

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended November 30, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission file number: 0-28839

VOXX International Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-1964841

(IRS Employer Identification No.)

180 Marcus Blvd., Hauppauge, New York

(Address of principal executive offices)

11788

(Zip Code)

(631) 231-7750

(Registrant's telephone number, including area code)

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

Yes No

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

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

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Number of shares of each class of the issuer's common stock outstanding as of the latest practicable date.

Class	As of January 8, 2016
Class A Common Stock	21,899,370 Shares
Class B Common Stock	2,260,954 Shares

VOXX International Corporation and Subsidiaries

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VOXX International Corporation and Subsidiaries
Consolidated Balance Sheets
(In thousands)

	November 30, 2015	February 28, 2015
	<i>(unaudited)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,435	\$ 8,448
Accounts receivable, net	101,949	102,766
Inventory, net	153,663	156,649
Receivables from vendors	3,190	3,622
Investment securities, current	—	275
Prepaid expenses and other current assets	18,248	26,370
Income tax receivable	1,655	1,862
Deferred income taxes	1,646	1,723
Total current assets	292,786	301,715
Investment securities	10,541	12,413
Equity investments	22,340	21,648
Property, plant and equipment, net	78,458	69,783
Goodwill	102,967	105,874
Intangible assets, net	189,069	158,455
Deferred income taxes	673	717
Other assets	6,118	6,908
Total assets	\$ 702,952	\$ 677,513
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 71,739	\$ 71,403
Accrued expenses and other current liabilities	51,690	51,744
Income taxes payable	4,006	3,067
Accrued sales incentives	16,330	14,097
Deferred income taxes	560	1,060
Current portion of long-term debt	85,179	6,032
Total current liabilities	229,504	147,403
Long-term debt	17,298	79,455
Capital lease obligation	1,454	733
Deferred compensation	4,404	4,650
Other tax liabilities	5,013	5,157
Deferred tax liabilities	35,339	34,327
Other long-term liabilities	10,827	9,648
Total liabilities	303,839	281,373
Commitments and contingencies (see Note 21)		
Stockholders' equity:		
Preferred stock:		
No shares issued or outstanding (see Note 18)	—	—
Common stock:		
Class A, \$.01 par value; 60,000,000 shares authorized, 24,067,444 and 24,003,240 shares issued, 21,898,465 and 21,873,790 shares outstanding at November 30, 2015 and February 28, 2015, respectively	256	255

Class B Convertible, \$.01 par value, 10,000,000 authorized, 2,260,954 shares issued and outstanding	22	22
Paid-in capital	293,390	292,427
Retained earnings	160,298	157,629
Non-controlling interest	10,111	—
Accumulated other comprehensive loss	(43,779)	(33,235)
Treasury stock, at cost, 2,168,979 and 2,129,450 shares of Class A Common Stock at November 30, 2015 and February 28, 2015, respectively	(21,185)	(20,958)
Total stockholders' equity	399,113	396,140
Total liabilities and stockholders' equity	<u>\$ 702,952</u>	<u>\$ 677,513</u>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2015	2014	2015	2014
Net sales	\$ 192,506	\$ 223,356	\$ 511,063	\$ 587,598
Cost of sales	136,663	154,399	362,202	413,184
Gross profit	55,843	68,957	148,861	174,414
Operating expenses:				
Selling	12,464	13,623	36,182	41,229
General and administrative	29,536	29,587	83,530	88,290
Engineering and technical support	9,459	9,103	26,190	27,579
Intangible asset impairment charges	—	—	6,210	—
Acquisition costs	800	—	800	—
Total operating expenses	52,259	52,313	152,912	157,098
Operating income (loss)	3,584	16,644	(4,051)	17,316
Other income (expense):				
Interest and bank charges	(1,772)	(1,825)	(4,964)	(5,010)
Equity in income of equity investees	1,927	1,245	5,002	4,631
Venezuela currency devaluation, net	—	—	(34)	(6,232)
Gain on bargain purchase	4,679	—	4,679	—
Other, net	636	142	1,137	1,416
Total other income (expense), net	5,470	(438)	5,820	(5,195)
Income before income taxes	9,054	16,206	1,769	12,121
Income tax expense (benefit)	2,968	584	791	(1,308)
Net income	\$ 6,086	\$ 15,622	\$ 978	\$ 13,429
Less: net loss attributable to non-controlling interest	(1,691)	—	(1,691)	—
Net income attributable to Voxx International Corporation	\$ 7,777	\$ 15,622	\$ 2,669	\$ 13,429
Other comprehensive loss:				
Foreign currency translation adjustments	(7,993)	(8,342)	(9,026)	(15,783)
Derivatives designated for hedging	(32)	578	(1,673)	1,529
Pension plan adjustments	155	64	154	124
Unrealized holding loss on available-for-sale investment securities arising during the period, net of tax	5	5	1	7
Other comprehensive loss, net of tax	(7,865)	(7,695)	(10,544)	(14,123)
Comprehensive (loss) income attributable to Voxx International Corporation	\$ (88)	\$ 7,927	\$ (7,875)	\$ (694)
Net income per common share attributable to Voxx International Corporation (basic)	\$ 0.32	\$ 0.64	\$ 0.11	\$ 0.55
Net income per common share attributable to Voxx International Corporation (diluted)	\$ 0.32	\$ 0.64	\$ 0.11	\$ 0.55
Weighted-average common shares outstanding (basic)	24,183,791	24,322,307	24,177,061	24,396,987
Weighted-average common shares outstanding (diluted)	24,219,555	24,340,534	24,211,651	24,418,298

See accompanying notes to consolidated financial statements.

VOXX International Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Nine Months Ended November 30,	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 978	\$ 13,429
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,356	12,189
Amortization of debt discount	847	838
Impairment charges	6,210	—
Bad debt expense	615	371
Interest on notes receivable from EyeLock, Inc.	(677)	—
(Gain) loss on forward contracts	(3,289)	40
Equity in income of equity investees	(5,002)	(4,631)
Distribution of income from equity investees	4,309	3,912
Deferred income tax benefit	(1,491)	(450)
Non-cash compensation adjustment	350	598
Non-cash stock based compensation expense	686	291
Venezuela currency devaluation on investment securities	23	6,702
(Gain) loss on sale of property, plant and equipment	(202)	255
Gain on sale of intangible asset	(30)	—
Gain on bargain purchase	(4,679)	—
Changes in operating assets and liabilities:		
Accounts receivable	(1,491)	979
Inventory	327	(13,654)
Receivables from vendors	827	(1,053)
Prepaid expenses and other	7,580	(1,568)
Investment securities-trading	264	(253)
Accounts payable, accrued expenses, accrued sales incentives and other liabilities	3,806	17,390
Income taxes payable	1,160	(4,988)
Net cash provided by operating activities	<u>22,477</u>	<u>30,397</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(16,625)	(9,862)
Proceeds from sale of property, plant and equipment	317	55
Proceeds from sale of intangible asset	150	—
Increase in notes receivable	(4,176)	—
Sale of short term investments	251	—
Purchase of long-term investments	—	(6,000)
Purchase of acquired business	(15,504)	—
Proceeds from long-term note	—	227
Net cash used in investing activities	<u>(35,587)</u>	<u>(15,580)</u>
Cash flows from financing activities:		
Principal payments on capital lease obligation	(310)	(387)
Repayment of bank obligations	(180,686)	(197,364)
Borrowings on bank obligations	198,325	186,600
Deferred financing costs	(332)	—

Proceeds from exercise of stock options	436	32
Repurchase of common stock	(227)	(2,620)
Net cash provided by (used in) financing activities	17,206	(13,739)
Effect of exchange rate changes on cash	(109)	(625)
Net increase in cash and cash equivalents	3,987	453
Cash and cash equivalents at beginning of period	8,448	10,603
Cash and cash equivalents at end of period	\$ 12,435	\$ 11,056

See accompanying notes to consolidated financial statements.

VOXX International Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

(1) Basis of Presentation

The accompanying unaudited interim consolidated financial statements of VOXX International Corporation and subsidiaries ("Voxx" or the "Company") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and in accordance with accounting principles generally accepted in the United States of America and include all adjustments (consisting of normal recurring adjustments), which, in the opinion of management, are necessary to present fairly the consolidated financial position, results of operations and cash flows for all periods presented. The results of operations are not necessarily indicative of the results to be expected for the full fiscal year or any interim period. These consolidated financial statements do not include all disclosures associated with consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, these statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto contained in the Company's Form 10-K for the fiscal year ended February 28, 2015. Certain amounts in the prior year have been reclassified to conform to the current year presentation.

We have determined that we operate in three reportable segments, Automotive, Premium Audio and Consumer Accessories. See Note 21 for the Company's segment reporting disclosures.

(2) Acquisitions

EyeLock

Effective September 1, 2015 ("the Closing Date"), Voxx completed its acquisition of a majority voting interest in substantially all of the assets and certain specified liabilities of Eyelock, Inc. and Eyelock Corporation (collectively the "Seller"), a market leader of iris-based identity authentication solutions, through a newly-formed entity Eyelock LLC. Eyelock LLC acquired substantially all of the assets and certain specified liabilities of the Seller for a total purchase consideration of \$31,880, which consisted of a cash payment of \$15,504, assignment of the fair value of the indebtedness owed to the Company by the Seller of \$4,677 and the fair value of the non-controlling interest of \$12,900, reduced by \$1,200 for amounts owed to the LLC by the selling shareholders. Additionally, units in Eyelock LLC were issued to certain executives of EyeLock LLC. The fair value of these units are recorded as compensation expense over the requisite service period of two years. This acquisition allows the Company to enter into the growing biometrics market.

In connection with the closing, the Company entered into a Loan Agreement with Eyelock LLC. The terms of the Loan Agreement allow Eyelock LLC to borrow up to \$10,000, bearing interest at 10%. The Loan Agreement provides for a maximum monthly borrowing of \$1,000, which can be adjusted to \$2,000 for working capital purposes related to new business opportunities. Amounts outstanding under the Loan Agreement are due on September 1, 2017. The Loan Agreement includes customary events of default and is collateralized by all of the property of Eyelock LLC.

Net sales attributable to EyeLock LLC in the Company's consolidated statements of operations for the three and nine months ended November 30, 2015 were approximately \$72.

The following table summarizes the preliminary allocation of the purchase price over the fair values of the assets acquired and liabilities assumed, as of the Closing Date:

VOXX International Corporation and Subsidiaries
Notes to Consolidated Financial Statements, continued
(Amounts in thousands, except share and per share data)

	September 1, 2015
Assets acquired:	
Accounts receivable	\$ 77
Inventory	304
Property, plant and equipment	259
Intangible assets	43,780
Total assets acquired	\$ 44,420
Liabilities assumed:	
Accounts payable and accrued expenses	729
Deferred tax liability	2,756
Bridge loans payable to Voxx	3,176
Other long-term liabilities	1,200
Net assets acquired	36,559
Less: purchase price	31,880
Gain on bargain purchase	\$ 4,679

The acquisition of substantially all of the assets of Eyelock Inc. and Eyelock Corporation resulted in a bargain purchase gain of \$4,679, which was recognized in the Company's Consolidated Statement of Operations and Comprehensive Income (Loss). Prior to the recognition of the bargain purchase gain, the Company reassessed the fair value of the tangible and identifiable intangible assets acquired and liabilities assumed in the acquisition. The Company believes it was able to acquire those assets of Eyelock LLC for less than their fair value due to the distressed financial position of the company, its inability to secure additional financing to support its ongoing operations, and the lack of potential bidders for the entity prior to the Voxx's acquisition.

The fair values assigned to the intangible assets acquired and their related amortization periods are as follows:

	September 1, 2015	Amortization Period (Years)
Developed technology	\$ 31,290	11.5 years
Tradename	8,435	Indefinite
Customer relationships	3,470	15.5 years
Non-compete agreement	585	5 years
	\$ 43,780	

The fair values of the intangible assets acquired are measured using Level 3 inputs and are determined using variations of the income approach such as the discounted cash flows and relief of royalty valuation methods. Significant inputs and assumptions used in determining the fair values of the intangible assets acquired include management's projections of future revenues, earnings and cash flows from Eyelock LLC, a weighted average cost of capital, customer attrition rates, royalty rates and technological obsolescence rates. A change in these inputs and assumptions may cause a significant impact on the fair values of the intangible assets acquired and the resulting bargain purchase gain.

Acquisition related costs relating to this transaction of \$800 were expensed as incurred during three and nine months ended November 30, 2015, and are included in acquisition-related costs for these respective periods in the consolidated statements of operations and comprehensive income.

Pro-forma Financial Information

VOXX International Corporation and Subsidiaries
Notes to Consolidated Financial Statements, continued
(Amounts in thousands, except share and per share data)

The following unaudited pro-forma financial information for the nine months ended November 30, 2015 and November 30, 2014 represents the results of the Company's operations as if EyeLock LLC was included for the full nine months of Fiscal 2016 and 2015. The unaudited pro-forma financial information does not necessarily reflect the results of operations that would have occurred had the Company constituted a single entity during such periods.

	Nine Months Ended November 30,	
	2015	2014
Net sales:		
As reported	\$ 511,063	\$ 587,598
Pro forma	512,178	592,106
Net income:		
As reported	\$ 2,669	\$ 13,429
Pro forma	(5,819)	12,926
Basic income per share:		
As reported	\$ 0.11	\$ 0.55
Pro forma	(0.24)	0.53
Diluted income per share:		
As reported	0.11	0.55
Pro forma	(0.24)	0.53
Average shares - basic	24,177,061	24,396,987
Average shares - diluted	24,211,651	24,418,298

The above pro-forma results include certain adjustments for the periods presented to adjust the financial results and give consideration to the assumption that the acquisition occurred on March 1, 2014. These adjustments include costs such as an estimate for amortization associated with intangible assets acquired, the removal of interest expense, as well as rent and utility expenses on debt and property leases not assumed, as well as the movement of expenses and gains specific to the acquisition from Fiscal 2016 to Fiscal 2015. These pro-forma results of operations have been estimated for comparative purposes only and may not reflect the actual results of operations that would have been achieved had the transaction occurred on the date presented or be indicative of results to be achieved in the future.

Audited financial statements of the business acquired for the period ended December 31, 2014 and unaudited financial statements for the period ended June 30, 2015, as well as the related pro forma financial information, is not yet available but will be filed, when available, with the Securities and Exchange Commission on an amendment to the Company's Form 8-K dated September 8, 2015.

(3) Net Income Per Common Share

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

There are no reconciling items which impact the numerator of basic and diluted net income per common share. A reconciliation between the denominator of basic and diluted net income per common share is as follows:

VOXX International Corporation and Subsidiaries
Notes to Consolidated Financial Statements, continued
(Amounts in thousands, except share and per share data)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2015	2014	2015	2014
Weighted-average common shares outstanding	24,183,791	24,322,307	24,177,061	24,396,987
Effect of dilutive securities:				
Stock options and warrants	35,764	18,227	34,590	21,311
Weighted-average common shares and potential common shares outstanding	24,219,555	24,340,534	24,211,651	24,418,298

Restricted stock, stock options and warrants of 131,250 and 156,291 for the three months ended November 30, 2015 and 2014, respectively, and 126,808 and 108,489 for the nine months ended November 30, 2015 and 2014, respectively, were not included in the net income (loss) per diluted share calculation because the exercise price of these restricted stock, stock options and warrants was greater than the average market price of the Company's common stock during these periods or their inclusion would have been anti-dilutive.

VOXX International Corporation and Subsidiaries
Notes to Consolidated Financial Statements, continued
(Amounts in thousands, except share and per share data)

(4) Fair Value Measurements and Derivatives

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

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

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 inputs that are either directly or indirectly observable.

Level 3 - Unobservable inputs developed using the Company's estimates and assumptions, which reflect those that market participants would use.

The following table presents assets measured at fair value on a recurring basis at November 30, 2015:

	<u>Total</u>	<u>Fair Value Measurements at Reporting Date Using</u>	
		<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents:			
Cash and money market funds	\$ 12,435	\$ 12,435	\$ —
Derivatives			
Designated for hedging	\$ 519	\$ —	\$ 519
Investment securities:			
Trading securities	\$ 4,247	\$ 4,247	\$ —
Available-for-sale securities	12	12	—
Other investments at amortized cost (a)	6,282	—	—
Total investment securities	\$ 10,541	\$ 4,259	\$ —

The following table presents assets measured at fair value on a recurring basis at February 28, 2015:

	<u>Total</u>	<u>Fair Value Measurements at Reporting Date Using</u>	
		<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents:			
Cash and money market funds	\$ 8,448	\$ 8,448	\$ —
Derivatives			
Designated for hedging	\$ 3,111	\$ —	\$ 3,111
Investment securities:			
Trading securities	\$ 4,511	\$ 4,511	\$ —
Available-for-sale securities	15	15	—
Other investments at amortized cost (a)	8,162	—	—
Total investment securities	\$ 12,688	\$ 4,526	\$ —

(a) Included in this balance are investments in two non-controlled corporations accounted for at cost (see Note 4). The fair values of these investments would be based upon Level 3 inputs. At February 28, 2015, this balance also included an investment in a third non-controlled corporation, as well as the Company's held-to-maturity investment in bonds issued by the Venezuelan government, which were recorded at amortized cost (see Note 5). At November 30, 2015 and February 28, 2015, it is not practicable to estimate the fair values of these items.

VOXX International Corporation and Subsidiaries
Notes to Consolidated Financial Statements, continued
(Amounts in thousands, except share and per share data)

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

Derivative Instruments

The Company's derivative instruments include forward foreign currency contracts utilized to hedge a portion of its foreign currency inventory purchases and local operating expenses. The Company also has four interest rate swap agreements, two of which hedge interest rate exposure related to the forecasted outstanding borrowings on a portion of its senior secured credit facility ("the Credit Facility"); a third that hedges interest rate exposure related to the forecasted outstanding balance of one of its mortgage notes, with monthly payments due through May 2023; and a fourth agreement, entered into in July 2015, which hedges interest rate exposure related to the forecasted outstanding balance of its construction loan, with monthly payments due from March 2016 through March 2026. The two swap agreements related to the Credit Facility lock the Company's LIBOR rates at 0.515% and 0.518% (exclusive of credit spread) for the respective agreements through the swaps' maturities of February 28, 2017 and April 29, 2016, respectively. The swap agreement related to the Company's mortgage locks the interest rate on the debt at 3.92% (inclusive of credit spread) through the end of the mortgage. The swap agreement related to the Company's construction loan locks the interest rate on the debt at 3.48% (inclusive of credit spread) through the maturity date of the loan. The forward foreign currency derivatives qualifying for hedge accounting are designated as cash flow hedges and valued using observable forward rates for the same or similar instruments (Level 2). The duration of open forward foreign currency contracts range from 1 - 15 months and are classified in the balance sheet according to their terms. Interest rate swap agreements qualifying for hedge accounting are designated as cash flow hedges and valued based on a comparison of the change in fair value of the actual swap contracts designated as the hedging instruments and the change in fair value of a hypothetical swap contract (Level 2). We calculate the fair value of interest rate swap agreements quarterly based on the quoted market price for the same or similar financial instruments. Interest rate swaps are classified in the balance sheet as either assets or liabilities based on the fair value of the instruments at the end of the period.

It is the Company's policy to enter into derivative instrument contracts with terms that coincide with the underlying exposure being hedged. As such, the Company's derivative instruments are expected to be highly effective. Hedge ineffectiveness, if any, is recognized as incurred through Other Income (Expense) in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss) and amounted to \$166 and \$153 for the three and nine months ended November 30, 2015, respectively, and \$85 and \$121 for the three and nine months ended November 30, 2014, respectively.

Financial Statement Classification

The Company holds derivative instruments that are designated as hedging instruments. The following table discloses the fair value as of November 30, 2015 and February 28, 2015 of derivative instruments:

		Derivative Assets and Liabilities	
		Fair Value	
Account		November 30, 2015	February 28, 2015
Designated derivative instruments			
Foreign currency contracts	Accrued expenses and other current liabilities	\$ (393)	\$ —
	Prepaid expenses and other current assets	\$ 1,455	\$ 3,180
Interest rate swap agreements	Accrued expenses and other current liabilities	(12)	—
	Other long term liabilities	(531)	(69)
Total derivatives		<u>\$ 519</u>	<u>\$ 3,111</u>

Cash flow hedges

VOXX International Corporation and Subsidiaries
Notes to Consolidated Financial Statements, continued
(Amounts in thousands, except share and per share data)

During Fiscal 2015, as well as during the first nine months of Fiscal 2016, the Company entered into forward foreign currency contracts, which have a current outstanding notional value of \$17,011 and are designated as cash flow hedges at November 30, 2015. The current outstanding notional values of the Company's four interest rate swaps at November 30, 2015 are \$18,750, \$25,000, \$5,915 and \$7,658. For cash flow hedges, the effective portion of the gain or loss is reported as a component of Other Comprehensive Income (Loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

Activity related to cash flow hedges recorded during the three and nine months ended November 30, 2015 and 2014 was as follows:

	Three months ended November 30, 2015			Nine months ended November 30, 2015		
	Pretax (Loss) Recognized in Other Comprehensive Income	Pretax Gain Reclassified from Accumulated Other Comprehensive Income (a)	(Loss)for Ineffectiveness in Other Income	Pretax Gain (Loss) Recognized in Other Comprehensive Income	Pretax Gain Reclassified from Accumulated Other Comprehensive Income (a)	(Loss) for Ineffectiveness in Other Income
Cash flow hedges						
Foreign currency contracts	\$ 989	\$ 747	\$ 166	\$ 1,358	\$ 2,921	\$ 153
Interest rate swaps	\$ (127)	\$ —	\$ —	\$ (474)	\$ —	\$ —

	Three months ended November 30, 2014			Nine months ended November 30, 2014		
	Pretax Gain Recognized in Other Comprehensive Income	Pretax (Loss) Reclassified from Accumulated Other Comprehensive Income (a)	Gain for Ineffectiveness in Other Income	Pretax Gain Recognized in Other Comprehensive Income	Pretax (Loss) Reclassified from Accumulated Other Comprehensive Income (a)	Gain for Ineffectiveness in Other Income
Cash flow hedges						
Foreign currency contracts	\$ 1,181	\$ 213	\$ 85	\$ 2,012	\$ (59)	\$ 121
Interest rate swaps	\$ (99)	\$ —	\$ —	\$ 65	\$ —	\$ —

(a) Gains and losses related to foreign currency contracts are reclassified to cost of sales. Gains and losses related to interest rate swaps are reclassified to interest expense.

The net loss recognized in Other Comprehensive Income (Loss) for foreign currency contracts is expected to be recognized in cost of sales within the next eighteen months. No amounts were excluded from the assessment of hedge effectiveness during the respective periods. As of November 30, 2015, seven contracts originally designated for hedge accounting, with a notional amount of \$5,660, were de-designated, resulting in a gain of \$64 recorded in Other Income (Expense) for the three and nine months ended November 30, 2015 in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). As of November 30, 2015, no contracts originally designated for hedge accounting were terminated.

(5) Investment Securities

As of November 30, 2015 and February 28, 2015, the Company had the following investments:

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	November 30, 2015			February 28, 2015		
	Cost Basis	Unrealized Holding Gain/(Loss)	Fair Value	Cost Basis	Unrealized Holding Gain/(Loss)	Fair Value
Investment Securities						
Marketable Securities						
Trading						
Deferred Compensation	\$ 4,247	\$ —	\$ 4,247	\$ 4,511	\$ —	\$ 4,511
Available-for-sale						
Cellstar	—	12	12	—	15	15
Held-to-maturity Investment	—	—	—	275	—	275
Total Marketable Securities	4,247	12	4,259	4,786	15	4,801
Other Investments	6,282	—	6,282	7,887	—	7,887
Total Investment Securities	<u>\$ 10,529</u>	<u>\$ 12</u>	<u>\$ 10,541</u>	<u>\$ 12,673</u>	<u>\$ 15</u>	<u>\$ 12,688</u>

Current Investments

Held-to-Maturity Investment

At February 28, 2015, current investments included an investment in sovereign bonds issued by the Venezuelan government, which were classified as held-to-maturity and accounted for under the amortized cost method. These bonds matured in March 2015 and the Company received payment of \$251 for the outstanding balance of these bonds at their maturity date.

