAAP as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” Market participants are assumed to be buyers and sellers in the principal (or most advantageous) market for the asset or liability. Fair value measurements for an asset assume the highest and best use by these market participants. Fair value measurements can be highly subjective and it is possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

Accordingly, the assets acquired and liabilities assumed were recorded at their respective fair values and added to those of Audiovox. Financial statements and reported results of operations of Audiovox for periods following completion of the acquisition will reflect these values, and the related depreciation and amortization thereof, but will not be retroactively restated to reflect the historical financial position or results of operations of Klipsch for periods prior to the acquisition.

Acquisition-related transaction costs (e.g., advisory, legal, valuation, other professional fees) and certain acquisition-related restructuring charges impacting the acquired company are not included as a component of consideration transferred but are accounted for as expenses in the periods in which the costs are incurred. The unaudited pro forma combined financial statements do not reflect acquisition-related transaction costs incurred by Audiovox or Klipsch. The unaudited pro forma combined financial statements reflect no restructuring and integration charges that may be incurred in connection with the acquisition.

Certain immaterial reclasses were made to the overall presentation of the Klipsch financial statements to conform to Audiovox's presentation.

3. Accounting Policies

Audiovox has not identified any differences in accounting policies that would have a material impact on the combined financial statements.

4. Assets Acquired and Liabilities Assumed

The preliminary estimated assets acquired and the liabilities assumed by Audiovox in the acquisition of Klipsch, reconciled to the consideration transferred, are provided below:

		As of February 28, 2011
Book value of net assets acquired	$	50,727
Adjustment for elimination of goodwill and intangibles		(12,503)
Adjusted book value of net tangible assets acquired		38,224
Adjustments to:		
Property, plant and equipment		500
Indentifiable intangible assets (13-15 year life)		81,063
Goodwill		61,403
Deferred tax liabilities		(13,551)
Totals	$	167,639

The above table summarizes on a preliminary basis, the allocation of the purchase price of Klipsch to the assets acquired and liabilities assumed as of the date of the acquisition and remains subject to finalization.

5. Pro Forma Adjustments

This note should be read in conjunction with *Note 1. Description of Transaction; Note 2. Basis of Presentation* ; and *Note 4. Assets Acquired and Liabilities Assumed*.

Adjustments under the heading “Pro Forma Adjustments” represent the following:

a) To record the cash portion of the acquisition consideration of $78.5 million and to record the elimination of Klipsch's cash as the acquisition was done on a cash free basis.

b) Audiovox performed a fair value assessment for property, plant and equipment, which, on a preliminary basis, increased the book value by approximately $500. The resulting fair value adjustments attributable to property, plant and equipment will increase depreciation expense by approximately $17 and have been reported as adjustments to cost of sales.

The estimated fair value and the estimated useful lives of each class of asset are summarized on the table below:

	Amortization Period		Fair Value at 2/28/2011
Buildings and improvements	30 years	$	3,402
Furniture, fixtures and equipment	5 years	$	2,894
Equipment not yet placed in service	N/A	$	51
Total		$	6,347

These valuations and estimated useful lives are preliminary and subject to change.

c) To record estimated acquisition goodwill of $61.4 million and to eliminate historical goodwill of Klipsch of $4.3

million. Goodwill largely consists of geographic expansion of product sales and other synergies of the combined companies, the value of the assembled workforce, other intangible assets that did not qualify for separate recognition and other intangible assets that were not individually identified because they cannot be reliably measured. Goodwill is not expected to be deductible for Federal or state tax purposes.

d) To record the estimated fair value of the intangibles acquired of $81.1 million and to eliminate historical intangible assets of Klipsch of $8.2 million. To determine the estimated fair value of intangibles acquired, Audiovox engaged a third party valuation specialist to assist management. Based on the preliminary assessment, the acquired intangible asset categories, fair value and average amortization periods, are as follows:

	Amortization Period	**Fair Value at 2/28/2011**	
Tradename	Indefinite Life	$	46,816
Patents	13 years	$	1,247
Customer relationships	15 years	$	33,000
Total		$	81,063

The preliminary fair value of the tradename and patents was determined based on the "relief from royalty" method, an approach under which fair value is estimated to be the present value of royalties saved because we own the intangible asset and therefore do not have to pay a royalty for its use. The preliminary fair value for the non-compete agreements was valued based on a discounted "income approach" model including estimated financial results with and without the non-compete agreements in place. The agreements were analyzed based on the potential impact competition from certain individuals could have on the financial results of the Company, assuming the agreements were not in place. The customer relationships were preliminarily valued utilizing the "excess earnings method" of income approach. Estimated discounted cash flow associated with existing customers and projects was based on historical and market participant data.

These valuations and the estimated useful lives are preliminary and subject to change.

e) To adjust amortization expense attributable to the fair value of the intangible assets acquired, which is expected to be provided on a straight-line basis, and eliminate amortization expense for intangible assets recorded by Klipsch, as follows:

	For the year ended February 28, 2011	
Elimination of Klipsch amortization expense, net	$	(1,348)
Amortization expense for intangible assets acquired		2,296
Total	$	948

f) To eliminate certain Klipsch debt outstanding at the time of acquisition and recognize debt incurred in connection with the Klipsch acquisition.

In connection with the Klipsch acquisition, as stated above, Audiovox borrowed $89.1 million under the Credit Agreement on March 1, 2011 and used the proceeds from such borrowing to complete its acquisition of Klipsch.

Klipsch's previous outstanding debt has been repurchased and/or redeemed in connection with the acquisition.

g) To capitalize debt issuance costs incurred for the Klipsch acquisition, which is expected to be amortized and recorded to interest expense, on a straight-line basis over the life of the Credit Agreement.

h) To eliminate interest expense recorded by Klipsch and to recognize the cost of debt incurred by Audiovox in connection with the Credit Agreement, as follows:

	For the year ended February 28, 2011
Elimination of Klipsch interest expense, net	$ (1,804)
Interest expense for new debt	2,475
Amortization of deferred debt issuance costs	648
Total	$ 1,319

For the purposes of the proforma adjustment, interest expense was calculated assuming an interest rate of 2.78%, which approximates the average LIBOR rate plus a 2.5% spread for the twelve-month period ended February 28, 2011.

i) Klipsch incurred certain costs, including legal, accounting and tax consulting expenses relating to the sale of the business to Audiovox and were expensed as incurred and approximated $203 during the year ended February 28, 2011.

Audiovox's acquisition related costs, consisting of legal, accounting, tax consulting and due diligence were expensed as incurred and approximated $ 989 during the year ended February 28, 2011. In addition, the Company paid Wells Fargo a contingent fee of approximately $1.24 million for investment banking services that will be expensed by the Company on March 1, 2011, which has not been reflected in the proforma financial statements.

j) Audiovox has estimated an incremental 39% tax rate in assessing the tax impact of the combination of Klipsch with Audiovox. The effective tax rate and tax accounts in the balance sheet of the combined company could be significantly different (either higher or lower) depending on post-acquisition activities, including tax planning opportunities, cash repatriation decisions and geographic mix of income.

k) To record the deferred tax liability for the book value increase to fair value of amortizable intangibles and fixed assets, which are nondeductible for tax purposes.

l) To eliminate stockholders' equity of Klipsch as of the date of the acquisition.