Long-Term Investments

Trading Securities

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

Available-For-Sale Securities

The Company's available-for-sale marketable securities include a less than 20% equity ownership in CLST Holdings, Inc. ("Cellstar").

Unrealized holding gains and losses, net of the related tax effect (if applicable), on available-for-sale securities are reported as a component of Accumulated Other Comprehensive Income (Loss) until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis and reported in Other Income (Expense).

A decline in the market value of any available-for-sale security below cost that is deemed other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. The Company considers numerous factors, on a case-by-case basis, in evaluating whether the decline in market value of an available-for-sale security below cost is other-than-temporary. Such factors include, but are not limited to, (i) the length of time and the extent to which the market value has been less than cost; (ii) the financial condition and the near-term prospects of the issuer of the investment; and (iii) whether the Company's intent to retain the investment for the period of time is sufficient to allow for any anticipated recovery in market value. No other-than-temporary losses were incurred by the Company during the three and nine months ended November 30, 2015 or 2014.

Other Long-Term Investments

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Other long-term investments include investments in two non-controlled corporations accounted for at cost. As of November 30, 2015, the Company's investment in Rx Networks totaled \$1,829 and we held 15.3% of the outstanding shares of this company. No additional investment was made in Rx Networks during the three and nine months ended November 30, 2015. During the nine months ended November 30, 2014, the Company invested \$3,000 in EyeSee360, Inc., consisting of shares of the investee's preferred stock. During the nine months ended November 30, 2015, Voxx increased this investment to \$4,453, as a result of acquiring additional preferred stock shares. The Company holds 9.3% of the outstanding shares of EyeSee360, Inc. as of November 30, 2015. The total balance of the two investments at November 30, 2015 was \$6,282.

During the nine months ended November 30, 2014, the Company also invested \$3,000 in EyeLock, Inc., consisting of a convertible debt security. On September 1, 2015, the Company completed an acquisition of a majority voting interest in substantially all of the assets and certain liabilities of EyeLock, Inc. and EyeLock Corporation (see Note 2).

(6) Accumulated Other Comprehensive Income (Loss)

The Company's accumulated other comprehensive losses consist of the following:

	<u>Foreign Exchange Losses</u>	<u>Unrealized losses on investments, net of tax</u>	<u>Pension plan adjustments, net of tax</u>	<u>Derivatives designated in a hedging relationship, net of tax</u>	<u>Total</u>
Balance at February 28, 2015	\$ (32,935)	\$ (101)	\$ (2,742)	\$ 2,543	\$ (33,235)
Other comprehensive (loss) income before reclassifications	(9,026)	1	154	404	(8,467)
Reclassified from accumulated other comprehensive income (loss)	—	—	—	(2,077)	(2,077)
Net current-period other comprehensive (loss) income	(9,026)	1	154	(1,673)	(10,544)
Balance at November 30, 2015	<u>\$ (41,961)</u>	<u>\$ (100)</u>	<u>\$ (2,588)</u>	<u>\$ 870</u>	<u>\$ (43,779)</u>

During the three and nine months ended November 30, 2015, the Company recorded tax expense (benefit) related to unrealized losses on investments of \$0 in both periods, pension plan adjustments of \$0 in both periods and derivatives designated in a hedging relationship of \$(72) and \$448, respectively.

(7) Supplemental Cash Flow Information

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

	Nine Months Ended November 30,	
	2015	2014
Non-cash investing and financing activities:		
Capital expenditures funded by long-term obligations	\$ 1,109	\$ —
Non-cash acquisition of long-term investment	\$ 1,453	\$ —
Cash paid during the period:		
Interest (excluding bank charges)	\$ 3,128	\$ 3,342
Income taxes (net of refunds)	\$ 1,089	\$ 2,906

(8) Accounting for Stock-Based Compensation

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The Company has various stock-based compensation plans, which are more fully described in Note 1 of the Company's Form 10-K for the fiscal year ended February 28, 2015.

The Company granted 125,000 options in October 2014, which vested on October 16, 2015, expire two years from date of vesting (October 15, 2017), have an exercise price equal to \$7.76, \$0.25 above the sales price of the Company's stock on the day prior to the date of grant, have a contractual term of 3.0 years and a grant date fair value of \$2.78 per share determined based upon a Black-Scholes valuation model.

In addition, the Company issued 15,000 warrants in October 2014 to purchase the Company's common stock with the same terms as those of the options above as consideration for future legal and professional services. These warrants are included in the outstanding options and warrants table below and are exercisable at November 30, 2015.

The Company granted 256,250 options in December of 2012, which vested on July 1, 2013, expired two years from date of vesting (June 30, 2015), had an exercise price equal to \$6.79, \$0.25 above the sales price of the Company's stock on the day prior to the date of grant, had a contractual term of 2.5 years and a grant date fair value of \$1.99 per share determined based upon a Black-Scholes valuation model. In addition, the Company issued 17,500 warrants in December of 2012 to purchase the Company's common stock with the same terms as those of the options above as consideration for future legal and professional services. None of these options or warrants expired unexercised.

During the three and nine months ended November 30, 2015, the Company recorded \$32 and \$227 in stock-based compensation and professional fees, respectively, related to stock options and warrants. There were no unrecognized compensation costs or professional fees as of November 30, 2015 related to stock options and warrants.

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

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding at February 28, 2015	204,204	\$ 7.46	
Granted	—	—	
Exercised	64,204	6.79	
Forfeited/expired	8,750	7.76	
Outstanding and exercisable at November 30, 2015	131,250	\$ 7.76	2.83

A restricted stock award is an award of common stock that is subject to certain restrictions during a specified period. Restricted stock awards are independent of option grants and are subject to forfeiture if employment terminates prior to the release of the restrictions. In Fiscal 2014, the Company established a Supplemental Executive Retirement Plan (SERP) and granted 84,588 shares of restricted stock under this plan. These shares were granted based on certain performance criteria and vest on the later of three years from the date of participation in the SERP, or the grantee reaching the age of 65 years. During Fiscal 2015 and during the second quarter of Fiscal 2016, an additional 118,058 and 79,268 shares of restricted stock were granted under the SERP, respectively. These shares were also granted based on certain performance criteria and vest on the later of three years from the date of grant or the grantee reaching the age of 65 years. Upon vesting, the shares will be issued to the grantee or settled in cash, at the Company's sole option. The grantee cannot transfer the rights to receive shares before the restricted shares vest. There are no market conditions inherent in the award, only an employee performance requirement, and the service requirement that the respective employee continues employment with the Company through the vesting date. The Company expenses the cost of the restricted stock awards on a straight-line basis over the requisite service period of each employee or a maximum of 12.75 years. For these purposes, the fair market values of the restricted stock, \$13.62, \$7.77 and \$8.13, respectively, were determined based on the mean of the high and low price of the Company's common stock on the grant dates.

The following table presents a summary of the Company's restricted stock activity for the nine months ended November 30, 2015:

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	Number of Shares	Weighted Average Grant Date Fair Value
Balance at February 28, 2015	202,646	\$ 10.21
Granted	79,268	8.13
Vested	—	—
Forfeited	10,090	10.08
Balance at November 30, 2015	271,824	9.61

During the three and nine months ended November 30, 2015, the Company recorded \$167 and \$459, respectively, in stock-based compensation related to restricted stock awards. As of November 30, 2015, there was \$1,871 of unrecognized stock-based compensation expense related to unvested restricted stock awards.

(9) Supply Chain Financing

The Company has four supply chain financing agreements ("factoring agreements") that were entered into for the purpose of accelerating receivable collection and better managing cash flow. The factored balances for all four agreements are sold without recourse and are accounted for as sales of accounts receivable. Total receivable balances sold for the three and nine months ended November 30, 2015, net of discounts, were \$75,196 and \$199,438, compared to \$51,117 and \$135,613 for the three and nine months ended November 30, 2014, respectively.

(10) Research and Development

Expenditures for research and development are charged to expense as incurred. Such expenditures amount to \$6,412 and \$16,990 for the three and nine months ended November 30, 2015, respectively, compared to \$4,915 and \$16,198 for the three and nine months ended November 30, 2014, respectively, net of customer reimbursement, and are included within Engineering and Technical Support Expenses on the Consolidated Statements of Operations and Comprehensive Income (Loss).

The Company enters into development and long-term supply agreements with certain of its OEM ("Original Equipment Manufacturer") customers. Revenues earned from the development services are recorded based upon the milestone method of revenue recognition provided certain criteria are met. Amounts due from OEM customers for development services are reflected as a reduction of research and development expense because the performance of contract development services is not central to the Company's operations. For the three and nine months ended November 30, 2015, the Company recorded \$3,326 and \$6,446, respectively, and for the three and nine months ended November 30, 2014, the Company recorded \$2,029 and \$6,825, respectively, of development service revenue as a reduction of research and development expense based upon the achievement of a milestone.

(11) Goodwill and Intangible Assets

The change in goodwill by segment is as follows:

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Automotive:	Amount
Beginning balance at March 1, 2015	\$ 59,341
Currency translation	(2,907)
Balance at November 30, 2015	<u>\$ 56,434</u>
Gross carrying amount at November 30, 2015	\$ 56,434
Accumulated impairment charge	—
Net carrying amount at November 30, 2015	<u>\$ 56,434</u>
Premium Audio:	
Beginning balance at March 1, 2015	\$ 46,533
Activity during the period	—
Balance at November 30, 2015	<u>\$ 46,533</u>
Gross carrying amount at November 30, 2015	\$ 78,696
Accumulated impairment charge	(32,163)
Net carrying amount at November 30, 2015	<u>\$ 46,533</u>
Total Goodwill, net	<u>\$ 102,967</u>

Note: The Company's Consumer Accessories segment did not carry a goodwill balance at November 30, 2015 or February 28, 2015.

At November 30, 2015, intangible assets consisted of the following:

	Gross Carrying Value	Accumulated Amortization	Total Net Book Value
Finite-lived intangible assets:			
Customer relationships	\$ 64,670	\$ 22,184	\$ 42,486
Trademarks/Tradenames	40,140	1,068	39,072
Patents	8,463	3,819	4,644
License	1,400	1,400	—
Contract	2,141	1,586	555
Total finite-lived intangible assets	<u>\$ 116,814</u>	<u>\$ 30,057</u>	86,757
Indefinite-lived intangible assets			
Trademarks			102,312
Total net intangible assets			<u>\$ 189,069</u>

At February 28, 2015, intangible assets consisted of the following:

VOXX International Corporation and Subsidiaries
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	Gross Carrying Value	Accumulated Amortization	Total Net Book Value
Finite-lived intangible assets:			
Customer relationships	\$ 62,506	\$ 19,316	\$ 43,190
Trademarks/Tradenames	415	383	32
Patents	8,831	3,365	5,466
License	1,400	1,400	—
Contract	1,556	1,556	—
Total finite-lived intangible assets	<u>\$ 74,708</u>	<u>\$ 26,020</u>	<u>48,688</u>
Indefinite-lived intangible assets			
Trademarks			109,767
Total net intangible assets			<u>\$ 158,455</u>

The Company recorded amortization expense of \$2,044 and \$1,373 for the three months ended November 30, 2015 and 2014, respectively, and \$4,599 and \$4,194 for the nine months ended November 30, 2015 and 2014, respectively. The estimated aggregate amortization expense for all amortizable intangibles for each of the succeeding years ending August 31, 2021 is as follows:

Fiscal Year	Amount
2017	\$ 8,113
2018	8,082
2019	7,898
2020	7,882
2021	7,719

We evaluate the carrying value of long-lived assets, including intangible assets subject to amortization, when events and circumstances warrant such a review. During the second quarter of Fiscal 2016, the Company re-evaluated its projections for its Klipsch reporting unit, located in the Premium Audio segment, based on lower than anticipated results due to certain marketing strategies and re-evaluation of its market position for certain product lines. Accordingly, this was considered an indicator of impairment requiring the Company to test the related indefinite-lived tradename for impairment, and perform a step 1 impairment analysis on the goodwill for this reporting unit. Fair value is determined primarily by using a discounted cash flow methodology that requires considerable management judgment and long-term assumptions, and is considered a Level 3 (unobservable) fair value determination in the fair value hierarchy (see Note 3). A five-year period is analyzed using a risk adjusted discount rate. The discount rates (developed using a weighted average cost of capital analysis) used in the goodwill and intangible analyses were 13.1% and 13.8%, respectively. Long-term growth rates ranged from 0.7% to 2.9%. As a result of this analysis, the Company determined that the tradename for this reporting unit was impaired and recorded an impairment charge of \$6,210 in the second quarter of Fiscal 2016. Approximately 44.0% (\$46,533) of the Company's goodwill was allocated to the Klipsch reporting unit as of August 31, 2015. Based on the Company's goodwill assessment, the fair value of the Klipsch reporting unit exceeded its carrying value by approximately \$3,600. The Company believes its assumptions are reasonable, however, the fair value of the reporting unit is close to its carrying amount, including goodwill, and is sensitive to changes in assumptions. There can be no assurance that its estimates and assumptions made for purposes of its goodwill impairment testing, at the annual date and the interim testing date, will prove to be accurate predictions of the future. A sustained decline in Klipsch sales, sustained pricing pressures, unfavorable operating margins, lack of new product acceptance by consumers, changes in customer trends and preferred shopping channels, less than anticipated results for the holiday season, an increase in the discount rate, and/or a decrease in our projected long-term growth rates used in the discounted cash flow model could result in a significant goodwill impairment charge. There were no triggering events during the three months ended November 30, 2015, therefore, management believes the current carrying value of its intangible assets is not impaired.

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(12) Equity Investment

As of November 30, 2015 and February 28, 2015, the Company had a 50% non-controlling ownership interest in ASA Electronics, LLC and Subsidiary ("ASA") which acts as a distributor of mobile electronics specifically designed for niche markets within the automotive industry, including RV's; buses; and commercial, heavy duty, agricultural, construction, powersport, and marine vehicles.

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

	November 30, 2015	February 28, 2015
Current assets	\$ 46,074	\$ 43,404
Non-current assets	5,802	5,642
Current liabilities	7,196	5,750
Members' equity	44,680	43,296
	Nine Months Ended November 30,	
	2015	2014
Net sales	\$ 69,967	\$ 71,974
Gross profit	21,633	21,187
Operating income	9,983	8,834
Net income	10,004	9,262

The Company's share of income from ASA was \$1,927 and \$1,245 for the three months ended November 30, 2015 and 2014, respectively, and \$5,002 and \$4,631 for the nine months ended November 30, 2015 and 2014, respectively.

(13) 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. The Company's annual effective tax rate for Fiscal 2016 excluding discrete items is estimated to be 24.0% (which includes U.S., state and local and foreign taxes) based upon the Company's anticipated earnings both in the U.S. and in its foreign subsidiaries. The Company's projected annual effective tax rate (excluding discrete items) is lower than the statutory rate of 35% primarily due to income taxed in foreign jurisdictions at varying tax rates, the non-controlling interest related to the EyeLock LLC acquisition and the impact of the bargain purchase gain.

For the three and nine months ended November 30, 2015, the Company recorded income tax provisions of \$2,968 and \$791, respectively, which consisted of U.S., state and local and foreign taxes, including a discrete tax benefit of \$5 for the three months ended November 30, 2015 and a discrete tax provision of \$366 for the nine months ended November 30, 2015. The discrete tax benefit for the three months ended November 30, 2015 primarily relates to the reversal of uncertain tax position liabilities, federal and state return to accrual adjustments, offset by a provision related to the accrual of interest for unrecognized tax benefits and the impact of re-measurement of a state deferred tax rate. The discrete tax provision for the nine months ended November 30, 2015 includes the impact of a tax law change in Indiana whereby the Company's R&D credits are no longer realizable on a more-likely-than-not basis. For the three and nine months ended November 30, 2014, the Company recorded an income tax provision of \$584 and an income tax benefit of \$1,308, respectively.

The effective tax rates for the three and nine months ended November 30, 2015 were 32.8% and 44.7%, respectively, compared to a provision of 3.6% and benefit of 10.8% in the comparable prior periods. The effective tax rates for the three and nine months ended November 30, 2015 are different than the statutory rate primarily due to income taxed in foreign jurisdictions at varying tax rates, the non-controlling interest for EyeLock LLC, and the impact of the bargain purchase gain.

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(14) Inventory

Inventories by major category are as follows:

	November 30, 2015	February 28, 2015
Raw materials	\$ 50,090	\$ 47,307
Work in process	5,546	3,722
Finished goods	98,027	105,620
Inventory, net	<u>\$ 153,663</u>	<u>\$ 156,649</u>

(14) Financing Arrangements

The Company has the following financing arrangements:

	November 30, 2015	February 28, 2015
Debt		
Domestic credit facility (a)	\$ 77,400	\$ 67,700
Construction loan (b)	7,658	—
Euro asset-based lending obligation (c)	5,517	4,087
Schwaiger mortgage (d)	922	1,152
Klipsch notes (e)	6,217	6,921
Voxx Germany mortgage (f)	4,763	5,627
Hirschmann line of credit (g)	—	—
Total debt	<u>102,477</u>	<u>85,487</u>
Less: current portion of long-term debt	<u>85,179</u>	<u>6,032</u>
Total long-term debt	<u>\$ 17,298</u>	<u>\$ 79,455</u>

(a) Domestic Credit Facility

The Company has a senior secured credit facility (the "Credit Facility") with an aggregate availability of \$200,000, consisting of a revolving credit facility of \$200,000, with a \$30,000 multicurrency revolving credit facility sublimit, a \$25,000 sublimit for Letters of Credit and a \$10,000 sublimit for Swingline Loans. The Credit Facility is due on January 9, 2019; however, it is subject to acceleration upon the occurrence of an Event of Default (as defined in the Credit Agreement).

Generally, the Company may designate specific borrowings under the Credit Facility as either Alternate Base Rate Loans or LIBOR Rate Loans, except that Swingline Loans may only be designated as Alternate Base Rate Loans. VOXX International (Germany) GmbH may only borrow euros, and only as LIBOR 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 1.00 - 2.00% based upon leverage, as defined in the agreement. Loans designated as Alternate Base Rate loans shall bear interest at a rate equal to the base rate plus an applicable margin ranging from 0.00 - 1.00% based on excess availability in the borrowing base. As of November 30, 2015, the interest rate on the facility was 2.26%.

The Credit Facility requires compliance with non-financial and financial covenants. As of January 11, 2016, the date of the Company's Form 10Q filing, the Leverage Ratio and the Consolidated EBIT to Consolidated Interest Expense Ratio Covenants set forth in the Company's Amended and Restated Credit Agreement with Wells Fargo as Administrative Agent, and the other Lenders party thereto, had not been satisfied. The Total Leverage Covenant requires a ratio less than or equal to 3.50 to 1.00, and the Company's Leverage Ratio was calculated to be

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4.14 to 1.00 as of November 30, 2015. The Consolidated EBIT to Consolidated Interest Expense Ratio Covenant requires a ratio greater than or equal to 3.00 to 1.00, and the Company's Consolidated EBIT to Consolidated Interest Expense Ratio was calculated to be 1.80 to 1.00 as of November 30, 2015. Wells Fargo, the holder of 27.5% of the Company's outstanding debt under the Amended and Restated Credit Agreement, has advised the Company that it will agree to waive the default subject to final documentation and the agreement of the balance of 51% of the Lenders. The Company anticipates that it will have the Lenders' waiver shortly. While the Lenders have the right to declare a default and accelerate the debt based on the Company's technical default, the Company does not believe that the Lenders will do so. While the Company is prohibited from drawing on this facility while the technical default exists, the Company has sufficient cash and other lines of credit from which it can fund its operations for the foreseeable future.

The Obligations under the Credit Facility are secured by valid and perfected first priority security interests in liens on all of the following: (a)(i) 100% of the capital stock or other membership or partnership equity ownership of profit interests of each domestic Credit Party (other than the Company), and (ii) 65% of the voting equity interests and 100% of the non-voting equity interests of all present and future first-tier foreign subsidiaries of any Credit Party (or such greater percentage as would not result in material adverse federal income tax consequences for the Company); (b) all of (i) the tangible and intangible personal property/assets of the Credit Parties and (ii) the fee-owned real property of the Company located in Hauppauge, New York; and (c) all products, profits, rents and proceeds of the foregoing.

As of November 30, 2015, \$77,400 was outstanding under the line, and has been classified within the current portion of long-term debt on the Consolidated Balance Sheet as a result of the debt covenant default disclosed above. Charges incurred on the unused portion of the Credit Facility during the three and nine months ended November 30, 2015 totaled \$70 and \$235, respectively, compared to \$73 and \$212, respectively, during the three and nine months ended November 30, 2014, respectively. These charges are included within Interest and Bank Charges on the Consolidated Statement of Operations and Comprehensive Income (Loss).

The Company incurred debt financing costs totaling approximately \$8,200 as a result of entering into and amending the Credit Facility during Fiscal 2013 and Fiscal 2014, which are recorded as deferred financing costs. The Company accounted for the amendments as modifications of debt and added these costs to the remaining financing costs related to the original Credit Facility. These deferred financing costs are included in Other Assets on the accompanying Consolidated Balance Sheets and are being amortized through Interest and Bank Charges in the Consolidated Statement of Operations and Comprehensive Income (Loss) over the five year term of the Credit Facility. During both the three and nine months ended November 30, 2015 and November 30, 2014, the Company amortized \$279 and \$838 of these costs, respectively.

(b) Construction Mortgage

On July 6, 2015, VOXX HQ LLC, the Company's wholly owned subsidiary, closed on a \$9,995 industrial development revenue tax exempt bond under a loan agreement in favor of the Orange County Industrial Development Authority (the "Authority") to finance the construction of the Company's manufacturing facility and executive offices in Lake Nona, Florida (the "Construction Loan"). Wells Fargo Bank, N.A. ("Wells Fargo") was the purchaser of the bond and U.S. Bank National Association is the trustee under an Indenture of Trust with the Authority. Voxx borrowed the proceeds of the bond purchase from the Authority and will make principal and interest payments to Wells Fargo beginning March 1, 2016 through March of 2026. The Construction Loan is considered a revolving loan during construction and will become a permanent mortgage when the building is completed and ready for occupancy. The Company will make interest payments on the outstanding balance of the Construction Loan through February 29, 2016, at which time monthly principal and interest payments will commence and be made through the loan maturity date. The Construction Loan bears interest at 70% of 1-month LIBOR plus 1.54% (1.43% at November 30, 2015) and is secured by a first mortgage on the property, a collateral assignment of leases and rents and a guaranty by the Company. The financial covenants of the Construction Loan are as defined in the Company's Credit Facility with Wells Fargo dated March 14, 2012. The outstanding balance of the Construction Loan as of November 30, 2015 was \$7,658.

The Company incurred debt financing costs totaling approximately \$332 as a result of obtaining the Construction Loan, which are recorded as deferred financing costs and included in Other Assets on the accompanying

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Consolidated Balance Sheet and are being amortized through Interest and Bank Charges in the Consolidated Statement of Operations and Comprehensive Income (Loss) over the ten year term of the Construction Loan. During the three and nine months ended November 30, 2015, the Company amortized \$5 and \$9 of these costs, respectively.

On July 20, 2015, the Company entered into an interest rate swap agreement in order to hedge interest rate exposure related to the Construction Loan and will pay a fixed rate of 3.48% under the swap agreement beginning on March 1, 2016 coinciding with the start of principal and interest payments (See Note 4).

(c) *Euro Asset-Based Lending Obligation*

Foreign bank obligations include a Euro accounts receivable factoring arrangement, which has a credit limit of up to 60% of eligible non-factored accounts receivable and expires on July 31, 2016, and a Euro Asset-Based Lending ("ABL") credit facility, which has a credit limit of €8,000 and expires on October 31, 2016 for the Company's subsidiary, VOXX Germany. The rate of interest for these credit facilities is the three month Euribor plus 1.6% (1.49% at November 30, 2015). As of November 30, 2015, the amounts outstanding under these credit facilities, which are payable on demand, do not exceed their respective credit limits.

(d) *Schwaiger Mortgage*

In January 2012, the Company's Schwaiger subsidiary purchased a building, entering into a mortgage note payable. The mortgage note bears interest at 3.75% and will be fully paid by December 2019.

(e) *Klipsch Mortgages*

Included in this balance is a mortgage on a facility included in the assets acquired in connection with the Klipsch transaction on March 1, 2011 and assumed by Voxx. The balance at November 30, 2015 is \$302 and will be fully paid by the end of Fiscal 2018.

Also included in this balance is a mortgage on the building which houses Klipsch's headquarters in Indianapolis, IN due in May 2023. The interest rate on the mortgage is equal to the 1-month LIBOR plus 2.25%. The Company has an interest rate swap agreement in order to hedge interest rate exposure related to this mortgage and pays a fixed rate of 3.92% under the swap agreement (see Note 4). The balance of the mortgage at November 30, 2015 was \$5,915.

(f) *Voxx Germany Mortgage*

Included in this balance is a mortgage on the land and building housing Voxx Germany's headquarters in Pulheim, Germany, which was entered into in January 2013. The mortgage bears interest at 2.85%, payable in twenty-six quarterly installments through June 2019.

(g) *Hirschmann Line of Credit*

In December 2014, Hirschmann entered into an agreement for a €8,000 working capital line of credit with a financial institution. The line of credit is payable on demand and is mutually cancelable. The rate of interest is the three month Euribor plus 2% (1.89% at November 30, 2015). Hirschmann and Voxx Germany are joint and severally liable for the line of credit balance, which is also guaranteed by VOXX International Corporation.

(16) *Other Income (Expense)*

Other income (expense) is comprised of the following:

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

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2015	2014	2015	2014
Foreign currency gain (loss)	\$ 487	\$ 111	\$ 466	\$ 476
Interest income	38	144	781	282
Rental income	109	305	320	896
Miscellaneous	2	(418)	(430)	(238)
Total other, net	<u>\$ 636</u>	<u>\$ 142</u>	<u>\$ 1,137</u>	<u>\$ 1,416</u>

Included in interest income for the nine months ended November 30, 2015 is income related to notes receivable from EyeLock, Inc. through the acquisition date of September 1, 2015 (see Note 2).

(17) Foreign Currency

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

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

In February 2013, the Venezuelan government announced the devaluation of the Bolivar Fuerte, moving the official exchange rate from 4.3 to 6.3 per U.S. dollar. Concurrent with this action, the Venezuelan government established a new auction-based exchange rate market program, referred to as Complementary System for the Administration of Foreign Currency ("SICAD"). The amount of transactions that have run through the SICAD and restrictions around participation limited our access to any foreign exchange rate other than the official rate to pay for imported goods and manage our local monetary asset balances. Although the official exchange rate remained at 6.3 during Fiscal 2014, the government announced in January 2014 that the exchange rate for goods and services deemed non-essential would move to the rate available on the expanded SICAD currency market, which was 11.7 at February 28, 2014 (referred to as SICAD 1). In March 2014, a new exchange control mechanism was opened by the government, referred to as SICAD 2, which was not restricted by auction and was available for all types of transactions. The use of the SICAD 1 rate was dependent upon the availability of auctions, and was not indicative of a free market exchange, as only designated industries could bid into individual auctions and the highest bids were not always recognized by the Venezuelan government. The Company, therefore, used the SICAD 2 rate for its Venezuelan subsidiary for the three and nine months ended November 30, 2014, which was approximately 50 Bolivar Fuerte/\$1 at November 30, 2014, with the exception of the Company's investment in Venezuelan government issued sovereign bonds (See Note 5). In February 2015, the Venezuelan government introduced another new currency system, referred to as the Marginal Currency System, or SIMADI rate. This market-based exchange system consists of a mechanism from which both businesses and individuals are allowed to purchase and sell foreign currency at the price set by the market. In conjunction with this introduction, SICAD 2 was annulled and combined with the former SICAD 1, reverting to its original title of SICAD, exclusively applicable to non-essential goods and subject to available auctions. The SIMADI rate at November 30, 2015 was approximately 200 Bolivar Fuerte/\$1 and has been used by the Company for its Venezuelan subsidiary at November 30, 2015. A net currency exchange loss of \$0 and \$(34) was recorded for the three and nine months ended November 30, 2015, and is included in Other Income (Expense) on the Consolidated Statement of Operations and Comprehensive Income (Loss). For the three and nine months ended

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November 30, 2014, net currency exchange losses of \$0 and \$(6,232) were recorded, respectively, which included the remeasurement loss on the Company's Venezuelan bonds of \$(6,702).

Our investment in Venezuela mainly consists of \$3,851 of rental properties that are currently being held for investment purposes. As of November 30, 2015, the Company made an assessment of the recoverability of its investment properties in Venezuela. In reviewing the recoverability of its investment properties, the Company considered the expected cash flows from these properties, the length of time the properties have been held, the volatile market conditions, the Company's financial condition, and the intent and ability to retain its investment for a period of time sufficient to allow for any anticipated recovery in fair value. Based on our assessment, none of our rental properties were impaired as of November 30, 2015.

Our automotive business in Venezuela and our ability to obtain U.S. dollars are impacted by the continued economic instability, increasing inflation and currency restrictions imposed by the government. The Company is monitoring this situation closely and continues to evaluate its local properties. However, further devaluations or regulatory actions could impair the carrying value of these properties.

(18) Lease Obligations

At November 30, 2015, the Company was obligated under non-cancelable operating leases for equipment, as well as warehouse and office facilities for minimum annual rental payments as follows:

	Operating Leases
2016	\$ 4,276
2017	3,192
2018	946
2019	638
2020	179
Thereafter	356
Total minimum lease payments	\$ 9,587

The Company has three capital leases with a total lease liability of \$1,503 at November 30, 2015. These leases have maturities through Fiscal 2020.

The Company leases a facility from its principal stockholder which expires on November 30, 2016. At November 30, 2015, minimum annual rental payments on this related party operating lease, which are included in the above table, are as follows:

2016	\$ 847
2017	—
Total	\$ 847

(19) Capital Structure

The Company's capital structure is as follows:

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Security	Par Value	Shares Authorized		Shares Outstanding		Voting Rights per Share	Liquidation Rights
		November 30, 2015	February 28, 2015	November 30, 2015	February 28, 2015		
Preferred Stock	\$ 50.00	50,000	50,000	—	—	—	\$50 per share
Series Preferred Stock	\$ 0.01	1,500,000	1,500,000	—	—	—	
Class A Common Stock	\$ 0.01	60,000,000	60,000,000	21,898,465	21,873,790	1	Ratably with Class B
Class B Common Stock	\$ 0.01	10,000,000	10,000,000	2,260,954	2,260,954	10	Ratably with Class A
Treasury Stock at cost	at cost	2,168,979	2,129,450	N/A	N/A	N/A	

(20) Variable Interest Entities

A variable interest entity ("VIE") is an entity that either (i) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support, or (ii) has equity investors who lack the characteristics of a controlling financial interest. Under ASC 810, an entity that holds a variable interest in a VIE and meets certain requirements would be considered to be the primary beneficiary of the VIE and required to consolidate the VIE in its consolidated financial statements. In order to be considered the primary beneficiary of a VIE, an entity must hold a variable interest in the VIE and have both:

- the power to direct the activities that most significantly impact the economic performance of the VIE; and
- the right to receive benefits from, or the obligation to absorb losses of, the VIE that could be potentially significant to the VIE.

Effective September 1, 2015, Voxx acquired of a majority voting interest in substantially all of the assets and certain specified liabilities of EyeLock, Inc. and EyeLock Corporation, a market leader of iris-based identity authentication solutions, through a newly-formed entity, EyeLock LLC (See Note 2). We have determined that we hold a variable interest in EyeLock LLC as a result of:

- our majority voting interest and ownership of substantially all of the assets and certain liabilities of the entity; and
- a loan agreement with EyeLock LLC, executed in conjunction with the acquisition, in which the subsidiary borrows may funds of up to \$10,000 from Voxx for working capital purposes. The loan bears interest at 10% and has a maximum monthly borrowing capacity of \$1,000, which can be adjusted to \$2,000. The outstanding balance of the loan as of November 30, 2015 was \$5,940 .

We concluded that we became the primary beneficiary of EyeLock LLC on September 1, 2015 in conjunction with the acquisition. This was the first date that we had the power to direct the activities EyeLock LLC that most significantly impact the economic performance of the entity, because we acquired a majority interest in substantially all of the assets and certain liabilities of EyeLock Inc. and EyeLock Corporation on this date, as well as obtained a majority voting interest as a result of this transaction. Although we are considered to have control over EyeLock LLC under ASC 810, as a result of our majority ownership interest, the assets of EyeLock LLC can only be used to satisfy the obligations of the subsidiary. As a result of our majority ownership interest in the entity and our primary beneficiary conclusion, we consolidated EyeLock LLC in our consolidated financial statements beginning on September 1, 2015. Prior to September 1, 2015, EyeLock Inc. was not required to be consolidated in our consolidated financial statements, because we concluded that we were not the primary beneficiary of EyeLock Inc. prior to that time.

Assets and Liabilities of EyeLock LLC In accordance with ASC 810, the consolidation of EyeLock LLC was treated as an acquisition of assets and liabilities and, therefore, the assets and liabilities of EyeLock LLC were included in our consolidated financial statements at their fair value as of September 1, 2015. Refer to Note 2 for the fair value of the

VOXX International Corporation and Subsidiaries
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assets and liabilities of EyeLock LLC on the acquisition date and the discussion of purchase accounting procedures performed.

The following table sets forth the carrying values of assets and liabilities of EyeLock LLC that were included on our Consolidated Balance Sheet as of November 30, 2015:

	November 30, 2015	
Assets	<i>(unaudited)</i>	
Current assets:		
Cash and cash equivalents	\$	21
Accounts receivable, net		149
Inventory, net		304
Prepaid expenses and other current assets		165
Total current assets		639
Property, plant and equipment, net		263
Intangible assets, net		43,015
Total assets	\$	43,917
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$	1,164
Accrued expenses and other current liabilities		370
Total current liabilities		1,534
Long-term debt		5,940
Other long-term liabilities		1,200
Total liabilities		8,674
Commitments and contingencies		
Partners' equity:		
Capital		39,578
Retained earnings		(4,335)
Total partners' equity		35,243
Total liabilities and stockholders' equity	\$	43,917

The assets of EyeLock LLC can only be used to satisfy the obligations of EyeLock LLC.

Revenue and Expenses of EyeLock LLC The following table sets forth the revenue and expenses of EyeLock LLC that were included in our Consolidated Statements of Operations for the three and nine months ended November 30, 2015:

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	Three Months Ended November 30, 2015	Nine Months Ended November 30, 2015
Net sales	\$ 72	\$ 72
Cost of sales	11	11
Gross profit	61	61
Operating expenses:		
Selling	359	359
General and administrative	1,779	1,779
Engineering and technical support	2,142	2,142
Total operating expenses	4,280	4,280
Operating loss	(4,219)	(4,219)
Interest and bank charges	(117)	(117)
Loss before income taxes	(4,336)	(4,336)
Income tax expense	—	—
Net loss	<u>\$ (4,336)</u>	<u>\$ (4,336)</u>

(21) Segment Reporting

The Company operates in three distinct segments based upon our products and our internal organizational structure. The three operating segments, which are also the Company's reportable segments, are Automotive, Premium Audio and Consumer Accessories.

Our Automotive segment designs, manufactures, distributes and markets rear-seat entertainment devices, satellite radio products, automotive security, remote start systems, digital TV tuners, mobile antennas, mobile multimedia devices, aftermarket/OE-styled radios, car link-smartphone telematics application, collision avoidance systems and location-based services.

Our Premium Audio segment designs, manufactures, distributes and markets home theater systems, high-end loudspeakers, outdoor speakers, iPod/computer speakers, business music systems, cinema speakers, flat panel speakers, Bluetooth speakers, soundbars, headphones and DLNA (Digital Living Network Alliance) compatible devices.

Our Consumer Accessories segment designs and markets remote controls; rechargeable battery packs; wireless and Bluetooth speakers; EyeLock iris identification and security related products; personal sound amplifiers; and iPod docks/iPod sound, A/V connectivity, portable/home charging, reception, and digital consumer products.

The accounting principles applied at the consolidated financial statement level are generally the same as those applied at the operating segment level and there are no material intersegment sales. The segments are allocated interest expense, based upon a pre-determined formula, which utilizes a percentage of each operating segment's intercompany balance, which is offset in Corporate/Eliminations.

Segment data for each of the Company's segments are presented below:

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

	Automotive	Premium Audio	Consumer Accessories	Corporate/ Eliminations	Total
Three Months Ended November 30, 2015					
Net sales	\$ 92,575	\$ 44,722	\$ 54,825	\$ 384	\$ 192,506
Equity in income of equity investees	1,927	—	—	—	1,927
Interest expense and bank charges	1,468	2,259	1,495	(3,450)	1,772
Depreciation and amortization expense	1,788	875	1,117	522	4,302
Income (loss) before income taxes	7,175	2,432	(3,862)	3,309	9,054
Three Months Ended November 30, 2014					
Net sales	\$ 110,237	\$ 54,353	\$ 58,202	\$ 564	\$ 223,356
Equity in income of equity investees	1,245	—	—	—	1,245
Interest expense and bank charges	1,654	2,372	1,460	(3,661)	1,825
Depreciation and amortization expense	2,394	946	331	518	4,189
Income (loss) before income taxes	8,686	5,985	2,500	(965)	16,206
Nine Months Ended November 30, 2015					
Net sales	\$ 266,866	\$ 104,261	\$ 138,687	\$ 1,249	\$ 511,063
Equity in income of equity investees	5,002	—	—	—	5,002
Interest expense and bank charges	4,449	6,749	4,207	(10,441)	4,964
Depreciation and amortization expense	5,462	2,602	1,772	1,520	11,356
Income (loss) before income taxes	16,300	(8,366)	(9,143)	2,978	1,769
Nine Months Ended November 30, 2014					
Net sales	\$ 305,564	\$ 128,517	\$ 152,567	\$ 950	\$ 587,598
Equity in income of equity investees	4,631	—	—	—	4,631
Interest expense and bank charges	4,623	6,892	5,000	(11,505)	5,010
Depreciation and amortization expense	6,861	2,743	1,005	1,580	12,189
Income (loss) before income taxes	11,685	2,582	(1,989)	(157)	12,121

(22) Contingencies

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

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

Securities and Derivative Proceedings:

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On July 8, 2014, a purported class action suit, Brian Ford v. VOXX International Corporation et. al., was filed against us and two of our present executive officers in the U.S. District Court for the Eastern District of New York. On July 16, 2015, the judge approved the designation of the lead plaintiffs and counsel for the plaintiffs. On September 28, 2015, the plaintiff filed an amended complaint which alleges the same claims as the original complaint (that defendants violated the federal securities laws by making false or misleading statements which artificially inflated the price of our stock and that purchasers of our stock during the relevant period were damaged when the stock price later declined) under Sections 10(a) and 20(a) of the Securities Exchange Act but expands the class period by five months, from January 9, 2013 through May 14, 2014. According to the allegations contained in the amended complaint, the defendants knew or should have known, by virtue of their roles and positions, that their statements were false and misleading and said defendants were purportedly motivated because their conduct enabled Company insiders to sell VOXX stock at inflated prices. We believe that we have meritorious legal positions and defenses and will continue to represent our interests vigorously in this matter. On November 25, 2015, the Defendants moved to dismiss the Amended Complaint for failure to state a claim. The Plaintiff has 60 days to file its opposition papers to Defendants' motion.

(23) New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenues from Contracts with Customers (Topic 606)," which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The standard requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The new guidance also includes a cohesive set of disclosure requirements intended to provide users of financial statements comprehensive information about the nature, amounts, timing and uncertainty of revenue and cash flows arising from a company's contracts with customers. In August, 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date." The amendment in this ASU defers the effective date of ASU 2014-09 for all entities for one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 31, 2016, including interim reporting periods with that reporting period. Retrospective or modified retrospective application of the accounting standard is required. The Company is currently evaluating the impact of the standard on the Company's Consolidated Financial Statements and disclosures.

In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810) - Amendments to the Consolidation Analysis." This standard modifies existing consolidation guidance for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. ASU 2015-02 is effective for fiscal years beginning after December 15, 2015, and requires either a retrospective or a modified retrospective approach to adoption. Early adoption is permitted. The Company does not expect this standard to have a significant impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Interest- Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The update simplifies the presentation of debt issuance costs by requiring that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. For public companies, this update is effective for interim and annual periods beginning after December 15, 2015, and is to be applied retrospectively. Early adoption is permitted. In August 2015, the FASB issued ASU 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of Credit Arrangements." This standard states that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing these costs when they relate to a line-of-credit arrangement. The Company does not expect these standards to have a significant impact on its consolidated financial statements and has not yet concluded whether it will adopt the standards prior to the effective date.

In May 2015, the FASB issued ASU 2015-08, "Business Combinations (Topic 805): Pushdown Accounting - Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115." ASU 2015-08 amends various SEC paragraphs included in the FASB's Accounting Standards Codification to reflect the issuance of Staff Accounting Bulletin No. 115 ("SAB 115"). SAB 115 rescinds portions of the interpretive guidance included in the SEC's Staff Accounting Bulletins series and brings existing guidance into conformity with ASU 2014-17, "Business Combinations (Topic 805): Pushdown

VOXX International Corporation and Subsidiaries
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Accounting,” which provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The Company has adopted the amendments in ASU 2015-08, effective immediately, as the amendments in the update are effective upon issuance. The adoption did not have an impact on the Consolidated Financial Statements.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory." The new standard amends the guidelines for the measurement of inventory from lower of cost or market to the lower of cost and net realizable value (NRV). NRV is defined as the estimated selling prices in the ordinary course of business less reasonably predictable costs of completion, disposal, and transportation. Under existing standards, inventory is measured at lower of cost or market, which requires the consideration of replacement cost, NRV and NRV less an amount that approximates a normal profit margin. This ASU eliminates the requirement to determine and consider replacement cost or NRV less an approximately normal profit margin for inventory measurement. The new standard is effective prospectively for fiscal years beginning after December 15, 2016, with early adoption permitted. We are currently evaluating the impact, if any, of adopting this new accounting guidance on our results of operations and financial position.

In September 2015, the FASB issued ASC 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments." ASU 2015-16 eliminates the requirement for an acquirer to retrospectively adjust provisional amounts recorded in a business combination to reflect new information about the facts and circumstances that existed as of the acquisition date and that, if known, would have affected measurement or recognition of amounts initially recognized. As an alternative, the amendment requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the financial statements of the period in which adjustments to provisional amounts are determined, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The new standard is effective prospectively for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of the standard on the Company's Consolidated Financial Statements and disclosures.

In July 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740) - Balance Sheet Classification of Deferred Taxes." This update simplifies the presentation of deferred income taxes, by requiring that deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this update. This update is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company is evaluating the potential impact of adoption on its consolidated financial statements.

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

Forward-Looking Statements

Certain information in this Quarterly Report on Form 10-Q would constitute forward-looking statements, including, but not limited to, information relating to the future performance and financial condition of the Company, the plans and objectives of the Company's management and the Company's assumptions regarding such performance and plans that are forward-looking in nature and involve certain risks and uncertainties. Actual results could differ materially from such forward-looking information.

We begin Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") with an overview of the business. This is followed by a discussion of the Critical Accounting Policies and Estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results. In the next section, we discuss our results of operations for the three and nine months ended November 30, 2015 compared to the three and nine months ended November 30, 2014. Next, we present adjusted EBITDA and diluted adjusted EBITDA per common share for the three and nine months ended November 30, 2015 compared to the three and nine months ended November 30, 2014 in order to provide a useful and appropriate supplemental measure of our performance. We then provide an analysis of changes in our balance sheets and cash flows, and discuss our financial commitments in the sections entitled "Liquidity and Capital Resources." We conclude this MD&A with a discussion of "Related Party Transactions" and "Recent Accounting Pronouncements."

Unless specifically indicated otherwise, all amounts presented in our MD&A below are in thousands, except share and per share data.

Business Overview

VOXX International Corporation ("Voxx," "We," "Our," "Us" or the "Company") is a leading international manufacturer and distributor in the Automotive, Premium Audio and Consumer Accessories industries. The Company has widely diversified interests, with more than 30 global brands that it has acquired and grown throughout the years, achieving a powerful international corporate image and creating a vehicle for each of these respective brands to emerge with its own identity. We conduct our business through nineteen wholly-owned subsidiaries: Audiovox Atlanta Corp., VOXX Electronics Corporation, VOXX Accessories Corp., Audiovox Consumer Electronics, Inc. ("ACE"), Audiovox German Holdings GmbH ("Voxx Germany"), Audiovox Venezuela, C.A., Audiovox Canada Limited, Voxx Hong Kong Ltd., Audiovox International Corp., Audiovox Mexico, S. de R.L. de C.V. ("Voxx Mexico"), Code Systems, Inc., Oehlbach Kabel GmbH ("Oehlbach"), Schwaiger GmbH ("Schwaiger"), Invision Automotive Systems, Inc. ("Invision"), Klipsch Holding LLC ("Klipsch"), Car Communication Holding GmbH ("Hirschmann"), EyeLock, LLC ("EyeLock"), Omega Research and Development, LLC ("Omega") and Audiovox Websales LLC. We market our products under the Audiovox® brand name, other brand names and licensed brands, such as 808®, AR for Her, Acoustic Research®, Advent®, Ambico®, Car Link®, Chapman®, Code-Alarm®, Energy®, Heco®, Hirschmann Car Communication®, Incaar™, Invision®, Jamo®, Jensen®, Klipsch®, Mac Audio™, Magnat®, Mirage®, Oehlbach®, Omega®, Prestige®, Pursuit®, RCA®, RCA Accessories, Schwaiger®, and Terk®, as well as private labels through a large domestic and international distribution network. We also function as an OEM ("Original Equipment Manufacturer") supplier to several customers, as well as market a number of products under exclusive distribution agreements, such as SiriusXM satellite radio products, 360Fly™ Action Cameras, myris® iris identification products and Singtrix®, the next generation in karaoke.

Reportable Segments

The Company operates in three segments based upon our products and internal organizational structure. The operating segments consist of the Automotive, Premium Audio and Consumer Accessories segments. The Automotive segment designs, manufactures, distributes and markets rear-seat entertainment devices, satellite radio products, automotive security, remote start systems, digital TV tuners, mobile antennas, mobile multimedia devices, aftermarket/OE-styled radios, car-link smartphone telematics application, collision avoidance systems and location-based services. The Premium Audio segment designs, manufactures, distributes and markets home theater systems, high-end loudspeakers, outdoor speakers, iPod/computer speakers, business music systems, cinema speakers, flat panel speakers, Bluetooth speakers, soundbars, headphones and DLNA (Digital Living Network Alliance) compatible devices. The Consumer Accessories segment designs and markets remote controls; rechargeable battery packs; wireless and Bluetooth speakers; iris identification products; personal sound amplifiers; and iPod docks/iPod sound, A/V connectivity, portable/home charging, reception and digital consumer products. See Note 21 to the Company's Consolidated Financial Statements for segment information.

Products included in these segments are as follows:

Automotive products include:

- mobile multi-media video products, including in-dash, overhead and headrest systems,
- autosound products including radios, amplifiers and CD changers,
- satellite radios including plug and play models and direct connect models,
- smart phone telematics applications,
- automotive security and remote start systems,
- automotive power accessories,
- rear observation and collision avoidance systems,
- TV tuners and antennas, and
- location based services.

Premium Audio products include:

- premium loudspeakers,
- architectural speakers,
- commercial speakers,
- outdoor speakers,
- flat panel speakers,
- wireless speakers,
- Bluetooth speakers,
- home theater systems,
- business music systems,
- streaming music systems,
- on-ear and in-ear headphones,
- soundbars and sound bases, and
- DLNA (Digital Living Network Alliance) compatible devices.

Accessories products include:

- High-Definition Television ("HDTV") antennas,
- Wireless Fidelity ("WiFi") antennas,
- High-Definition Multimedia Interface ("HDMI") accessories,
- EyeLock security related products,
- home electronic accessories such as cabling,
- other connectivity products,
- power cords,
- performance enhancing electronics,
- TV universal remotes,
- flat panel TV mounting systems,
- iPod specialized products,
- wireless headphones,
- wireless speakers,
- Bluetooth speakers,
- 360Fly™ Action Cameras,
- Singtrix® karaoke product,
- power supply systems and charging products,
- electronic equipment cleaning products,
- personal sound amplifiers,
- set-top boxes,
- home and portable stereos,
- digital multi-media products, such as personal video recorders and MP3 products,
- clock radios,
- digital voice recorders, and
- portable DVD players.

We believe our segments have expanding market opportunities with certain levels of volatility related to domestic and international markets, new car sales, increased competition by manufacturers, private labels, technological advancements, discretionary

consumer spending and general economic conditions. Also, all of our products are subject to price fluctuations which could affect the carrying value of inventories and gross margins in the future.

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

Acquisitions

Effective September 1, 2015 ("the Closing Date"), Voxx completed its acquisition of a majority voting interest in substantially all of the assets and certain specified liabilities of Eyelock, Inc. and Eyelock Corporation (collectively the "Seller"), a market leader of iris-based identity authentication solutions, through a newly-formed entity Eyelock LLC. Eyelock LLC acquired substantially all of the assets and certain specified liabilities of the Seller with cash of \$15,504, assignment to the Seller of the indebtedness owed to the Company by the Seller of \$4,677 and the issuance of units in Eyelock LLC to the Seller. Additionally, units in Eyelock LLC were issued to certain executives of EyeLock LLC. This acquisition allows the Company to enter into the growing biometrics market.

Management is in the process of determining the final purchase price. Details of the preliminary tangible and intangible assets acquired are outlined in Note 2 of this report.

Critical Accounting Policies and Estimates

The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in those financial statements. These judgments can be subjective and complex, and consequently, actual results could differ from those estimates. Our most critical accounting policies and estimates relate to revenue recognition; sales incentives; accounts receivable reserves; inventory reserves; goodwill and other intangible assets; warranties; stock-based compensation; income taxes; and the fair value measurements of financial assets and liabilities. A summary of the Company's critical accounting policies is identified in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Form 10-K for the fiscal year ended February 28, 2015. Since February 28, 2015, there have been no changes in our critical accounting policies or changes to the assumptions and estimates related to them.

Results of Operations

As you read this discussion and analysis, refer to the accompanying consolidated statements of operations and comprehensive income, which present the results of our operations for the three and nine months ended November 30, 2015 and 2014.

The following tables set forth, for the periods indicated, certain statements of operations data for the three and nine months ended November 30, 2015 and 2014.

Net Sales

	November 30,		\$ Change	% Change
	2015	2014		
Three Months Ended:				
Automotive	\$ 92,575	\$ 110,237	\$ (17,662)	(16.0)%
Premium Audio	44,722	54,353	(9,631)	(17.7)
Consumer Accessories	54,825	58,202	(3,377)	(5.8)
Corporate	384	564	(180)	(31.9)
Total net sales	<u>\$ 192,506</u>	<u>\$ 223,356</u>	<u>\$ (30,850)</u>	<u>(13.8)%</u>
Nine Months Ended:				
Automotive	\$ 266,866	\$ 305,564	\$ (38,698)	(12.7)%
Premium Audio	104,261	128,517	(24,256)	(18.9)
Consumer Accessories	138,687	152,567	(13,880)	(9.1)
Corporate	1,249	950	299	31.5
Total net sales	<u>\$ 511,063</u>	<u>\$ 587,598</u>	<u>\$ (76,535)</u>	<u>(13.0)%</u>

Automotive sales represented 48.1% and 52.2% of the net sales for the three and nine months ended November 30, 2015, respectively, compared to 49.4% and 52.0% in the comparable prior year periods. A significant portion of the decrease in sales figures for the Automotive group was due to foreign exchange. The Euro devalued against the U.S. Dollar beginning in the second quarter of Fiscal 2015 and accelerated during the third and fourth quarters of Fiscal 2015 through the third quarter of Fiscal 2016. During these periods, the Euro to U.S. Dollar rate dropped from approximately 1.36 at May 31, 2014 to 1.05 at November 30, 2015, representing a 23% decrease in value, which negatively impacted the translation of our Euro denominated sales when comparing the three and nine months ended November 30, 2015 to the three and nine months ended November 30, 2014, and resulting in a decrease of approximately \$6,200 and \$25,400, respectively, in Automotive segment sales. In addition, the Company experienced a decrease in sales related to its remote start business during the three and nine months ended November 30, 2015 due to load in sales realized in the prior year for a program launched with Subaru that leveled out in Fiscal 2016, the completion of remote start programs with two other vehicle manufacturers, as well as an unseasonably warm start to the Fall/Winter season, which has negatively impacted the sale of remote start products. The Company has also experienced a decline in sales for its Car Connection program for the three and nine months ended November 30, 2015, which began selling devices to retailers during the first half of Fiscal 2015, with significant load in sales, and a decrease in satellite radio fulfillment and portable DVD player sales, as more cars are now being manufactured with these products and the Company began to phase out its portable DVD product offerings during the prior fiscal year. In addition, during the first quarter of Fiscal 2015, the Company sold all of its Jensen Mobile product inventory to a third party, consisting of car speakers and amplifiers, in order to license the brand name for a commission, which has resulted in reduced sales of these products for the three and nine months ended November 30, 2015, as compared to the prior year periods. As an offset to these decreases, the Company saw an increase in its OEM manufacturing line sales for both the three and nine months ended November 30, 2015, due primarily to the launch of a new program with Cadillac for rear seat entertainment, as well as the relaunch of a previously suspended OEM program due to customer safety issues.

Premium Audio sales represented 23.2% and 20.4% of our net sales for the three and nine months ended November 30, 2015, respectively, compared to 24.3% and 21.9% in the respective prior year periods. A portion of the decline is attributable to the Euro to U.S. Dollar exchange rate, which negatively impacted the translation of our Euro denominated sales when comparing the three and nine months ended November 30, 2015 to the three and nine months ended November 30, 2014, as noted above, resulting in an approximate decrease of \$1,600 and \$5,200, respectively, in Premium Audio sales. Sales have also decreased in this segment as a result of lower sales of Bluetooth speakers, headphones and soundbars as a result of competition, the discontinuation of business with certain retailers, in an effort to better manage product pricing, as well as prior year load in sales of new product that was not repeated in the current year. These decreases were partially offset by increases in sales of subwoofers for the nine months ended November 30, 2015.

Consumer Accessory sales represented 28.5% and 27.1% of our net sales for the three and nine months ended November 30, 2015, respectively, compared to 26.1% and 26.0% in the comparable prior year periods. A portion of the decline in sales is attributable to the Euro to U.S. Dollar exchange rate, which negatively impacted the translation of our Euro denominated sales when comparing the three and nine months ended November 30, 2015 to the three and nine months ended November 30, 2014, as noted above, resulting in an approximate decrease of \$1,400 and \$4,900, respectively, in Consumer Accessory sales. The segment also experienced decreases in sales for the nine months ended November 30, 2015 in reception products, such as antennas, as well as headphones, and decreases for both the three and nine months ended November 30, 2015 in hook-up products, such as cables, as well as remotes, due to competition, changes in demand and changes in technology. There was also a decrease in sales of tablets

during the nine months ended November 30, 2015 as compared to the nine months ended November 30, 2014, as a result of the phasing out of this product in Fiscal 2016. In addition, there was a decrease in Consumer Accessory segment sales for the nine months ended November 30, 2015 as a result of the prior year sale of all inventory on hand at the Company's Mexico subsidiary in the first quarter of Fiscal 2015 due to the transition of this subsidiary from a distributor model to a representative office. These decreases were offset by significant increases in sales of wireless and Bluetooth speakers during the three and nine months ended November 30, 2015, as well as sales of the new Singtrix karaoke product launched in the fourth quarter of Fiscal 2015 and the new 360Fly™ Action Camera launched in the third quarter of Fiscal 2016.

Gross Profit and Gross Margin Percentage

	November 30,		\$ Change	% Change
	2015	2014		
Three Months Ended:				
Automotive	\$ 27,022	\$ 34,499	\$ (7,477)	(21.7)%
	29.2%	31.3%		
Premium Audio	15,176	18,317	(3,141)	(17.1)
	33.9%	33.7%		
Consumer Accessories	13,228	15,529	(2,301)	(14.8)
	24.1%	26.7%		
Corporate	417	612	(195)	(31.9)
	\$ 55,843	\$ 68,957	\$ (13,114)	(19.0)%
	29.0%	30.9%		
Nine Months Ended:				
Automotive	\$ 80,127	\$ 94,889	\$ (14,762)	(15.6)%
	30.0%	31.5%		
Premium Audio	34,429	40,352	(5,923)	(14.7)
	33.0%	31.4%		
Consumer Accessories	33,267	38,236	(4,969)	(13.0)
	24.0%	25.1%		
Corporate	1,038	937	101	10.8
	\$ 148,861	\$ 174,414	\$ (25,553)	(14.7)%
	29.1%	29.7%		

Gross margins in the Automotive segment decreased 210 and 150 basis points for the three and nine months ended November 30, 2015, respectively. The segment experienced lower margins related to its tuner and antenna sales during both the three and nine months ended November 30, 2015, as compared to the prior year periods. In addition, there were lower sales in the Company's high margin remote start business and higher sales in the OEM manufacturing line which produced lower margins during the three and nine months ended November 30, 2015 as compared to the prior year periods. This was offset by lower sales of lower margin products such as satellite radio fulfillments and portable DVD players, which contributed to margin improvements for the three and nine months ended November 30, 2015.

Gross margins in the Premium Audio segment increased 20 and 160 basis points for the three and nine months ended November 30, 2015, respectively. During the prior year three and nine month periods, the Premium Audio group made significant downward prices adjustments to products that were phasing out in order to make way for a new product line. In addition, many of the new product introductions during Fiscal 2015 were accompanied by up front promotional funding and discounts, as well as discounts for demo products, which have not recurred during the three and nine months ended November 30, 2015. These Fiscal 2016 margin improvements were partially offset by lower sales prices for products such as Bluetooth speakers, headphones and soundbars for the three and nine months ended November 30, 2015.

Gross margins in the Consumer Accessories segment decreased 260 and 110 basis points for the three and nine months ended November 30, 2015, respectively. For the nine months ended November 30, 2015, the margins were impacted by a duty refund that was received in the second quarter of Fiscal 2015 and did not repeat in the current year. For both the three and nine months ended November 30, 2015, margins were negatively impacted by decreased sales of certain higher margin products in both periods, including remotes, headphones, hookup and reception products, as well as by the launch of the new 360Fly™ Action Camera,

which contributed to an increase in sales for the three and nine months ended November 30, 2015, but produced lower margins for the segment. This was partially offset by an increase in sales of higher margin products, such as wireless and Bluetooth speakers and the Singtrix karaoke product launched in the fourth quarter of Fiscal 2015, as well as a decrease in sales of lower margin products, such as tablets.

Operating Expenses and Operating Income

	November 30,		\$ Change	% Change
	2015	2014		
Three Months Ended:				
Operating expenses:				
Selling	\$ 12,464	\$ 13,623	\$ (1,159)	(8.5)%
General and administrative	29,536	29,587	(51)	(0.2)
Engineering and technical support	9,459	9,103	356	3.9
Acquisition costs	800	—	800	100.0
Total operating expenses	<u>\$ 52,259</u>	<u>\$ 52,313</u>	<u>\$ (54)</u>	<u>(0.1)%</u>
Operating (loss) income	<u>\$ 3,584</u>	<u>\$ 16,644</u>	<u>\$ (13,060)</u>	<u>(78.5)%</u>
Nine Months Ended:				
Operating expenses:				
Selling	\$ 36,182	\$ 41,229	\$ (5,047)	(12.2)%
General and administrative	83,530	88,290	(4,760)	(5.4)
Engineering and technical support	26,190	27,579	(1,389)	(5.0)
Intangible asset impairment charges	6,210	—	6,210	100.0
Acquisition costs	800	—	800	100.0
Total operating expenses	<u>\$ 152,912</u>	<u>\$ 157,098</u>	<u>\$ (4,186)</u>	<u>(2.7)%</u>
Operating (loss) income	<u>\$ (4,051)</u>	<u>\$ 17,316</u>	<u>\$ (21,367)</u>	<u>(123.4)%</u>

Total operating expenses have decreased for both the three and nine months ended November 30, 2015. The Company's operating expenses have been significantly impacted by the drop in foreign exchange for Euro translation to the U.S. Dollar for the three and nine months ended November 30, 2015, as compared to the three and nine months ended November 30, 2014. The impact of the Euro to U.S. Dollar rate decrease resulted in an approximate decrease of \$2,500 and \$11,000, respectively, in operating expenses for the three and nine months ended November 30, 2015, as compared with the corresponding prior year periods. There have also been decreases in operating expenses for the three and nine months ended November 30, 2015 due to lower commission expense as a result of lower sales, lower salary and related payroll expense primarily as a result of a Company-wide headcount reduction announced in the fourth quarter of Fiscal 2015, and lower Company spending on items such as office expenditures and travel and entertainment due to conservative cost cutting measures. The Company has also experienced lower overall advertising expense as a result of the timing of campaigns and promotions, as well as lower depreciation expense due to the decreased value of buildings in Venezuela as a result of Fiscal 2015 impairments and the absence of a building under capital lease that was terminated during the third quarter of Fiscal 2015. As an offset to these decreases, the Company has experienced increases to operating expenses primarily due to impairment charges recorded during the nine months ended November 30, 2015 related to certain trademarks of the Company. The impairment charges were a result of certain indicators that occurred during the second quarter of Fiscal 2016. Specifically, certain of our premium audio product lines experienced lower than expected performance due to certain marketing strategies and the re-evaluation of marketing positions. Taking these factors into consideration, along with long-term industry forecasts, the Company re-evaluated its projections. The Company also experienced an increase in professional fees related to certain legal matters being pursued, as well as an increase in salary expense at Hirschmann as a result of the hiring of additional engineers, and severance expense for certain positions eliminated in the current fiscal year. Finally, as a result of the Company's acquisition of a controlling interest in substantially all of the assets and certain liabilities of EyeLock LLC on September 1, 2015, the Company incurred acquisition related costs, as well as additional salary and research and development expenses for the three and nine months ended November 30, 2015 related to the operations of this new subsidiary.

Other (Expense) Income

	November 30,		\$ Change	% Change
	2015	2014		
Three Months Ended:				
Interest and bank charges	\$ (1,772)	\$ (1,825)	\$ 53	(2.9)%
Equity in income of equity investees	1,927	1,245	682	54.8
Venezuela currency devaluation, net	—	—	—	100.0
Gain on bargain purchase	4,679	—	4,679	100.0
Other, net	636	142	494	347.9
Total other (expense) income	<u>\$ 5,470</u>	<u>\$ (438)</u>	<u>\$ 5,908</u>	<u>(1,348.9)%</u>
Nine Months Ended:				
Interest and bank charges	\$ (4,964)	\$ (5,010)	\$ 46	(0.9)%
Equity in income of equity investees	5,002	4,631	371	8.0
Venezuela currency devaluation, net	(34)	(6,232)	6,198	(99.5)
Gain on bargain purchase	4,679	—	4,679	100.0
Other, net	1,137	1,416	(279)	(19.7)
Total other (expense) income	<u>\$ 5,820</u>	<u>\$ (5,195)</u>	<u>\$ 11,015</u>	<u>(212.0)%</u>

Interest and bank charges represent expenses for the Company's bank obligations, interest related to capital leases and amortization of the debt discount on our credit facility and construction mortgage.

Equity in income of equity investees represents the Company's share of income from its 50% non-controlling ownership interest in ASA Electronics LLC and Subsidiaries ("ASA"). The increase in income for the three and nine months ended November 30, 2015 was a result of an improvement in ASA's product mix.

Venezuela currency devaluation, net, for the nine months ended November 30, 2014 included a charge of \$6,702 representing the remeasurement loss related to the Company's Venezuelan bonds that were remeasured at August 31, 2014 using a rate of 6.3 Bolivar Fuerte/\$1, which did not recur in Fiscal 2016. These bonds matured during the first quarter of Fiscal 2016.

Effective September 1, 2015, Voxx completed the acquisition of a majority voting interest in substantially all of the assets and certain specified liabilities of Eyelock, Inc. and Eyelock Corporation (collectively, "the Seller"), through a newly-formed entity Eyelock LLC using cash of \$15,504, assignment to the Seller of the indebtedness owed to the Company by the Seller of \$4,677 and the issuance of units in Eyelock LLC to the Seller. The excess of the assets and liabilities acquired over the amount paid for Voxx's interest in EyeLock resulted in a bargain purchase gain recognized for the three and nine months ended November 30, 2015.

Other, net, during the three and nine months ended November 30, 2015, primarily included net foreign currency gains of \$487 and \$466, interest income of \$38 and \$781, and rental income of \$109 and \$320, respectively. Other, net, during the three and nine months ended November 30, 2014, primarily included foreign currency gains of \$111 and \$476, interest income of \$144 and \$282 and rental income of \$305 and \$896, respectively. The increase in interest income for the nine months ended November 30, 2015 was attributable to interest earned on notes receivable due from EyeLock, Inc. through the acquisition date of September 1, 2015.

Income Tax Provision

The effective tax rate for the three and nine months ended November 30, 2015 was 32.8% and 44.7% compared to 3.6% and 10.8% in the comparable prior period. The effective tax rate for the three and nine months ended November 30, 2015 is different than the statutory rate primarily due to income taxed in foreign jurisdictions at varying tax rates, the non-controlling interest for EyeLock LLC, and the impact of the bargain purchase gain.

Net Income

The following table sets forth, for the periods indicated, selected statement of operations data beginning with net income and basic and diluted net income per common share.

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2015	2014	2015	2014
Net income	\$ 7,777	\$ 15,622	\$ 2,669	\$ 13,429
Net income per common share:				
Basic	\$ 0.32	\$ 0.64	\$ 0.11	\$ 0.55
Diluted	\$ 0.32	\$ 0.64	\$ 0.11	\$ 0.55

Net income for the three and nine months ended November 30, 2015 was favorably impacted by the bargain purchase gain resulting from the acquisition of a controlling interest in EyeLock Inc. and EyeLock Corp., offset by acquisition costs related to the acquisition, as well as lower net sales during these periods as compared to the prior year. Net income for the nine months ended November 30, 2015 was additionally impacted by impairment charges related to intangible assets incurred during the second quarter of Fiscal 2016. Net income for the nine months ended November 30, 2014 was unfavorably impacted by a currency devaluation related to its Venezuelan government bonds.

Adjusted EBITDA

Adjusted EBITDA and diluted adjusted EBITDA per common share are not financial measures recognized by GAAP. Adjusted EBITDA represents net income, computed in accordance with GAAP, before interest and bank charges, taxes, depreciation and amortization, stock-based compensation expense, impairment charges, acquisition costs, remeasurements and bargain purchase gains. Depreciation, amortization, impairment charges, remeasurements and stock-based compensation are non-cash items. Diluted adjusted EBITDA per common share represents the Company's diluted earnings per common share based on adjusted EBITDA.

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

Reconciliation of GAAP Net (Loss) Income to Adjusted EBITDA

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2015	2014	2015	2014
Net income (loss)	\$ 7,777	\$ 15,622	\$ 2,669	\$ 13,429
Adjustments:				
Interest expense and bank charges	1,772	1,825	4,964	5,010
Depreciation and amortization	4,302	4,189	11,356	12,189
Income tax expense (benefit)	2,968	584	791	(1,308)
EBITDA	16,819	22,220	19,780	29,320
Stock-based compensation	199	140	686	291
Venezuela bond remeasurement	—	—	—	6,702
Intangible asset impairment charges	—	—	6,210	—
Gain on bargain purchase	(4,679)	—	(4,679)	—
Acquisition costs	800	—	800	—
Adjusted EBITDA	\$ 13,139	\$ 22,360	\$ 22,797	\$ 36,313
Diluted earnings (loss) per common share	\$ 0.32	\$ 0.64	\$ 0.11	\$ 0.55
Diluted adjusted EBITDA per common share	\$ 0.54	\$ 0.92	\$ 0.94	\$ 1.49

Liquidity and Capital Resources

Cash Flows, Commitments and Obligations

As of November 30, 2015, we had working capital of \$63,282 which includes cash and short-term investments of \$12,435, compared with working capital of \$154,312 at February 28, 2015, which included cash and short-term investments of \$8,448. We plan to utilize our current cash position as well as collections from accounts receivable, the cash generated from our operations and the income on our investments to fund the current operations of the business. However, we may utilize all or a portion of current capital resources to pursue other business opportunities, including acquisitions.

Operating activities provided cash of \$22,477 for the nine months ended November 30, 2015 principally due to a decrease in prepaid expenses and other assets, as well as due to the factoring of certain trade accounts receivable.

- The Company experienced increased annual accounts receivable turnover of 6.7 during the nine months ended November 30, 2015 compared to 5.6 during the nine months ended November 30, 2014, which was partially due to the factoring of certain trade accounts receivable.
- Annual inventory turnover decreased to 2.9 during the nine months ended November 30, 2015 as compared to 3.2 during the nine months ended November 30, 2014.

Investing activities used cash of \$35,587 during the nine months ended November 30, 2015, due to the acquisition of a controlling interest in EyeLock Inc. and EyeLock Corp. (See Note 2), as well as capital additions.

Financing activities provided cash of \$17,206 during the nine months ended November 30, 2015, primarily due to borrowings of bank obligations, net of repayments. Bank borrowings during the nine months ended November 30, 2015 included funds used for the EyeLock acquisition.

The Company has a senior secured revolving credit facility (the "Credit Facility") with an aggregate availability of \$200,000, consisting of a revolving credit facility of \$200,000, with a \$30,000 multicurrency revolving credit facility sublimit, a \$25,000 sublimit for Letters of Credit and a \$10,000 sublimit for Swingline Loans. The Credit Facility is due on January 9, 2019; however, it is subject to acceleration upon the occurrence of an Event of Default (as defined in the Credit Agreement).

Generally, the Company may designate specific borrowings under the Credit Facility as either Alternate Base Rate Loans or LIBOR Rate Loans, except that Swingline Loans may only be designated as Alternate Base Rate Loans. VOXX International (Germany) GmbH may only borrow euros, and only as LIBOR 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 1.00 - 2.00% based upon leverage, as defined in the agreement. Loans designated as Alternate Base Rate loans shall bear interest at a rate equal to the base rate plus an applicable margin ranging from 0.00 - 1.00% based on leverage.

The Credit Facility requires compliance with financial covenants calculated as of the last day of each fiscal quarter, consisting of a Total Leverage Ratio and a Consolidated EBIT to Consolidated Interest Expense Ratio.

The Credit Facility contains covenants that limit the ability of certain entities of the Company to, among other things: (i) incur additional indebtedness; (ii) incur liens; (iii) merge, consolidate or exit a substantial portion of their respective businesses; (iv) make any material change in the nature of their business; (v) prepay or otherwise acquire indebtedness; (vi) cause any Change of Control; (vii) make any Restricted Payments; (viii) change their fiscal year or method of accounting; (ix) make advances, loans or investments; (x) enter into or permit any transaction with an Affiliate of certain entities of the Company; or (xi) use proceeds for certain items. As of January 11, 2016, the date of the Company's Form 10Q filing, the Leverage Ratio and the Consolidated EBIT to Consolidated Interest Expense Ratio Covenants set forth in the Company's Amended and Restated Credit Agreement with Wells Fargo as Administrative Agent, and the other Lenders party thereto, had not been satisfied. The Leverage Covenant requires a ratio less than or equal to 3.50 to 1.00, and the Company's Leverage Ratio was calculated to be 4.17 to 1.00 as of November 30, 2015. The Consolidated EBIT to Consolidated Interest Expense Ratio Covenant requires a ratio greater than or equal to 3.00 to 1.00, and the Company's Consolidated EBIT to Consolidated Interest Expense Ratio was calculated to be 1.80 to 1.00 as of November 30, 2015. Wells Fargo, the holder of 22% of the Company's outstanding debt under the Amended and Restated Credit Agreement, has advised the Company that it will agree to waive the default subject to final documentation and the agreement of the balance of 51% of the Lenders. The Company anticipates that it will have the Lenders' waiver shortly. While the Lenders have the right to declare a default and accelerate the debt based on the Company's technical default, the Company does not believe that the Lenders will do so. While the Company is prohibited from drawing on this facility while the technical default exists, the Company has sufficient cash and other lines of credit from which it can fund its operations for the foreseeable future.

The Obligations under the Credit Facility are secured by valid and perfected first priority security interests in liens on all of the following: (a)(i) 100% of the Capital Stock or other membership or partnership equity ownership of profit interests of each domestic Credit Party (other than the Company), and (ii) 65% of the voting equity interests and 100% of the non-voting equity interests of all present and future first-tier foreign subsidiaries of any Credit Party (or such greater percentage as would not result in material adverse federal income tax consequences for the Company); (b) all of (i) the tangible and intangible personal property/assets of the Credit Parties and (ii) the fee-owned real property of the Company located in Hauppauge, New York; and (c) all products, profits, rents and proceeds of the foregoing.

Certain contractual cash obligations and other commercial commitments will impact our short and long-term liquidity. At November 30, 2015, such obligations and commitments are as follows:

Contractual Cash Obligations	Amount of Commitment Expiration per Period (9)				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Capital lease obligation (1)	\$ 1,503	\$ 49	\$ —	\$ 1,454	\$ —
Operating leases (2)	9,587	4,276	4,138	817	356
Total contractual cash obligations	\$ 11,090	\$ 4,325	\$ 4,138	\$ 2,271	\$ 356
Other Commitments					
Bank obligations (3)	\$ 82,914	\$ 82,914	\$ —	\$ —	\$ —
Stand-by and commercial letters of credit (4)	917	917	—	—	—
Other (5)	19,563	2,265	2,067	15,231	—
Contingent earn-out payments (6)	169	169	—	—	—
Pension obligation (7)	8,905	230	410	463	7,802
Unconditional purchase obligations (8)	90,964	90,964	—	—	—
Total other commitments	203,432	177,459	2,477	15,694	7,802
Total commitments	\$ 214,522	\$ 181,784	\$ 6,615	\$ 17,965	\$ 8,158

1. Represents total payments (interest and principal) due under a capital lease obligation which has a current (included in other current liabilities) and long term principal balance of \$49 and \$1,454, respectively at November 30, 2015.

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

3. Represents amounts outstanding under the Company's Credit Facility, Hirschmann's line of credit and the Voxx Germany Euro asset-based lending facility at November 30, 2015.
4. We issue standby and commercial letters of credit to secure certain purchases and insurance requirements.
5. This amount includes amounts due under an assumed mortgage on a facility in connection with our Klipsch acquisition and amounts outstanding under loans and mortgages for the construction of our manufacturing facility in Florida and for facilities purchased at Schwaiger, Voxx Germany and Klipsch.
6. Represents contingent payments in connection with the Invision acquisition.
7. Represents the liability for an employer defined benefit pension plan covering certain eligible Hirschmann employees, as well as a retirement incentive accrual for certain Hirschmann employees.
8. Open purchase obligations represent inventory commitments. These obligations are not recorded in the consolidated financial statements until commitments are fulfilled given that such obligations are subject to change based on negotiations with manufacturers.
9. At November 30, 2015, the Company had an uncertain tax position liability of \$5,013, including interest and penalties. The unrecognized tax benefits include amounts related to various U.S federal, state and local and foreign tax issues.

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

Off-Balance Sheet Arrangements

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

Related Party Transactions

The Company leases a facility from its principal stockholder which expires on November 30, 2016.

Total lease payments required under all related party leases for the five-year period ending August 31, 2021 are \$847.

New Accounting Pronouncements

We are required to adopt certain new accounting pronouncements. See Note 22 to our consolidated financial statements included herein.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Voxx conducts business in various non-U.S. countries, including Germany, Hungary, Canada, Mexico, Denmark, the Netherlands, France and Venezuela and thus is exposed to market risk for changes in foreign currency exchange rates. For the three and nine months ended November 30, 2015, a uniform 10% strengthening of the U.S. dollar relative to the local currency of our foreign operations would have resulted in a decrease in sales of approximately \$6,600 and \$17,900 and net income of approximately \$400 and \$500, respectively. The effects of foreign currency exchange rates on future results would also be impacted by changes in sales levels or local currency prices.

The Company continues to monitor the political and economic climate in Venezuela. Venezuela represented less than 1% of year to date sales. Approximately \$152 of assets invested in Venezuela are cash related and are subject to government foreign exchange controls. The Company also maintains \$3,851 in real estate property in Venezuela that could be subject to government foreign exchange controls upon their ultimate sale.

In connection with the Credit Facility, the mortgage related to the Klipsch headquarters and the construction mortgage related to the manufacturing facility in Florida, we have debt outstanding in the amount of \$77,400, \$5,915 and \$7,658, respectively, at November 30, 2015. Interest on the Credit Facility is charged at LIBOR plus 0.00 - 2.00%, interest on the Klipsch mortgage is charged at LIBOR plus 2.25% and interest on the Construction Loan is charged at 70% of 1-month LIBOR plus 1.54%. We have entered into two interest rate swaps for two portions of the Credit Facility, with notional amounts of \$18,750 and \$25,000 at November 30, 2015, as well as one interest rate swap for the Klipsch mortgage and one interest rate swap for the construction loan with notional amounts of \$5,915 and \$7,658, respectively, at November 30, 2015. These swaps protect against LIBOR interest rates rising above 0.515% and 0.518% (exclusive of credit spread) on the two Credit Facility balances, respectively, through April 29, 2016 and February 28, 2017, respectively, as well as fixes the interest rates on the Klipsch mortgage at 3.92% (inclusive of credit spread) through the mortgage end date of May 2023 and on the construction loan at 3.48% (inclusive of credit spread) through the mortgage end date of March 2026.

As of November 30, 2015, the total fair value of our interest rate swaps recorded in Accrued Expenses and Other Current Liabilities and Other Liabilities on our Consolidated Balance Sheet was \$(543), which represents the amount that would be received upon unwinding the interest rate swap agreements based on market conditions at that time. Changes in the fair value of these interest rate swap agreements are reflected as an adjustment to other assets or liabilities with an offsetting adjustment to Accumulated Other Comprehensive Income since the hedge is deemed fully effective.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, these disclosure controls and procedures are ineffective as of November 30, 2015 to provide reasonable assurance that information required to be disclosed by the Company in its filing under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. The design and operation of our disclosure controls were deemed to be ineffective solely as a result of the Company's inability to timely file an amendment to the Form 8-K filed on September 8, 2015 due to the unavailability of audited consolidated financial statements for EyeLock.

There were no material changes in our internal control over financial reporting (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the three month period ended November 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 21 of the Notes to the Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q and Note 14 of the Form 10-K for the fiscal year ended February 28, 2015 for information regarding legal proceedings.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in the Company's Form 10-K for the fiscal year ended February 28, 2015.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We have an ongoing authorization from our Board of Directors to repurchase shares of the Company's Class A Common Stock. As of February 28, 2015, the remaining authorized share repurchase balance pursuant to our existing authorized programs was 1,422,800 shares. During the three and nine months ended November 30, 2015, the Company repurchased an additional 39,529 shares for an aggregate cost of \$227, as follows:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
10/1/2015 - 10/31/2015	24,772	\$ 5.84	24,772	1,398,028
11/1/15-11/30/15	14,757	\$ 5.48	14,757	1,383,271
	<u>39,529</u>			

(1) No shares were purchased outside of publicly announced plans or programs.

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
2.1	Asset Purchase Agreement among Eyelock, Inc., Eyelock Corporation, VOXX International Corporation and VOXX Security LLC dated as of July 29, 2015 (filed herewith).
2.2	Amendment No. 1 to the Asset Purchase Agreement by and among Eyelock, Inc., Eyelock Corporation, VOXX International Corporation and Eyelock LLC (f/k/a VOXX Security LLC) dated as of September 1, 2015 (filed herewith).
10.1	Fifth amendment to the Amended and Restated Credit Agreement and Consent, dated as of July 17, 2015, by and among VOXX International Corporation, the other Borrowers, the Guarantors, the Lenders and Wells Fargo Bank, National Association, as administrative agent on behalf of the Lenders (filed herewith).
31.1	Certification of Patrick M. Lavelle Pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act of 1934 (filed herewith).
31.2	Certification of Charles M. Stoehr Pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act of 1934 (filed herewith).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101	The following materials from VOXX International Corporation's Quarterly Report on Form 10-Q for the period ended May 31, 2015, formatted in eXtensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Cash Flows, and (iv) Notes to Consolidated Financial Statements.

SIGNATURES

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

VOXX INTERNATIONAL CORPORATION

January 11, 2016

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

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

**FIFTH AMENDMENT TO AMENDED AND RESTATED
CREDIT AGREEMENT AND CONSENT**

THIS FIFTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT AND CONSENT (this "Amendment"), dated as of July 17, 2015, is by and among **VOXX INTERNATIONAL CORPORATION**, a Delaware corporation (the "Company"), **VOXX ACCESSORIES CORP.**, a Delaware corporation ("VAC"), **VOXX ELECTRONICS CORP.** (formerly known as Audiovox Electronics Corporation), a Delaware corporation ("VEC"), **AUDIOVOX CONSUMER ELECTRONICS, INC.**, a Delaware corporation ("ACEI"), **AUDIOVOX ATLANTA CORP.** (formerly known as American Radio Corp.), a Georgia corporation ("AAC"), **CODE SYSTEMS, INC.**, a Delaware corporation ("CSI"), **INVISION AUTOMOTIVE SYSTEMS INC.**, a Delaware corporation ("IAS"), **KLIPSCH GROUP, INC.**, an Indiana corporation ("Klipsch"), and together with the Company, VAC, VEC, ACEI, AAC, CSI and IAS, each a "Borrower" and collectively the "Borrowers", the Subsidiaries of the Company party hereto (collectively, the "Guarantors"), the Lenders (defined below) and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, as administrative agent on behalf of the Lenders under the Credit Agreement (as hereinafter defined) (in such capacity, the "Administrative Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement.

WITNESSETH

WHEREAS, the Borrowers, the Guarantors, certain banks and financial institutions from time to time party thereto (the "Lenders") and the Administrative Agent are parties to that certain Amended and Restated Credit Agreement dated as of March 14, 2012 (as amended by that certain First Amendment to Amended and Restated Credit Agreement dated as of November 29, 2012, that certain Second Amendment to Amended and Restated Credit Agreement dated as of May 14, 2013, that certain Third Amendment to Amended and Restated Credit Agreement and Waiver dated as of January 9, 2014, and that certain Fourth Amendment to Amended and Restated Credit Agreement dated as of November 24, 2014, and as further amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement");

WHEREAS, the Company has informed the Administrative Agent that it intends to form a new Subsidiary (the "Acquisition Subsidiary") that will acquire all or substantially all of the assets of Eyelock Inc. (the "Eyelock Acquisition") on or prior to July 31, 2015 in exchange for 46% of the Equity Interests in the Acquisition Subsidiary (the "Equity Transfer");

WHEREAS, (a) the earnings before interest, taxes, depreciation and amortization of Eyelock Inc. for the four fiscal quarter period prior to the Eyelock Acquisition will be less than \$0 and therefore would not comply with clause (v) of the definition of Permitted Acquisition set forth in the Credit Agreement, (b) Accessible Availability after giving effect to the Eyelock Acquisition will be less than \$35 million, and therefore would not comply with clause (vii) of the definition of Permitted Acquisition set forth in the Credit Agreement and (c) the Equity Transfer would be prohibited by Section 6.4 of the Credit Agreement;

WHEREAS, the Company has requested that the Required Lenders consent to (a) the Eyelock notwithstanding the provisions of clauses (v) and (vii) of the definition of Permitted Acquisition, but subject to the satisfaction of the other conditions set forth in the definition of Permitted Acquisition and (b) the Equity Transfer; and

WHEREAS, the Required Lenders are willing to consent to the Eyelock Acquisition and the Equity Transfer in accordance with and subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I CONSENT

1.1 Consent. Notwithstanding (a) clauses (v) and (vii) of the definition of Permitted Acquisition set forth in the Credit Agreement, the Required Lenders hereby consent to the Eyelock Acquisition, subject to satisfaction of the other conditions set forth in the definition of Permitted Acquisition and (b) Section 6.4 of the Credit Agreement, the Required Lenders hereby consent to the Equity Transfer. For the avoidance of doubt, the Equity Transfer will not count against the basket contained in Section 6.4(a)(ix).

1.2 Effectiveness of Consent. This consent shall be effective only to the extent specifically set forth herein and shall not (a) be construed as a waiver of any breach, Default or Event of Default other than as specifically waived herein nor as a waiver of any breach, Default or Event of Default of which the Lenders have not been informed by the Credit Parties, (b) affect the right of the Lenders to demand compliance by the Credit Parties with all terms and conditions of the Loan Documents, except as specifically modified or waived by this consent, (c) be deemed a waiver of any transaction or future action on the part of the Credit Parties requiring the Lenders' or the Required Lenders' consent or approval under the Loan Documents, or (d) except as waived hereby, be deemed or construed to be a waiver or release of, or a limitation upon, the Administrative Agent's or the Lenders' exercise of any rights or remedies under the Loan Agreement or any other Loan Document, whether arising as a consequence of any Default or Event of Default which may now exist or otherwise, all such rights and remedies hereby being expressly reserved.

ARTICLE II AMENDMENT

2.1 Additional Definitions. Section 1.1 of the Credit Agreement is hereby amended by adding the following definitions to such Section in the appropriate alphabetical order:

"Anti-Terrorism Law" shall mean any Requirement of Law related to money laundering or financing terrorism including the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act ("USA PATRIOT Act") of 2001 (Title III of Pub. L. 107-56), The Currency and Foreign Transactions Reporting Act (also known as the "Bank Secrecy Act", 31 U.S.C. §§ 5311-5330 and 12 U.S.C. §§ 1818(s), 1820(b) and 1951-1959), the Trading With the Enemy Act (50 U.S.C. § 1 et seq., as amended) and Executive Order 13224 (effective September 24, 2001).

"Eyelock Acquisition" shall mean the acquisition by the Borrower and its Subsidiaries of all or substantially all of the assets of Eyelock Inc., a corporation incorporated under the laws of the Commonwealth of Puerto Rico.

"Newco LLC" shall mean a majority owned joint venture to be formed by the Borrower in connection with the Eyelock Acquisition, such entity anticipated to be named Eyelock LLC.

"Sanctions" shall mean, sanctions administered or enforced by OFAC, the US Department of State, United Nations Security Council, European Union, Her Majesty's Treasury, or other relevant sanctions authority.

2.2 Amendment to Definition of Material Permitted Acquisition. The definition of Material Permitted Acquisition contained in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"Material Permitted Acquisition" shall mean (a) the Eyelock Acquisition and (b) any other Permitted Acquisition for which the aggregate consideration (including, without limitation, equity consideration, earn out obligations, deferred purchase price consideration, non-competition payment obligations and the amount of Indebtedness and other liabilities assumed from the seller(s) and/or target(s) by the Credit Parties and their Subsidiaries) paid in connection with the consummation thereof exceeds \$50,000,000.

2.3 Amendment to Section 3.27 and Section 3.28. Section 3.27 and Section 3.28 of the Credit Agreement are hereby amended and restated in their entirety to read as follows:

Section 3.27 USA PATRIOT Act, OFAC and Other Regulations.

(a) No Credit Party, any of its Subsidiaries or, to the knowledge of each Credit Party, any of the Affiliates or respective officers, directors, brokers or agents of such Credit Party, Subsidiary or Affiliate (i) has violated any Anti-Terrorism Laws or (ii) has engaged in any transaction, investment, undertaking or activity that conceals the identity, source or destination of the proceeds from any category of prohibited offenses designated by the Organization for Economic Co-operation and Development's Financial Action Task Force on Money Laundering.

(b) No Credit Party, any of its Subsidiaries or, to the knowledge of each Credit Party, any of the Affiliates or respective officers, directors, employees, brokers or agents of such Credit Party, Subsidiary or Affiliate is a Person that is, or is owned or controlled by Persons that are: (i) the subject of any Sanctions, or (ii) located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions, including, without limitation currently, Cuba, the Crimea region of Ukraine, Iran, North Korea, Sudan and Syria.

(c) No Credit Party, any of its Subsidiaries or, to the knowledge of each Credit Party, any of the Affiliates or respective officers, directors, brokers or agents of such Loan Party, Subsidiary or Affiliate acting or benefiting in any capacity in connection with the Loans (i) conducts any business or engages in making or receiving any contribution of goods, services or money to or for the benefit of any Person, or in any country or territory, that is the subject of any Sanctions, (ii) deals in, or otherwise engages in any transaction related to, any property or interests in property blocked pursuant to any Anti-Terrorism Law or (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

Section 3.28 Reserved.

2.4 Amendment to Section 5.10. The proviso appearing at the end of the first sentence of Section 5.10 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

provided that neither Newco LLC nor any Domestic Subsidiary formed in connection with the Indiana Project or the Florida Project, to the extent becoming a Guarantor would violate applicable law or such Subsidiary's organizational documents or the relevant financing documentation (to the extent otherwise permitted hereunder), shall be required to become a Guarantor.

2.5 Amendment to Section 6.1. Clause (h) contained in Section 6.1 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(h) Intercompany Indebtedness of Newco LLC owing to a Credit Party in an aggregate principal amount not to exceed \$12,500,000; provided that any such Indebtedness shall be (i) fully subordinated to the Credit Party Obligations on terms satisfactory to the Administrative Agent and (ii) evidenced by promissory notes (in form and substance acceptable to the Administrative Agent) which shall be pledged to the Administrative Agent as Collateral for the Credit Party Obligations.

2.6 Amendment to Section 6.2. A new clause (u) is hereby added to the end of Section 6.2 of the Credit Agreement to read as follows, and the appropriate grammatical changes are made to Section 6.2:

(u) Liens in favor of a Credit Party securing Indebtedness permitted pursuant to Section 6.1(h).

2.7 Amendment to Section 6.15. A new Section 6.15 is hereby added to the end of Article VI of the Credit Agreement to read as follows:

Section 6.15 Compliance With Anti-Terrorism Regulations. The Credit Parties will not, nor will they permit any Subsidiary to, directly or indirectly:

(a) (i) violate any Anti-Terrorism Laws or (ii) engage in any transaction, investment, undertaking or activity that conceals the identity, source or destination of the proceeds from any category of prohibited offenses designated by the Organization for Economic Co-operation and Development's Financial Action Task Force on Money Laundering;

(b) (i) use, directly or indirectly, the proceeds of the Loans, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, (A) to fund any activities or business of or with any Person, or in any country or territory, that, is, or whose government is, the subject of Sanctions at the time of such funding, or (B) in any other manner that would result in a violation of Sanctions by any Person (including any Person participating in the Loans, whether as underwriter, advisor, investor, or otherwise); or

(c) (i) deal in, or otherwise engage in any transaction related to, any property or interests in property blocked pursuant to any Anti-Terrorism Law, or (ii) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempt to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

ARTICLE III CONDITIONS TO EFFECTIVENESS

3.1 Closing Conditions. This Amendment shall become effective as of the day and year set forth above (the "Amendment Effective Date") upon satisfaction of the following conditions (in each case, in form and substance reasonably acceptable to the Administrative Agent):

(a) Executed Amendment. The Administrative Agent shall have received a copy of this Amendment duly executed by each of the Credit Parties, the Administrative Agent and the Required Lenders.

(b) Fees and Expenses.

(i) The Administrative Agent shall have received from the Borrower, for the account of each Lender that executes and delivers a copy of this Amendment to the Administrative Agent by 12:00 noon (EDT) on July 17, 2015 (each such Lender, a "Consenting Lender", and collectively, the "Consenting Lenders"), an amendment fee in an aggregate amount equal to \$75,000 to be distributed to the Consenting Lenders on a pro rata basis based on the aggregate Revolving Commitments of such Consenting Lender (prior to giving effect to this Amendment).

(ii) The Administrative Agent shall have received from the Company all out-of-pocket fees and expenses reasonably incurred by the Administrative Agent in connection with this Amendment.

(c) Miscellaneous. All other documents and legal matters in connection with the transactions contemplated by this Amendment shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel.

**ARTICLE IV
MISCELLANEOUS**

4.1 Representations and Warranties of Credit Parties. Each of the Credit Parties represents and warrants as follows:

(a) It has taken all necessary action to authorize the execution, delivery and performance of this Amendment.

(b) This Amendment has been duly executed and delivered by such Person and constitutes such Person's legal, valid and binding obligation, enforceable in accordance with its terms, except as such enforceability may be subject to (i) bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(c) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or third party is required in connection with the execution, delivery or performance by such Person of this Amendment.

(d) The representations and warranties set forth in Article III of the Credit Agreement are true and correct in (i) all material respects with respect to those representations and warranties that are not qualified by materiality and (ii) all respects with respect to all other representations and warranties, in each case as of the date hereof (except for those which expressly relate to an earlier date).

(e) After giving effect to this Amendment, no event has occurred and is continuing which constitutes a Default or an Event of Default.

(f) The Security Documents continue to create a valid security interest in, and Lien upon, the Collateral, in favor of the Administrative Agent, for the benefit of the Lenders, which security interests and Liens are perfected in accordance with the terms of the Security Documents and prior to all Liens other than Permitted Liens.

(g) The Credit Party Obligations are not reduced or modified by this Amendment and are not subject to any offsets, defenses or counterclaims.

4.2 Reaffirmation of Credit Party Obligations. Each Credit Party hereby ratifies the Credit Agreement and acknowledges and reaffirms (a) that it is bound by all terms of the Credit Agreement applicable to it and (b) that it is responsible for the observance and full performance of its respective Credit Party Obligations.

4.3 Credit Document. This Amendment shall constitute a Credit Document under the terms of the Credit Agreement.

4.4 Expenses. The Company agrees to pay all reasonable out-of-pocket costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment, including without limitation the reasonable fees and expenses of the Administrative Agent's legal counsel.

4.5 Further Assurances. The Credit Parties agree to promptly take such action, upon the reasonable request of the Administrative Agent, as is necessary to carry out the intent of this Amendment.

4.6 Entirety. This Amendment and the other Credit Documents embody the entire agreement among the parties hereto and supersede all prior agreements and understandings, oral or written, if any, relating to the subject matter hereof.

4.7 Counterparts; Telecopy. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument.

Delivery of an executed counterpart to this Amendment by telecopy or other electronic means shall be effective as an original and shall constitute a representation or covenant that an original will be delivered.

4.8 No Actions, Claims, Etc. As of the date hereof, each of the Credit Parties hereby acknowledges and confirms that it has no knowledge of any actions, causes of action, claims, demands, damages and liabilities of whatever kind or nature, in law or in equity, against the Administrative Agent, the Lenders, or the Administrative Agent's or the Lenders' respective officers, employees, representatives, agents, counsel or directors, arising from any action by such Persons, or failure of such Persons to act, under the Credit Agreement on or prior to the date hereof.

4.9 GOVERNING LAW. THIS CONSENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

4.10 Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

4.11 Amendment to Jurisdiction; Service of Process; Waiver of Jury Trial. The jurisdiction, service of process and waiver of jury trial provisions set forth in Sections 9.13 and 9.16 of the Credit Agreement are hereby incorporated by reference, *mutatis mutandis*.

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VOXX INTERNATIONAL CORPORATION
FIFTH AMENDMENT TO Credit Agreement

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VOXX INTERNATIONAL CORPORATION
FIFTH AMENDMENT TO Credit Agreement

IN WITNESS WHEREOF the parties hereto have caused this Amendment to be duly executed on the date first above written.

BORROWERS: VOXX International corporation,

a Delaware corporation, as the Company

By: s/Charles M. Stoehr

Name: Charles M. Stoehr

Title: Senior Vice President/CFO

VOXX ACCESSORIES CORP., a Delaware corporation, as a Borrower

By: s/Loriann Shelton

Name: Loriann Shelton

Title: CFO/Vice President/Secretary/Treasurer

VOXX ELECTRONICS CORP. (formerly known as Audiovox Electronics Corporation), a Delaware corporation, as a Borrower

By: s/Loriann Shelton

Name: Loriann Shelton

Title: CFO/Secretary/Treasurer

AUDIOVOX CONSUMER ELECTRONICS, INC., a Delaware corporation, as a Borrower

By:s/Loriann Shelton
Name: Loriann Shelton
Title: CFO/Secretary/Treasurer

AUDIOVOX ATLANTA CORP. (formerly known as American Radio Corp.), a Georgia corporation, as a Borrower

By:s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

CODE SYSTEMS, INC., a Delaware corporation, as a Borrower

By:s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: CFO

INVISION AUTOMOTIVE SYSTEMS INC., a Delaware corporation, as a Borrower

By:s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

KLIPSCH GROUP, INC., an Indiana corporation, as a Borrower

By:s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

VOXX INTERNATIONAL CORPORATION
FIFTH AMENDMENT TO Credit Agreement

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VOXX INTERNATIONAL CORPORATION
FIFTH AMENDMENT TO Credit Agreement

GUARANTORS:

**ELECTRONICS TRADEMARK HOLDING
COMPANY, LLC**, a Delaware corporation

By:s/Patrick M. Lavelle
Name: Patrick M. Lavelle
Title: President

TECHNUITY, INC., an Indiana corporation

By:s/Loriann Shelton
Name: Loriann Shelton
Title: Secretary

OMEGA RESEARCH AND DEVELOPMENT TECHNOLOGY LLC, a Delaware limited liability company

By:s/Loriann Shelton
Name: Loriann Shelton
Title: Secretary

LATIN AMERICA EXPORTS CORP., a Delaware corporation

By:s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Treasurer

KLIPSCH HOLDING LLC, a Delaware limited liability company

By:s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President/Secretary

AUDIOVOX WEBSALES LLC, a Delaware limited liability company

By:s/Loriann Shelton
Name: Loriann Shelton
Title: Vice President/Secretary

AUDIOVOX LATIN AMERICA LTD., a Delaware corporation

By:s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

AUDIOVOX INTERNATIONAL CORP., a Delaware corporation

By:s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

AUDIOVOX COMMUNICATIONS CORP., a Delaware corporation

By:s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President/Treasurer

AUDIOVOX GERMAN CORPORATION, a Delaware corporation

By:s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: CFO/Vice President

VOXX ASIA INC., a Delaware corporation

By:s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President/Secretary/Treasurer

Audiovox Advanced Accessories Group LLC, a Delaware limited liability company

By:s/Loriann Shelton
Name: Loriann Shelton
Title: Vice President/Secretary/Treasurer

VOXX WOODVIEW TRACE LLC, a Delaware limited liability company

By:s/Loriann Shelton
Name: Loriann Shelton
Title: Vice President/Secretary/Treasurer

VoxxHirschmann Corporation, a Delaware corporation

By:s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

Klipsch Group Europe, B.V., a private company with limited liability with its corporate seat in Leiden, the Netherlands

By:s/T. Paul Jacobs
Name: T. Paul Jacobs
Title: Managing Director

Audio Products International Corp., a corporation formed under the laws of Province of Ontario

By:s/T. Paul Jacobs

Name: T. Paul Jacobs
Title: President

Audiovox canada limited, a corporation formed under the laws of Province of Ontario

By: s/Charles M. Stoehr
Name: Charles M. Stoehr
Title: Vice President

ADMINISTRATIVE AGENT:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as a Lender and as Administrative Agent

By: s/Michael Zick
Name: Michael Zick
Title: Vice President

LENDERS:

SANTANDER BANK, N.A.
as a Lender

By: s/Pasqualina Coppola
Name: Pasqualina Coppola
Title: Senior Vice President

LENDERS:

People's United Bank, National Association
as a Lender

By: s/Matthew Harrison
Name: Matthew Harrison
Title: Assistant Vice President

LENDERS:

HSBC Bank USA, N.A.,
as a Lender

By: s/William Conlan
Name: William Conlan
Title: Senior Vice President

LENDERS:

Citibank, N.A.
as a Lender

By: s/Stephan Kelly
Name: Stephan Kelly
Title: Vice President

LENDERS:

Fifth Third Bank,
as a Lender

By: s/Neil Kiernan
Name: Neil Kiernan
Title: Managing Director

LENDERS:

CITIZENS BANK, N.A.,
as a Lender

By: s/Paul Feloney
Name: Paul Feloney
Title: Senior Vice President

LENDERS:

Capital One, National Association, .
as a Lender

By: s/Jed Pomerantz
Name: Jed Pomerantz
Title: Senior Vice President

ASSET PURCHASE AGREEMENT

among

EYELOCK, INC.,

EYELOCK CORPORATION,

VOXX INTERNATIONAL CORPORATION

and

VOXX SECURITY LLC

dated as of

JULY 29, 2015

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this “**Agreement**”), dated as of July 29, 2015, is entered into by and among EYELOCK, INC., a corporation organized under the Laws of Puerto Rico (the “**Parent**”), EYELOCK CORPORATION, a Delaware corporation (“**EyeLock Sub**”), VOXX SECURITY LLC, a Delaware limited liability company (the “**Buyer**”) and VOXX INTERNATIONAL CORPORATION, a Delaware corporation (“**VOXX**”).

RECITALS

WHEREAS, Parent and EyeLock Sub (which are referred to herein both individually and collectively as the “**Seller**”) are engaged in the business of developing, marketing and/or selling identity-based products and technologies, including for access control, border solutions, transportation and banking and payment applications (the “**Business**”);

WHEREAS, prior to the date hereof, the Buyer was formed as a subsidiary of VOXX, and VOXX contributed capital to the Buyer;

WHEREAS, EyeLock Sub is a wholly-owned subsidiary of the Parent which is treated as a disregarded entity for tax purposes;

WHEREAS, the Seller wishes to sell and assign to the Buyer, and the Buyer wishes to purchase and assume from the Seller, substantially all the assets, and certain specified liabilities, of the Seller, subject to the terms and conditions set forth herein;

WHEREAS, prior to the date hereof, VOXX, the Seller, EyeLock Sub and other parties entered into that certain Confidential Term Sheet dated June 22, 2015 and amended on July 17, 2015 and July 29, 2015 (the “**Confidential Term Sheet**”) providing for, among other things, a non-solicitation period and a termination fee payable by the Seller under certain circumstances; and

WHEREAS, simultaneously with the Closing of the transactions contemplated by this Agreement, it is anticipated that the Buyer will enter into a loan agreement with VOXX (the “**Loan Agreement**”), pursuant to which VOXX will extend to the Buyer a senior secured revolving credit facility in an aggregate principal amount of Ten Million Dollars & 00/100 (\$10,000,000.00);

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Article I

Article II

Definitions

The following terms have the meanings specified or referred to in this **Article I**:

“**2012 and 2013 Audited Financial Statements**” has the meaning set forth in **Section 4.04**.

“**2014 Audited Financial Statements**” has the meaning set forth in **Section 6.21**.

“**Accounts Receivable**” has the meaning set forth in **Section 2.01(a)**.

“**Action**” means any claim, action, cause of action, demand, lawsuit, arbitration, inquiry, audit, examination, notice of violation, proceeding, litigation, citation, summons, subpoena or investigation of any nature, civil, criminal, administrative, regulatory or otherwise, whether at Law or in equity.

“**Affiliate**” of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“**Agreement**” has the meaning set forth in the Preamble.

“**Allocation Schedule**” has the meaning set forth in **Section 2.06**.

“**Assigned Contracts**” has the meaning set forth in **Section 2.01(c)**.

“**Assignment and Assumption Agreement**” has the meaning set forth in **Section 3.02(a)(iii)**.

“**Assignment and Assumption of Lease**” has the meaning set forth in **Section 3.02(a)(v)**.

“**Assignment of Indebtedness**” has the meaning set forth in **Section 2.05**.

“**Assumed Liabilities**” has the meaning set forth in **Section 2.03**.

“**Balance Sheet**” has the meaning set forth in **Section 4.04**.

“**Balance Sheet Date**” has the meaning set forth in **Section 4.04**.

“**Benefit Plan**” has the meaning set forth in **Section 4.19(a)**.

“**Bill of Sale**” has the meaning set forth in **Section 3.02(a)(ii)**.

“**Books and Records**” has the meaning set forth in **Section 2.01(l)**.

“**Bridge Loans**” means the loans, including but not limited to all accrued interest thereunder, extended to the Seller by VOXX pursuant to promissory notes dated May 28, 2015, June 12, 2015, June 22, 2015, June 29, 2015 and July 16, 2015, in the aggregate principal amount of One Million Seven Hundred Nine Thousand Five Hundred Dollars & 00/100 (\$1,709,500), as well as all other loans extended to the Seller by VOXX prior to the Closing except for the Existing Non-Bridge Indebtedness.

“**Business**” has the meaning set forth in the recitals.

“**Business Day**” means any day except Saturday, Sunday or any other day on which commercial banks located in New York City are authorized or required by Law to be closed for business.

“**Buyer**” has the meaning set forth in the Preamble.

“**Buyer Closing Certificate**” has the meaning set forth in **Section 7.03(f)**.

“**Buyer Indemnitees**” has the meaning set forth in **Section 8.02(a)**.

“**Cash Payment**” has the meaning set forth in **Section 2.05**.

“**Closing**” has the meaning set forth in **Section 3.01**.

“**Closing Date**” has the meaning set forth in **Section 3.01**.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Confidential Term Sheet**” has the meaning set forth in the Recitals.

“**Contemplated**” means contemplated in order to perform the following actions: (i) the Seller’s obligations under any existing Intellectual Property Agreements or other Contracts, (ii) any prospective obligations under any outstanding Seller proposals, or (iii) the Business as described in any of the Seller’s marketing materials or investment offering materials, but, in the case of clauses (i), (ii) and (iii), solely to the extent relating to existing, as distinguished from to-be-developed, Intellectual Property.

“**Contracts**” means all contracts, leases, deeds, mortgages, licenses, instruments, notes, commitments, undertakings, indentures, joint ventures and all other agreements, commitments and legally binding arrangements, whether written or oral.

“**Current Liabilities**” means the current liabilities of the Business as of the Closing Date, to the extent assumed pursuant to the terms of this Agreement.

“**Delivery Date**” means August 14, 2015.

“**Direct Claim**” has the meaning set forth in **Section 8.05(c)**.

“**Disclosure Schedules**” means, as applicable, (i) the disclosure schedules, together with the Updated Disclosure Schedules, to be delivered by Seller to Buyer in accordance with **Section 10.03**, and (ii) the disclosure schedules to be delivered by Buyer to Seller concurrently with the execution and delivery of this Agreement.

“**Dollars**” or “**\$**” means the lawful currency of the United States.

“**Employee Release**” means the release of the employees of Seller as of the Closing Date, which may be obtained pursuant to Section 2.10, in form and substance reasonably satisfactory to Buyer, Seller and the releasing employees.

“**Employment Agreements**” means employment agreements acceptable in form and substance with the Persons set forth in **Section 1.01** of the Disclosure Schedules.

“**Encumbrance**” means any charge, claim, community property interest, pledge, condition, equitable interest, lien (statutory or other), option, security interest, mortgage, easement, encroachment, right of way, right of first refusal, or restriction of any kind, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership.

“**Environmental Claim**” means any Action, Governmental Order, lien, fine, penalty, or, as to each, any settlement or judgment arising therefrom, by or from any Person alleging liability of whatever kind or nature (including liability or responsibility for the costs of enforcement proceedings, investigations, cleanup, governmental response, removal or remediation, natural resources damages, property damages, personal injuries, medical monitoring, penalties, contribution, indemnification and injunctive relief) arising out of, based on or resulting from: (a) the presence, Release of, or exposure to, any Hazardous Materials; or (b) any actual or alleged non-compliance with any Environmental Law or term or condition of any Environmental Permit.

“**Environmental Law**” means any applicable Law, and any Governmental Order or binding agreement with any Governmental Authority: (a) relating to pollution (or the cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety, or the environment (including ambient air, soil, surface water or groundwater, or subsurface strata); or (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal or remediation of any Hazardous Materials. The term “Environmental Law” includes, without limitation, the following (including their implementing regulations and any state analogs): the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 et seq.; the Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251 et seq.; the Toxic Substances Control Act of 1976, as amended, 15 U.S.C. §§ 2601 et seq.; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001 et seq.; the Clean Air Act of 1966, as

amended by the Clean Air Act Amendments of 1990, 42 U.S.C. §§ 7401 et seq.; and the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §§ 651 et seq.

“**Environmental Permit**” means any Permit, letter, clearance, consent, waiver, closure, exemption, decision or other action required under or issued, granted, given, authorized by or made pursuant to Environmental Law.

“**Equity Plan**” means an equity compensation plan or the LLC Agreement, as applicable, providing for the award or issuance of twelve (12) units of the Buyer’s common membership interest to members of the “Management Group”.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

“**ERISA Affiliate**” means all employers (whether or not incorporated) that would be treated together with the Seller or any of its Affiliates as a “single employer” within the meaning of Section 414 of the Code.

“**Escrow Agent**” means the entity designated to serve as escrow agent under the Escrow Agreement.

“**Escrow Agreement**” means the Escrow Agreement among the Buyer, the Seller and the Escrow Agent, to be executed and delivered at the Closing in form and substance reasonably acceptable to the Buyer and the Seller.

“**Escrow Amount**” means the sum of Seven Hundred Seventy-Five Thousand Dollars & 00/100 (\$775,000.00) to be deposited with the Escrow Agent and held in escrow pursuant to the Escrow Agreement.

“**Excluded Assets**” has the meaning set forth in **Section 2.02**.

“**Excluded Liabilities**” has the meaning set forth in **Section 2.04**.

“**Existing Non-Bridge Indebtedness**” means all Liabilities, including but not limited to all accrued interest and supplemental payments, owing to VOXX from the Seller as of the Closing Date, other than the Bridge Loans, pursuant to promissory notes dated on or about May 16, 2014 and March 16, 2015, which were contributed to the Buyer by VOXX and are currently held by the Buyer.

“**EyeLock Sub**” has the meaning set forth in the Preamble.

“**Financial Statements**” has the meaning set forth in **Section 4.04**.

“**FIRPTA Certificate**” has the meaning set forth in **Section 7.02(n)**.

“**GAAP**” means United States generally accepted accounting principles in effect from time to time.

“**Government Contracts**” has the meaning set forth in **Section 4.07(a)(vii)**

“**Governmental Authority**” means any federal, state, territorial, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental

authority (to the extent that the rules, regulations or orders of such organization or authority have the force of Law), or any arbitrator, court or tribunal of competent jurisdiction.

“**Governmental Order**” means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

“**Hazardous Materials**” means: (a) any material, substance, chemical, waste, product, derivative, compound, mixture, solid, liquid, mineral or gas, in each case, whether naturally occurring or manmade, that is hazardous, acutely hazardous, toxic, or words of similar import or regulatory effect under Environmental Laws; and (b) any petroleum or petroleum-derived products, radon, radioactive materials or wastes, asbestos in any form, lead or lead-containing materials, urea formaldehyde foam insulation and polychlorinated biphenyls.

“**Hoyos Debt Obligation**” means the Liabilities of the Seller under Section 3(a) of that certain Separation Agreement and General Release, dated as of September 30, 2011 (the “**Settlement Agreement**”), by and among the Seller, Hector T. Hoyos Aliff and the Hoyos Group LLC.

“**Indemnification Escrow Account**” has the meaning set in **Section 2.05(b)**.

“**Indemnified Party**” has the meaning set forth in **Section 8.05**.

“**Indemnifying Party**” has the meaning set forth in **Section 8.05**.

“**Insurance Policies**” has the meaning set forth in **Section 4.15**.

“**Intellectual Property**” means all intellectual property and industrial property rights and assets, and all rights, interests and protections that are associated with, similar to, or required for the exercise of, any of the foregoing, however arising, pursuant to the Laws of any jurisdiction throughout the world, whether registered or unregistered, including any and all: (a) trademarks, service marks, trade names, brand names, logos, trade dress, design rights and other similar designations of source, sponsorship, association or origin, together with the goodwill connected with the use of and symbolized by, and all registrations, applications and renewals for, any of the foregoing; (b) internet domain names, whether or not trademarks, registered in any top-level domain by any authorized private registrar or Governmental Authority, web addresses, web pages, websites and related content, accounts with Twitter, Facebook and other social media companies and the content found thereon and related thereto, and URLs; (c) works of authorship, expressions, designs and design registrations, whether or not copyrightable, including copyrights, author, performer, moral and neighboring rights, and all registrations, applications for registration and renewals of such copyrights; (d) inventions, discoveries, trade secrets, business and technical information and know-how, databases, data collections and other confidential and proprietary information and all rights therein; (e) patents (including all reissues, divisionals, provisionals, continuations and continuations-in-part, re-examinations, renewals, substitutions and extensions thereof), patent applications, and other patent rights and any other Governmental Authority-issued indicia of invention ownership (including inventor’s certificates, petty patents and patent utility models); (f) software and firmware, including data files, source code, object code, algorithms, application programming interfaces, architecture, files, records, schematics, computerized databases and other related specifications and documentation; (g) work in process, whether by the Seller or a contractor or subcontractor of the Seller; (h) royalties, fees, income, payments and other proceeds now or hereafter due or payable with respect to any and all of the foregoing; and (i) all rights to any Actions of any nature available to or being pursued by the Seller to the extent related to the foregoing, whether accruing before, on or after the date hereof, including all rights to and claims for damages, restitution and injunctive relief

for infringement, dilution, misappropriation, violation, misuse, breach or default, with the right but no obligation to sue for such legal and equitable relief, and to collect, or otherwise recover, any such damages.

“Intellectual Property Agreements” means all licenses, sublicenses, consent to use agreements, settlements, coexistence agreements, covenants not to sue, permissions and other Contracts (including any right to receive or obligation to pay royalties or any other consideration), whether written or oral, relating to any Intellectual Property that is used in or necessary for the conduct of the Business as currently conducted or Contemplated to which the Seller is a party, beneficiary or otherwise bound.

“Intellectual Property Assets” means all Intellectual Property that is owned by the Seller or developed for or at the request of the Seller or used in or necessary for the conduct of the Business as currently conducted or Contemplated.

“Intellectual Property Assignments” has the meaning set forth in **Section 3.02(a)(iv)**.

“Intellectual Property Registrations” means all Intellectual Property Assets that are subject to any issuance, registration, application or other filing by, to or with any Governmental Authority or authorized private registrar in any jurisdiction, including registered trademarks, domain names and copyrights, issued and reissued patents and pending applications for any of the foregoing. For the avoidance of doubt, this definition shall not include any Intellectual Property Registrations that relate to filings which have been abandoned by the Company or have become inactive.

“Interim Balance Sheet” has the meaning set forth in **Section 4.04**.

“Interim Balance Sheet Date” has the meaning set forth in **Section 4.04**.

“Interim Financial Statements” has the meaning set forth in **Section 4.04**.

“Inventory” has the meaning set forth in **Section 2.01(b)**.

“Knowledge of the Seller or Seller’s Knowledge” or any other similar knowledge qualification, means the actual or constructive knowledge, of James Demitrius, Marc Levin, Jeff Carter, or Anthony Antolino, after due inquiry.

“Law” means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree, other requirement or rule of law of any Governmental Authority.

“Leased Real Property” has the meaning set forth in **Section 4.10(b)**.

“Leases” has the meaning set forth in **Section 4.10(b)**.

“Liabilities” means liabilities, obligations or commitments of any nature whatsoever, asserted or unasserted, known or unknown, absolute or contingent, accrued or unaccrued, matured or unmatured or otherwise.

“LLC Agreement” means that certain Amended and Restated Limited Liability Company Agreement of the Buyer to be entered into by and among the Seller, VOXX and the Buyer as of the Closing, in the form attached hereto as **Exhibit A**.

“Loan Agreement” has the meaning set forth in the Recitals.

“Losses” means losses, damages, liabilities, deficiencies, Actions, judgments, interest, awards, penalties, fines, costs or expenses of whatever kind, including reasonable attorneys’ fees and the cost of enforcing any right to indemnification hereunder and the cost of pursuing any insurance providers; *provided, however*, that “Losses” shall not include punitive damages, except in the case of fraud or to the extent actually awarded to a Governmental Authority or other third party.

“Management Group” means those certain directors, officers and employees identified and agreed by both the Seller and the Buyer who shall be eligible to receive awards under the Equity Plan.

“Material Adverse Effect” means any event, occurrence, fact, condition or change that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the business, results of operations, condition (financial or otherwise) or assets of the Seller, (b) the value of the Purchased Assets, or (c) the ability of the Seller to consummate the transactions contemplated hereby on a timely basis, but shall not include any adverse effect resulting from any change, circumstance or effect relating to (i) the economy or financial, banking or securities markets in general, (ii) the industries generally in which the Seller operates and not specifically relating to the Seller, including legal, accounting or regulatory changes, or conditions, (iii) national or international political or social conditions, including acts of terrorism and the engagement by the United States in hostilities, or (iv) the execution and delivery of this Agreement, the announcement and performance hereunder.

“Material Contracts” has the meaning set forth in **Section 4.07(a)**.

“Material Customers” has the meaning set forth in **Section 4.14(a)**.

“Material Suppliers” has the meaning set forth in **Section 4.14(b)**.

“Multiemployer Plan” has the meaning set forth in **Section 4.19(c)**.

“Non-U.S. Benefit Plan” has the meaning set forth in **Section 4.19(a)**.

“Parent” has the meaning set forth in the Preamble.

“Permits” means all permits, licenses, franchises, approvals, authorizations, registrations, certificates, variances and similar rights obtained, or required to be obtained, from Governmental Authorities.

“Permitted Encumbrances” has the meaning set forth in **Section 4.08**.

“Person” means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association or other entity.

“Pre-Closing Tax Period” means any taxable period ending on or before the Closing Date and, with respect to any taxable period beginning before and ending after the Closing Date, the portion of such taxable period ending on and including the Closing Date.

“Purchase Price” has the meaning set forth in **Section 2.05**.

“Purchased Assets” has the meaning set forth in **Section 2.01**.

“Qualified Benefit Plan” has the meaning set forth in **Section 4.19(c)**.

“Registration Rights Agreements” means (1) that certain Registration Rights Agreement by and between VOXX and the Buyer, and (2) that certain Registration Rights Agreement by and between the Seller and the Buyer.

“Release” means any actual or threatened release, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, abandonment, disposing or allowing to escape or migrate into or through the environment (including, without limitation, ambient air (indoor or outdoor), surface water, groundwater, land surface or subsurface strata or within any building, structure, facility or fixture).

“Rep & Warranty Policy” means an insurance policy for the benefit of the Buyer which, among other things, insures the Buyer against losses with respect to breaches of representations and warranties of this Agreement, which policy the Buyer may or may not acquire in its sole discretion.

“Representative” means, with respect to any Person, any and all directors, officers, employees, consultants, financial advisors, counsel, accountants and other agents of such Person.

“Restricted Business” means a business in which a primary or significant part is the offering, directly or indirectly, in whole or in part, of products or services relating to iris identity management technology and solutions, anywhere in the world.

“Restricted Period” has the meaning set forth in **Section 6.07(a)**.

“Required Consents” has the meaning set forth in 3.02(a)(xiv).

“Seller” has the meaning set forth in the Recitals.

“Seller Closing Certificate” has the meaning set forth in **Section 7.02(i)**.

“Seller Debt” has the meaning set forth in **Section 4.05**.

“Seller Equity and Debt Holder Consents” has the meaning set forth in 3.02(a)(xiv).

“Seller Indemnitees” has the meaning set forth in **Section 8.03**.

“Settlement Agreement” has the meaning set forth in the definition of “Hoyos Debt Obligation.”

“Straddle Period” means any taxable period beginning before or on and ending after the Closing Date.

“Tangible Personal Property” has the meaning set forth in **Section 2.01(e)**.

“Taxes” means (i) any federal, state, local or foreign net income, alternative or add-on minimum, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental, estimated or windfall profit tax, custom duty, national insurance tax, health tax or other tax or other like assessment or charge in the nature of a tax (including any escheat or unclaimed property obligation), together with any interest or any penalty, addition to tax or additional amount imposed or collected by any Governmental Authority, whether disputed or not, (ii) any Liability for the payment of any amounts of the type described in clause (i) of this sentence as a result of being a member of a consolidated, combined, unitary or similar group for any Tax period, and (iii) any Liability for the payment of any amounts of the

type described in clause (i) or (ii) of this sentence as a result of being a transferee of or successor to any Person or as a result of any express or implied obligation to indemnify any other Person, by Contract or otherwise.

“**Tax Return**” means any declaration, report, statement, form, return or other document or information required to be filed with or supplied to a Governmental Authority or furnished to a Person (other than a Governmental Authority) in connection with Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“**Territory**” means worldwide.

“**Third Party Claim**” has the meaning set forth in **Section 8.05(a)**.

“**Transaction Documents**” means this Agreement, the Escrow Agreement, the Bill of Sale, the Assignment and Assumption Agreement, Intellectual Property Assignments, Assignment and Assumption of Leases, the Loan Agreement, the Registration Rights Agreement, and the other agreements, instruments and documents required to be delivered at the Closing.

“**Union**” has the meaning set forth in **Section 4.20(b)**.

“**Unit Payment**” has the meaning set forth in **Section 2.05**.

“**Updated Disclosure Schedules**” has the meaning set forth in **Section 10.03**.

“**VOXX**” has the meaning set forth in the Preamble.

“**VOXX Units**” has the meaning set forth in **Section 5.07**.

“**WARN Act**” means the federal Worker Adjustment and Retraining Notification Act of 1988, and similar state, local and foreign laws related to plant closings, relocations, mass layoffs and employment losses.

Article III

Article IV

Purchase and Sale

Section . **Purchase and Sale of Assets**

. Subject to the terms and conditions set forth herein, at the Closing, the Seller shall sell, assign, transfer, convey and deliver to the Buyer, and the Buyer shall purchase from the Seller, free and clear of any Encumbrances other than Permitted Encumbrances, all of the Seller’s right, title and interest in, to and under all of the assets, properties and rights of every kind and nature, whether real, personal or mixed, tangible or intangible (including goodwill), wherever located and whether now existing or hereafter acquired (other than the Excluded Assets), which relate to, or are used or held for use in connection with, the Business or otherwise (collectively, the “**Purchased Assets**”), including, without limitation, the following:

- (a) all accounts or notes receivable held by the Seller, and any security, claim, remedy or other right related to any of the foregoing (“**Accounts Receivable**”);
- (b) all inventory, finished goods, raw materials, work in progress, packaging, supplies, parts and other inventories (“**Inventory**”);
- (c) all Contracts related to the Business, including without limitation the Intellectual Property Agreements, except for Contracts included in the Excluded Assets (the “**Assigned Contracts**”);
- (d) all Intellectual Property Assets;

- (e) all furniture, fixtures, equipment, machinery, tools, vehicles, office equipment, supplies, computers, telephones and other tangible personal property (the “**Tangible Personal Property**”);
- (f) all Leased Real Property;
- (g) all Permits, including Environmental Permits, which are held by the Seller and required for the conduct of the Business as currently conducted or contemplated or for the ownership and use of the Purchased Assets, including, without limitation, those listed in **Section 4.17(b)** of the Disclosure Schedules;
- (h) all rights to any Actions of any nature available to or being pursued by the Seller to the extent related to the Business, the Purchased Assets or the Assumed Liabilities, whether arising by way of counterclaim or otherwise;
- (i) all prepaid expenses, credits, advance payments, claims, security, refunds, rights of recovery, rights of set-off, rights of recoupment, deposits, charges, sums and fees (but excluding any refunds relating to the payment of Taxes for any Pre-Closing Tax Period);
- (j) all of the Seller’s rights under warranties, indemnities and all similar rights against third parties to the extent related to any Purchased Assets;
- (k) all insurance benefits, including rights and proceeds, arising from or relating to the Business, the Purchased Assets or the Assumed Liabilities;
- (l) originals, or where not available, copies, of all books and records, including, but not limited to, books of account, ledgers and general, financial and accounting records, machinery and equipment maintenance files, customer lists, customer purchasing histories, price lists, distribution lists, supplier lists, production data, quality control records and procedures, customer complaints and inquiry files, research and development files, records and data (including all correspondence with any Governmental Authority), sales material and records (including pricing history, total sales, terms and conditions of sale, sales and pricing policies and practices), strategic plans, internal financial statements, marketing and promotional surveys, and material and research and files relating to the Intellectual Property Assets and the Intellectual Property Agreements (“**Books and Records**”); and
- (m) all goodwill and the going concern value of the Business.

Section . **Excluded Assets**

. Notwithstanding the foregoing, the Purchased Assets shall not include the following assets (collectively, the “**Excluded Assets**”):

- (a) cash and cash equivalents;
- (b) complete copies of all of the Books and Records (which may be made at the Seller’s expense, it being understood that the originals of which are a part of the Purchased Assets), the corporate seals, organizational documents, minute books, stock books, Tax Returns, books of account or other records having to do with the corporate organization of the Seller;
- (c) the assets, properties, Contracts and rights specifically set forth in **Section 2.02** of the Disclosure Schedules, which schedule shall be prepared by the Seller and be subject to approval by the Buyer (and if the Buyer does not approve of any item in **Section 2.02** of the Disclosure Schedules, such item shall be a Purchased Asset);
- (d) refunds of Taxes attributable to any Pre-Closing Tax Period;
- (e) the rights which accrue or will accrue to the Seller under the Transaction Documents; and
- (f) stock of the EyeLock Sub.

Section . **Assumed Liabilities**

. Subject to the terms and conditions set forth herein, the Buyer shall assume and agree to pay, perform and discharge only the following Liabilities of the Seller (collectively, the “**Assumed Liabilities**”), and no other Liabilities:

- (a) all Liabilities in respect of the Bridge Loans; and

(b) all Liabilities in respect of the Assigned Contracts but only to the extent that such Liabilities thereunder (i) are not required to be performed or paid prior to the Closing (except as otherwise set forth in Section 2.03 of the Disclosure Schedules), (ii) are required to be performed after the Closing Date (except as otherwise set forth in Section 2.03 of the Disclosure Schedules), (iii) were incurred in the ordinary course of business, and (iv) do not relate to any failure to perform, improper performance, warranty or other breach, default or violation by the Seller on or prior to the Closing.

Section . **Excluded Liabilities**

. The Buyer shall not assume and shall not be responsible to pay, perform or discharge any Liabilities of the Seller or any of its Affiliates of any kind or nature whatsoever other than the Assumed Liabilities (the “**Excluded Liabilities**”). The Seller shall, and shall cause each of its Affiliates to, pay and satisfy in due course all Excluded Liabilities which they are obligated to pay and satisfy. Without limiting the generality of the foregoing, the Excluded Liabilities shall include, but not be limited to, the following:

- (a) any Liabilities of the Seller arising or incurred in connection with the negotiation, preparation, investigation and performance of this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby, including, without limitation, fees and expenses of counsel, accountants, consultants, advisers and others;
- (b) any Liability for (i) Taxes of the Seller (or any stockholder or Affiliate of the Seller) including any Taxes relating to the Business, the Purchased Assets or the Assumed Liabilities for any Pre-Closing Tax Period, (ii) Taxes of the Seller that arise out of the consummation of the transactions contemplated hereby or that are the responsibility of the Seller pursuant to **Section 6.14**, or (iii) any Taxes of Seller (or any stockholder or Affiliate of the Seller) of any kind or description (including any Liability for Taxes of the Seller (or any stockholder or Affiliate of the Seller) that becomes a Liability of the Buyer under any common law doctrine of de facto merger or transferee or successor liability or otherwise by operation of contract or Law);
- (c) any Liabilities relating to or arising out of the Excluded Assets;
- (d) any Liabilities in respect of any pending or threatened Action arising out of, relating to or otherwise in respect of the operation of the Business or the Purchased Assets to the extent such Action relates to such operation on or prior to the Closing Date;
- (e) any product Liability or similar claim for injury to a Person or property which arises out of or is based upon any express or implied representation, warranty, agreement or guaranty made by the Seller, or by reason of the improper performance or malfunctioning of a product, improper design or manufacture, failure to adequately package, label or warn of hazards or other related product defects of any products at any time manufactured or sold or any service performed by the Seller;
- (f) any recall, design defect or similar claims of any products manufactured or sold or any service performed by the Seller;
- (g) any Liabilities of the Seller arising under or in connection with any Benefit Plan providing benefits to any present or former employee of the Seller;
- (h) subject to **Section 6.24** with regard to the Hoyos Debt Obligation, any Liabilities of the Seller for any present or former employees, officers, directors, retirees, independent contractors or consultants of the Seller, including, without limitation, any Liabilities associated with any claims for wages or other benefits, bonuses, accrued vacation, workers’ compensation, severance, retention, termination or other payments;
- (i) any Environmental Claims, or Liabilities under Environmental Laws, to the extent arising out of or relating to facts, circumstances or conditions existing on or prior to the Closing or otherwise to the extent arising out of any actions or omissions of the Seller;
- (j) any trade accounts payable of the Seller (i) to the extent not accounted for on the Interim Balance Sheet, (ii) which constitute intercompany payables owing to Affiliates of the Seller, (iii) which

- constitute debt, loans or credit facilities to financial institutions, or (iv) which did not arise in the ordinary course of business;
- (k) any Liabilities of the Business relating or arising from unfulfilled commitments, quotations, purchase orders, customer orders or work orders that (i) do not constitute part of the Purchased Assets issued by the Business' customers to the Seller on or before the Closing, (ii) did not arise in the ordinary course of business, or (iii) are not validly and effectively assigned to the Buyer pursuant to this Agreement;
 - (l) any Liabilities related to or arising out of any dispute or claim by or among the Seller, any stockholder of the Seller, or any officer or director of the Seller, including but not limited to any dispute or claim alleging or involving a breach of fiduciary duty of any Person;
 - (m) any Liabilities to indemnify, reimburse or advance amounts to any present or former officer, director, employee or agent of the Seller (including with respect to any breach of fiduciary obligations by same), except for indemnification of same pursuant to **Section 8.03** as the Seller Indemnitees;
 - (n) any Liabilities under the Excluded Contracts or any other Contracts, including Intellectual Property Agreements, (i) which are not validly and effectively assigned to the Buyer pursuant to this Agreement; or (ii) except as set forth in Section 2.03(b), to the extent such Liabilities arise out of or relate to a breach by the Seller of such Contracts prior to Closing;
 - (o) any Liabilities associated with debt, preferred securities, loans or credit facilities of the Seller and/or the Business owing to financial institutions or any other Person; and
 - (p) any Liabilities arising out of, in respect of or in connection with the failure by the Seller or any of its Affiliates to comply with any Law or Governmental Order.

Section . **Purchase Price**

(a) . The aggregate purchase price for the Purchased Assets (the "**Purchase Price**") shall consist of Fifteen Million Five Hundred Thousand Dollars & 00/100 (\$15,500,000.00) in cash (the "**Cash Payment**"), plus the assignment to the Seller of the Existing Non-Bridge Indebtedness (the "**Assignment of Indebtedness**"), plus the issuance to the Seller of thirty-four (34) units of the Buyer's common membership interests (the "**Unit Payment**"), plus the assumption by the Buyer of the Assumed Liabilities. The Purchase Price shall be paid as follows:

- (b) The Cash Payment less the Escrow Amount shall be paid by wire transfer of immediately available funds at the Closing to an account designated in writing by the Seller to the Buyer no later than two (2) Business Days prior to the Closing Date;
- (c) The Escrow Amount shall be deposited by wire transfer of immediately available funds at the Closing into an account designated by the Escrow Agent (the "**Indemnification Escrow Account**") and shall be held and distributed in accordance with the terms of the Escrow Agreement to satisfy any and all claims made by the Buyer or any other Buyer Indemnitee against the Seller pursuant to **Article VIII**;
- (d) The Assignment of Indebtedness shall be delivered to the Seller at the Closing; and
- (e) The Unit Payment shall be paid by the issuance of a certificate to the Seller at the Closing evidencing thirty-four (34) units of the Buyer's common membership interests.

Section . **Allocation of Purchase Price**

. The Seller and the Buyer agree that the Purchase Price and the Assumed Liabilities (plus other relevant items) shall be allocated among the Purchased Assets for all purposes (including Tax and financial accounting) as shown on the allocation schedule (the "**Allocation Schedule**") reflected in **Section 2.06** of the Disclosure Schedules, which shall be agreed upon by the Buyer and the Seller by the Delivery Date and which shall also include an allocation of the Purchased Assets between the Parent and EyeLock Sub, provided, however, that (a) the amount of consideration allocated to the Purchased Assets of EyeLock Sub shall be equal to the sum of One Dollar (\$1) and any Assumed Liabilities of EyeLock Sub and (b) the amount of consideration allocated to the Purchased Assets of Parent shall be equal to all additional consideration payable under this Agreement, including Fifteen Million Four Hundred Ninety-

Nine Thousand Nine Hundred Ninety-Nine Dollars (\$15,499,999), the Assignment of Indebtedness, and the Assumed Liabilities of Parent. For U.S. federal (and applicable state and local) income tax purposes, the transaction will be treated and reported as a part-taxable sale and purchase with respect to the Cash Payment, Assignment of Indebtedness and assumption of Assumed Liabilities, and as a part-tax free transfer under Section 721(a) of the Code with respect to the Unit Payment, and governed by and in accordance with the principles of Revenue Ruling 99-5. The Buyer and the Seller shall file all Tax Returns (including amended returns and claims for refund) and information reports in a manner consistent with this **Section 2.06** and the Allocation Schedule, and take no position inconsistent therewith on any Tax Return or otherwise, unless required under applicable Law.

Section . **Withholding Tax**

. The Buyer shall be entitled to deduct and withhold from the Purchase Price all Taxes that the Buyer may be required to deduct and withhold under any provision of Tax Law. All such withheld amounts shall be treated as delivered to the Seller hereunder.

Section . **Third Party Consents**

. To the extent that the Seller's rights under any Contract or Permit constituting a Purchased Asset, or any other Purchased Asset, may not be assigned to the Buyer without the consent of another Person which has not been obtained prior to the Closing, this Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof or be unlawful, and the Seller and the Buyer shall work together in good faith and the Seller shall use its commercially reasonable efforts to obtain any such consent(s) or assignment for the benefit of the Buyer as promptly as possible. If any such consent shall not be obtained or if any attempted assignment would be ineffective or would impair the Buyer's rights under the Purchased Asset in question so that the Buyer would not in effect acquire the benefit of all such rights, the Seller, to the maximum extent permitted by Law and the Purchased Asset, shall act after the Closing as the Buyer's agent in order to obtain for it the benefits thereunder and shall cooperate, to the maximum extent permitted by Law and the Purchased Asset, with the Buyer in any other arrangement requested by the Buyer designed to provide such benefits to the Buyer. Notwithstanding any provision in this **Section 2.08** to the contrary, the Buyer shall not be deemed to have waived its rights under **Section 7.02(d)** hereof unless and until the Buyer either provides written waivers thereof or elects to proceed to consummate the transactions contemplated by this Agreement at Closing.

Section . **Indemnification Escrow Account**

. The Escrow Amount shall be held in escrow pursuant to the Escrow Agreement, and shall be (i) available solely to satisfy any amounts due from the Seller pursuant to **Section 8.02**, and (ii) held and released in accordance with the Escrow Agreement and the provisions of **Section 8.02**. Except pursuant to **Section 2.05(b)**, no Person (including any Seller Indemnitee) shall have any obligation to fund the Indemnification Escrow Account. On the six (6) month anniversary date of the Closing Date, the Seller shall be entitled to provide a notice to the Escrow Agent and the Buyer instructing the Escrow Agent to deliver to the Seller the remaining portion of the Escrow Amount less the total amount of any then pending claims against the Indemnification Escrow Account. The Escrow Agreement shall provide that the Escrow Agent shall deliver such amount to the Seller on the sixth (6th) Business Day following receipt of such notice unless the Buyer objects to such delivery by properly making a claim against the Escrow Account pursuant to **Article VIII**. The Buyer shall be responsible for the payment of any fees owed to the Escrow Agent.

Section . **Employee Releases**

. The Buyer and the Seller shall cooperate and use commercial reasonable efforts to obtain, prior to the Closing Date, a duly executed Employee Release from each employee of the Seller as of the Closing Date, provided that neither such party shall be obligated to obtain any such Employee Release.

Article V

Article VI

Closing

Section . **Closing**

. Subject to the terms and conditions of this Agreement, the consummation of the transactions contemplated by this Agreement (the “**Closing**”) shall take place at the offices of Duane Morris LLP, 1540 Broadway, New York, New York, at 10:00 a.m., Eastern time, on the second (2nd) Business Day after all of the conditions to Closing set forth in **Article VII** are either satisfied or waived (other than conditions which, by their nature, are to be satisfied on the Closing Date), or at such other time, date or place as the Seller and the Buyer may mutually agree upon in writing. The date on which the Closing is to occur is herein referred to as the “**Closing Date.**”

Section . **Closing Deliverables**

(a) At the Closing, the Seller shall deliver to the Buyer the following:

(i) the Escrow Agreement duly executed by the Seller;

(ii) a bill of sale in form and substance satisfactory to the Buyer (the “**Bill of Sale**”) duly executed by the Seller, transferring the tangible personal property included in the Purchased Assets to the Buyer;

(iii) an assignment and assumption agreement in form and substance satisfactory to the Buyer (the “**Assignment and Assumption Agreement**”) duly executed by the Seller, effecting the assignment to and assumption by the Buyer of the Purchased Assets and the Assumed Liabilities;

(iv) an assignment in form and substance satisfactory to the Buyer and duly executed by the Seller, transferring all of the Seller’s right, title and interest in and to the Intellectual Property Assets to the Buyer (the “**Intellectual Property Assignments**”);

(v) with respect to each Lease, an Assignment and Assumption of Lease in form and substance satisfactory to the Buyer (each, an “**Assignment and Assumption of Lease**”) and duly executed by the Seller;

(vi) with respect to the Seller Debt, payoff letters and evidence of the termination of all Encumbrances on the Purchased Assets other than Permitted Encumbrances, in form and substance satisfactory to the Buyer.

(vii) a legal opinion of the Parent’s Puerto Rico counsel, in form and substance satisfactory to the Buyer, with respect to (a) the existence of the Parent under Puerto Rico Law, (b) the authority and authorization of the Seller to execute and deliver this Agreement and the other agreements and documents contemplated hereunder and to consummate the transactions contemplated hereunder, and (c) the due and valid execution of this Agreement.

(viii) the applicable Registration Rights Agreement duly executed by the Seller;

(ix) the LLC Agreement duly executed by the Seller and each other party thereto other than the Buyer and

VOXX;

(x) the Seller Closing Certificate;

(xi) the FIRPTA Certificate;

(xii) the certificates of the Secretary or Assistant Secretary of the Seller required by **Section 7.02(j)**;

(xiii) the 2014 Audited Financial Statements; *provided, however*, that the Seller shall not be required to make such delivery in the event that the Buyer fails to pay all costs and expenses in

connection with the preparation of the 2014 Audited Financial Statements in accordance with **Section 6.21**;

(xiv) all consents of third parties required for the Seller to enter into this Agreement and the transactions contemplated by this Agreement, the LLC Agreement and the other Transaction Documents (the “**Required Consents**”), including but not limited to the requisite consents of the Seller’s equity holders and debt holders (the “**Seller Equity and Debt Holder Consents**”); and

(xv) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to the Buyer, as may be required to give effect to this Agreement.

(b) At the Closing, the Buyer shall deliver to the Seller the following:

(i) the Purchase Price in accordance with **Section 2.05**;

(ii) the Escrow Agreement duly executed by the Buyer;

(iii) the Assignment and Assumption Agreement duly executed by the Buyer;

(iv) the Assignment of Indebtedness duly executed by the Buyer;

(v) with respect to each Lease, an Assignment and Assumption of Lease duly executed by the Buyer;

(vi) the Loan Agreement duly executed by VOXX and the Buyer;

(vii) the Registration Rights Agreements duly executed by VOXX and/or the Buyer, as applicable;

(viii) the LLC Agreement duly executed by VOXX and the Buyer;

(ix) the Buyer Closing Certificate; and

(x) the certificates of the Secretary or Assistant Secretary of the Buyer required in accordance with **Section**

7.03(h).

(c) At the Closing, the Buyer shall deliver the Escrow Amount to the Escrow Agent pursuant to the Escrow Agreement.

Article VII

Article VIII

Representations and Warranties of Seller

Seller represents and warrants, subject to such exceptions as are disclosed in the Disclosure Schedules, to Buyer that the statements contained in this **Article IV** are true and correct.

Section . **Organization and Qualification**

. The Parent is a corporation duly organized, validly existing and in good standing under the Laws of the Commonwealth of Puerto Rico and has full corporate power and authority to own, operate or lease the properties and assets now owned, operated or leased by it and to carry on the Business as currently conducted. **Section 4.01** of the Disclosure Schedules sets forth each jurisdiction in which the Parent is licensed or qualified to do business, and the Seller is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the ownership of the Purchased Assets or the operation of the Business as currently conducted makes such licensing or qualification necessary. **Section 4.01** of the Disclosure Schedules set forth a list of all of the shareholders of the Seller and the number of shares of stock of the Seller held by each such shareholder. The Parent does not own securities of any Person other than EyeLock Sub. EyeLock Sub is a corporation duly organized, validly existing and in good standing under the Laws of the State of New York and has full corporate power and authority to own, operate or lease the properties and assets now owned, operated or leased by it and to carry on the Business as currently conducted. **Section 4.01** of the Disclosure Schedules sets forth each jurisdiction in which EyeLock Sub is licensed or qualified to do business, and EyeLock Sub is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the ownership of the Purchased Assets or the operation of the Business as currently conducted makes such licensing or qualification necessary.

Section . **Authority of the Seller**

. Each of the Parent and EyeLock Sub has full company or corporate power and authority to enter into this Agreement and the other Transaction Documents to which it is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by each of the Parent and EyeLock Sub of this Agreement and any other Transaction Document to which it is a party, the performance by each of them of its obligations hereunder and thereunder and the consummation by the Parent and EyeLock Sub of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of the Parent and EyeLock Sub, respectively. This Agreement has been duly executed and delivered by each of the Parent and EyeLock Sub, and (assuming due authorization, execution and delivery by each of them) this Agreement constitutes a legal, valid and binding obligation of each of the Parent and EyeLock Sub enforceable against each of them in accordance with its terms. When each other Transaction Document to which the Parent or EyeLock Sub is or will be a party has been duly executed and delivered by either of them (assuming due authorization, execution and delivery by each other party thereto other than the Parent or EyeLock Sub), such Transaction Document will constitute a legal and binding obligation of the Parent or EyeLock Sub, as applicable, enforceable against it in accordance with its terms.

Section . **No Conflicts; Consents**

. The execution, delivery and performance by the Parent and EyeLock Sub of this Agreement and the other Transaction Documents to which either the Parent or EyeLock Sub is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the certificate of incorporation, by-laws or other organizational documents of the Parent or EyeLock Sub; (b) conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to the Parent, EyeLock Sub, the Business or the Purchased Assets, except for conflicts, violations or breaches that, individually or in the aggregate, would not have a Material Adverse Effect; (c) except as set forth in **Section 4.03** of the Disclosure Schedules, require the consent, notice or other action by any Person under, conflict with, result in a violation or breach of, constitute a default or an event that, with or without notice or lapse of time or both, would constitute a default under, result in the acceleration of or create in any party the right to accelerate, terminate, modify or cancel any Contract or material Permit to which the Parent or EyeLock Sub is a party or by which the Parent, EyeLock Sub or the Business is bound or to which any of the Purchased Assets are subject (including any Assigned Contract); or (d) result in the creation or imposition of any Encumbrance other than Permitted Encumbrances on the Purchased Assets. No material consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to the Parent or EyeLock Sub in connection with the execution and delivery of this Agreement or any of the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby.

Section . **Financial Statements**

. (a) Complete copies of the audited financial statements consisting of the balance sheet of the Seller as of December 31 in each of the fiscal years in 2012 and 2013 and the related statements of income and retained earnings, stockholders' equity and cash flow for the years then ended (the "**2012 and 2013 Audited Financial Statements**"), and unaudited financial statements consisting of the balance sheet of the Business as at May 31, 2015 and the related statements of income and retained earnings, stockholders' equity and cash flow for the three-month period then ended (the "**Interim Financial Statements**" and together with the 2012 and 2013 Audited Financial Statements, the "**Financial Statements**") have been delivered to the Buyer. The Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the period involved, subject, in the case of the Interim Financial Statements, to normal and recurring year-end adjustments (the effect of which will not be materially adverse) and the absence of notes (that, if presented, would not differ materially from those presented in

the 2012 and 2013 Audited Financial Statements). The Financial Statements are based on the books and records of the Seller, and fairly present the financial condition of the Seller as of the respective dates they were prepared and the results of the operations of the Seller for the periods indicated. The balance sheet of the Parent as of December 31, 2014 is referred to herein as the “**Balance Sheet**” and the date thereof as the “**Balance Sheet Date**” and the balance sheet of the Business as of May 31, 2015 is referred to herein as the “**Interim Balance Sheet**” and the date thereof as the “**Interim Balance Sheet Date.**” The Seller maintains a standard system of accounting for the Business established and administered in accordance with GAAP.

(a) Provided that the Buyer complies with its covenants set forth in **Section 6.21**, the 2014 Audited Financial Statements delivered by the Seller pursuant to **Section 3.02(a)(xiii)** will have been prepared in accordance with GAAP applied on a consistent basis throughout the period involved, will be based on the books and records of the Seller and will fairly present the financial condition of the Seller as of the date prepared and the results of the operations of the Seller for the fiscal year ended December 31, 2014.

Section . **Liabilities**

. The Seller has no Liabilities, except (a) those which are adequately reflected or reserved against in the Balance Sheet as of the Balance Sheet Date, and (b) those listed in **Section 4.05** of the Disclosure Schedules, which are not, individually or in the aggregate, material in amount. All indebtedness for borrowed money and all outstanding accounts payable of the Seller (the “**Seller Debt**”) are set forth in **Section 4.05** of the Disclosure Schedules. Except as set forth in **Section 4.05** of the Disclosure Schedules, there are no performance obligations of the Seller under any Contracts with respect to which advance payment (i.e., payment in advance of the date services are to be provided) has been made prior to the Closing Date.

Section . **Absence of Certain Changes, Events and Conditions**

. Except as set forth in **Section 4.06** of the Disclosure Schedules, since the Balance Sheet Date, and other than in the ordinary course of business consistent with past practice, there has not been any:

- (a) event, occurrence or development that has had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect;
- (b) declaration or payment of any dividends or distributions on or in respect of any of the Parent’s or EyeLock Sub’s capital stock or redemption, purchase or acquisition of the Parent’s or EyeLock Sub’s capital stock;
- (c) material change in any method of accounting or accounting practice for the Business, except as required by GAAP or as disclosed in the notes to the Financial Statements;
- (d) material change in cash management practices and policies, practices and procedures with respect to collection of Accounts Receivable, establishment of reserves for uncollectible Accounts Receivable, accrual of Accounts Receivable, Inventory control, prepayment of expenses, payment of trade accounts payable, accrual of other expenses, deferral of revenue and acceptance of customer deposits;
- (e) entry into any Contract that would constitute a Material Contract;
- (f) except with respect to the Bridge Loans, the Existing Non-Bridge Indebtedness or any other arrangements in respect of Indebtedness with VOXX and/or its Affiliates, the incurrence, assumption or guarantee of any indebtedness for borrowed money in connection with the Business except unsecured current obligations and Liabilities incurred in the ordinary course of business consistent with past practice;
- (g) transfer, assignment, sale or other disposition of any of the Purchased Assets shown or reflected in the Balance Sheet, except for the sale of Inventory in the ordinary course of business;

- (h) cancellation of any debts or claims or amendment, termination or waiver of any rights constituting Purchased Assets;
- (i) transfer, assignment or grant of any license or sublicense of any material rights under or with respect to any Intellectual Property Assets or Intellectual Property Agreements;
- (j) material damage, destruction or loss, or any material interruption in use, of any Purchased Assets, whether or not covered by insurance;
- (k) acceleration, termination, material modification to or cancellation of any Assigned Contract or Permit;
- (l) imposition of any Encumbrance upon any of the Purchased Assets;
- (m) (i) grant of any bonuses, whether monetary or otherwise, or increase in any wages, salary, severance, pension or other compensation or benefits in respect of any current or former employees, officers, directors, independent contractors or consultants of the Business, other than as provided for in any written agreements or required by applicable Law, (ii) change in the terms of employment for any employee of the Business or any termination of any employees for which the aggregate costs and expenses exceed Fifty Thousand Dollars & 00/100 (\$50,000.00), or (iii) action to accelerate the vesting or payment of any compensation or benefit for any current or former employee, officer, director, consultant or independent contractor of the Business;
- (n) hiring or promoting any person as or to (as the case may be) an officer position or hiring or promoting any employee below an officer position except to fill a vacancy in the ordinary course of business;
- (o) adoption, modification or termination of any: (i) employment, severance, retention or other agreement with any current or former employee, officer, director, independent contractor or consultant of the Business, (ii) Benefit Plan, or (iii) collective bargaining or other agreement with a Union, in each case whether written or oral;
- (p) any loan to (or forgiveness of any loan to), or entry into any other transaction with, any current or former directors, officers or employees of the Business;
- (q) adoption of any plan of merger, consolidation, reorganization, liquidation or dissolution or filing of a petition in bankruptcy under any provisions of federal or state bankruptcy Law or consent to the filing of any bankruptcy petition against it under any similar Law;
- (r) purchase, lease or other acquisition of the right to own, use or lease any property or assets in connection with the Business for an amount in excess of Twenty-Five Thousand Dollars & 00/100 (\$25,000.00), individually (in the case of a lease, per annum) or Fifty Thousand Dollars & 00/100 (\$50,000.00) in the aggregate (in the case of a lease, for the entire term of the lease, not including any option term), except for purchases of Inventory or supplies in the ordinary course of business consistent with past practice; or
- (s) any Contract to do any of the foregoing, or any action or omission that would result in any of the foregoing.

Section . **Material Contracts**

(a) **Section 4.07** of the Disclosure Schedules lists each of the following Contracts (x) by which any of the Purchased Assets are bound or affected as of the date hereof or (y) to which the Parent or EyeLock Sub is a party or by which it is bound as of the date hereof in connection with the Business or the Purchased Assets (such Contracts, together with all Contracts concerning the occupancy, management or operation of any Leased Real Property (including without limitation, brokerage Contracts) listed or otherwise disclosed in **Section 4.10(b)** of the Disclosure Schedules and all Intellectual Property Agreements set forth in **Section 4.11(b)** of the Disclosure Schedules, collectively, “**Material Contracts**”):

- (i) all Contracts under which the Seller is required to pay or is entitled to receive aggregate consideration in excess of Fifty Thousand Dollars & 00/100 (\$50,000.00);
- (ii) all Contracts that provide for the indemnification of any Person or the assumption of any Tax, environmental or other Liability of any Person, except for standard indemnification provisions in Contracts entered into in the ordinary course, none of which the Seller has any Knowledge with respect to particular facts or circumstances that may reasonably give rise to a claim for indemnification;
- (iii) to the Knowledge of the Seller, all Contracts entered into during the three (3) year period ending on the date hereof that relate to the acquisition or disposition of any business, a material amount of stock or assets of any other Person or any real property (whether by merger, sale of stock, sale of assets or otherwise);
- (iv) all broker, distributor, dealer, manufacturer's representative, franchise, agency, sales promotion, market research, research, development, marketing consulting and advertising Contracts;
- (v) all employment agreements and Contracts with independent contractors, subcontractors or consultants (or similar arrangements) and which are not cancellable without material penalty or without more than thirty (30) calendar days' notice;
- (vi) except for Contracts relating to trade receivables, all Contracts relating to indebtedness for borrowed money (including, without limitation, guarantees and the Hoyos Debt Obligation);
- (vii) all Contracts with any Governmental Authority ("**Government Contracts**");
- (viii) all Contracts that limit or purport to limit the ability of the Seller to compete in any line of business or with any Person or in any geographic area or during any period of time;
- (ix) all joint venture, partnership or similar Contracts;
- (x) all Contracts for the sale of any of the Purchased Assets or for the grant to any Person of any option, right of first refusal or preferential or similar right to purchase any of the Purchased Assets;
- (xi) all powers of attorney with respect to the Business or any Purchased; Asset; and
- (xii) all collective bargaining agreements or Contracts with any Union.

(b) Each Material Contract is valid and binding on the Seller in accordance with its terms and, to the Seller's Knowledge, is in full force and effect. Except as set forth in **Section 4.07** of the Disclosure Schedules, none of the Seller or, to the Seller's Knowledge, any other party thereto is in breach of or default under (or is alleged to be in breach of or default under), or has provided or received any notice of any intention to terminate, any Material Contract. Except as set forth in **Section 4.07** of the Disclosure Schedules, no event or circumstance has occurred that, with notice or lapse of time or both, would constitute an event of default under any Material Contract or result in a termination thereof or would cause or permit the acceleration or other changes of any right or obligation or the loss of any benefit thereunder. Complete and correct copies of each Material Contract that is included in the Purchased Assets (including all modifications, amendments and supplements thereto and waivers thereunder) or evidences the Hoyos Debt Obligation will have been made available to the Buyer by the Delivery Date. There are no material disputes pending or threatened with respect to any Contract included in the Purchased Assets.

Section . **Title to Purchased Assets**

. The Seller has good and valid title to, or a valid leasehold interest in, all of the Purchased Assets. All such Purchased Assets (including leasehold interests) are free and clear of Encumbrances except for (a) liens for Taxes not yet due and payable; (b) mechanics', carriers', workmen's, repairmen's or other like liens arising or incurred in the ordinary course of business; (c) easements, rights of way, zoning ordinances and other similar encumbrances affecting real property; (d) other than with respect to owned real property, liens arising under original purchase price conditional sales Contracts and equipment leases with third parties entered into in the ordinary course of business; (e) the Encumbrances listed in **Section 4.08** of the Disclosure Schedules (collectively referred to as "**Permitted Encumbrances**").

Section . **Condition and Sufficiency of Assets**

. The furniture, fixtures, machinery, equipment, vehicles and other items of tangible personal property included in the Purchased Assets are structurally sound, are in good operating condition and repair, and are adequate for the uses to which they are being put, and none of such furniture, fixtures, machinery, equipment, vehicles and other items of tangible personal property is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost. The Purchased Assets are sufficient for the continued conduct of the Business after the Closing in substantially the same manner as conducted or contemplated prior to the Closing and constitute all of the rights, property and assets necessary to conduct the Business as currently conducted or Contemplated. None of the Excluded Assets are material to the Business.

Section . **Real Property**

(a) The Seller does not own any real property.

(b) **Section 4.10(b)** of the Disclosure Schedules sets forth each parcel of real property leased by the Seller and used in or necessary for the conduct of the Business as currently conducted (together with all rights, title and interest of the Seller in and to leasehold improvements relating thereto, including, but not limited to, security deposits, reserves or prepaid rents paid in connection therewith, collectively, the “**Leased Real Property**”), and a true and complete list of all leases, subleases, licenses, concessions and other agreements (whether written or oral), including all amendments, extensions renewals, guaranties and other agreements with respect thereto, pursuant to which the Seller holds any Leased Real Property (collectively, the “**Leases**”). By the Delivery Date, the Seller will have made available to the Buyer a true and complete copy of each Lease. Except as set forth in **Section 4.10(b)** of the Disclosure Schedules, with respect to each Lease:

(i) such Lease is valid, binding, enforceable and in full force and effect, and the Seller enjoys peaceful and undisturbed possession of the Leased Real Property;

(ii) the Seller is not in breach or default under such Lease, and no event has occurred or circumstance exists which, with the delivery of notice, passage of time or both, would constitute such a breach or default, and the Seller has paid all rent due and payable under such Lease;

(iii) the Seller has not received or given any notice of any default or event that with notice or lapse of time, or both, would constitute a default by the Seller under any of the Leases and, to the Knowledge of the Seller, no other party is in default thereof, and no party to any Lease has exercised any termination rights with respect thereto;

(iv) the Seller has not subleased, assigned or otherwise granted to any Person the right to use or occupy such Leased Real Property or any portion thereof; and

(v) the Seller has not pledged, mortgaged or otherwise granted an Encumbrance on its leasehold interest in any Leased Real Property.

(c) The Seller has not received any written notice of (i) violations of building codes and/or zoning ordinances or other governmental or regulatory Laws affecting the Leased Real Property, (ii) existing, pending or threatened condemnation proceedings affecting the Real Property, or (iii) existing, pending or threatened zoning, building code or other moratorium proceedings, or similar matters which could reasonably be expected to adversely affect the ability to operate the Leased Real Property as currently operated. Neither the whole nor any material portion of any Leased Real Property has been damaged or destroyed by fire or other casualty.

(d) The Leased Real Property is sufficient for the continued conduct of the Business after the Closing in substantially the same manner as conducted prior to the Closing and constitutes all of the real property necessary to conduct the Business as currently conducted.

(a) **Section 4.11** of the Disclosure Schedules lists all (i) Intellectual Property Registrations and (ii) Intellectual Property Assets, including software, that are not registered but that are material to the operation of the Business. All required filings and fees related to the Intellectual Property Registrations have been timely filed with and paid to the relevant Governmental Authorities and authorized registrars, and all Intellectual Property Registrations are otherwise in good standing. By the Delivery Date, the Seller will have made available to the Buyer true and complete copies of Intellectual Property Registrations.

(b) **Section 4.11** of the Disclosure Schedules lists all Intellectual Property Agreements. By the Delivery Date, the Seller will have made available to the Buyer true and complete copies of all such Intellectual Property Agreements, including all modifications, amendments and supplements thereto and waivers thereunder. Each Intellectual Property Agreement is valid and binding on the Seller in accordance with its terms and is in full force and effect. None of the Seller or, to the Seller's Knowledge, any other party thereto is in breach of or default under (or is alleged to be in breach of or default under), or has provided or received any notice of breach or default of or any intention to terminate, any Intellectual Property Agreement. Except as set forth on Section 4.03 of the Disclosure Schedules, no event or circumstance has occurred that, with notice or lapse of time or both, would constitute an event of default under any Intellectual Property Agreement or result in a termination thereof or would cause or permit the acceleration or other changes of any right or obligation or the loss of any benefit thereunder.

(c) Except as set forth in **Section 4.11** of the Disclosure Schedules, the Seller is the sole and exclusive legal and beneficial, and with respect to the Intellectual Property Registrations, record, owner of all right, title and interest in and to the Intellectual Property Assets, and has the valid right to use all other Intellectual Property used in or necessary for the conduct of the Business as currently conducted or Contemplated, in each case, free and clear of Encumbrances other than Permitted Encumbrances. Except as set forth in **Section 4.11** of the Disclosure Schedules, without limiting the generality of the foregoing, the Seller has entered into binding, written agreements with each of its current officers, members of management and employees who perform engineering and/or development services, whereby such Person (i) assigns to the Seller any ownership interest and right they may have in the Intellectual Property Assets; and (ii) acknowledges the Seller's exclusive ownership of all Intellectual Property Assets. By the Delivery Date, the Seller will have provided the Buyer with a form of such agreement.

(d) The Intellectual Property Assets and Intellectual Property licensed under the Intellectual Property Agreements are all of the Intellectual Property necessary to operate the Business as presently conducted or Contemplated. The consummation of the transactions contemplated hereunder will not result in the loss or impairment of or payment of any additional amounts with respect to, nor require the consent of any other Person in respect of, the Buyer's right to own, use or hold for use any Intellectual Property as owned, used or held for use in the conduct of the Business as currently conducted or Contemplated.

(e) The Seller's rights in the Intellectual Property Assets are valid, subsisting and enforceable. Seller has taken all reasonable steps to maintain the Intellectual Property Assets and to protect and preserve the confidentiality of all trade secrets included in the Intellectual Property Assets.

(f) To the Knowledge of the Seller, the conduct of the Business as currently and formerly conducted, and the Intellectual Property Assets and Intellectual Property licensed under the Intellectual Property Agreements as currently or formerly owned, licensed or used by the Seller, have not infringed, misappropriated, diluted or otherwise violated, and do not infringe, misappropriate, dilute or otherwise violate the Intellectual Property or other rights of any Person. To the Knowledge of the Seller, no Person has infringed, misappropriated, diluted or otherwise violated, and no Person is currently infringing, misappropriating, diluting or otherwise violating, any Intellectual Property Assets.

(g) There are no Actions (including any oppositions, interferences or re-examinations) settled, pending or threatened (including in the form of offers to obtain a license): (i) alleging any infringement, misappropriation, dilution or violation of the Intellectual Property of any Person by the Seller in connection with the Business, (ii) challenging the validity, enforceability, registrability or ownership of any Intellectual Property Assets or the Seller's rights with respect to any Intellectual Property Assets, or (iii) by the Seller or any other Person alleging any infringement, misappropriation, dilution or violation by any Person of any Intellectual Property Assets. The Seller is not subject to any outstanding or prospective Governmental Order (including any motion or petition therefor) that does or would restrict or impair the use of any Intellectual Property Assets.

Section . **Inventory**

. All Inventory, whether or not reflected in the Balance Sheet, consists of a quality and quantity usable and salable in the ordinary course of business consistent with past practice, except for obsolete, damaged, defective or slow-moving items that have been written off or written down to fair market value or for which adequate reserves have been established. Except as set forth in **Section 4.12** of the Disclosure Schedules, (i) all Inventory is owned by the Seller free and clear of all Encumbrances, and no Inventory is held on a consignment basis, and (ii) the quantities of each item of Inventory (whether raw materials, work-in-process or finished goods) are not excessive, but are reasonable in the present circumstances of the Seller.

Section . **Accounts Receivable**

. Except as set forth in **Section 4.13** of the Disclosure Schedules, the Accounts Receivable reflected on the Interim Balance Sheet and the Accounts Receivable arising after the date thereof (a) have arisen from bona fide transactions entered into by the Seller involving the sale of goods or the rendering of services in the ordinary course of business consistent with past practice, (b) constitute only valid, undisputed claims of the Seller not subject to claims of set-off or other defenses or counterclaims other than normal cash discounts accrued in the ordinary course of business consistent with past practice, and (c) subject to any reserve for bad debts shown on the Interim Balance Sheet or, with respect to Accounts Receivable arising after the Interim Balance Sheet Date, on the accounting records of the Business, are collectible in full within ninety (90) calendar days after billing. Any reserve for bad debts shown on the Interim Balance Sheet or, with respect to Accounts Receivable arising after the Interim Balance Sheet Date, on the accounting records of the Business have been determined in accordance with GAAP, consistently applied, subject to normal year-end adjustments and the absence of disclosures normally made in footnotes.

Section . **Customers and Suppliers**

(a) **Section 4.14(a)** of the Disclosure Schedules sets forth with respect to the Business (i) each customer who has paid aggregate consideration to the Seller for goods or services rendered in an amount greater than or equal to Fifty Thousand Dollars & 00/100 (\$50,000.00) for the most recent completed fiscal year (collectively, the "**Material Customers**"); and (ii) the amount of consideration paid by each Material Customer during such period. The Seller has not received any notice, and has no reason to believe, that any of the Material Customers has ceased, or intends to cease after the Closing, to use the goods or services of the Business or to otherwise terminate or materially reduce its relationship with the Business.

(b) **Section 4.14(b)** of the Disclosure Schedules sets forth with respect to the Business (i) each supplier to whom the Seller has paid consideration for goods or services rendered in an amount greater than or equal to Fifty Thousand Dollars & 00/100 (\$50,000.00) for the most recent completed fiscal year (collectively, the "**Material Suppliers**"); and (ii) the amount of purchases from each Material Supplier

during such period. The Seller has not received any notice, and has no reason to believe, that any of the Material Suppliers has ceased, or intends to cease, to supply goods or services to the Business or to otherwise terminate or materially reduce its relationship with the Business.

Section . **Insurance**

. **Section 4.15** of the Disclosure Schedules sets forth (a) a true and complete list of all current policies or binders of fire, liability, product liability, umbrella liability, real and personal property, workers' compensation, vehicular, fiduciary liability and other casualty and property insurance maintained by the Seller or its Affiliates and relating to the Business, the Purchased Assets or the Assumed Liabilities (collectively, the "**Insurance Policies**"); and (b) with respect to the Business, the Purchased Assets or the Assumed Liabilities, a list of all pending claims and the claims history for the Seller since December 31, 2013. There are no claims related to the Business, the Purchased Assets or the Assumed Liabilities pending under any such Insurance Policies as to which coverage has been questioned, denied or disputed or in respect of which there is an outstanding reservation of rights. Neither the Seller nor any of its Affiliates has received any written notice of cancellation of, premium increase with respect to, or alteration of coverage under, any of such Insurance Policies. All premiums due on such Insurance Policies have either been paid or, if not yet due, accrued. All such Insurance Policies (a) are in full force and effect and enforceable in accordance with their terms, (b) are provided by carriers who are financially solvent, and (c) have not been subject to any lapse in coverage. None of the Seller or any of the Seller's Affiliates is in default under, or has otherwise failed to comply with, in any material respect, any provision contained in any such Insurance Policy. The Insurance Policies are of the type and in the amounts customarily carried by Persons conducting a business similar to the Business and are sufficient for compliance with all applicable Laws and Contracts to which the Seller is a party or by which it is bound. Prior to the Closing, the Seller will have made available to the Buyer true and complete copies of the Insurance Policies.

Section . **Legal Proceedings; Governmental Orders**

(a) There are no Actions pending or, to the Seller's Knowledge, threatened against or by the Seller (a) relating to or affecting the Business, the Purchased Assets or the Assumed Liabilities; or (b) that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. To the Knowledge of the Seller, no event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Action.

(b) There are no outstanding Governmental Orders and no unsatisfied judgments, penalties or awards against, relating to or affecting the Business.

Section . **Compliance With Laws; Permits**

(a) The Seller has complied, and is now complying with all Laws applicable to the conduct of the Business as currently conducted or the ownership and use of the Purchased Assets, except where failure to comply does not or could not reasonably be expected to have a Material Adverse Effect.

(b) All Permits required for the Seller to conduct the Business as currently conducted or for the ownership and use of the Purchased Assets have been obtained by the Seller and are valid and in full force and effect, except for any such Permits the violation of which or absence thereof would not cause a Material Adverse Effect. To the Knowledge of the Seller, all fees and charges with respect to such Permits as of the date of the Closing will have been paid in full. **Section 4.17(b)** of the Disclosure Schedules lists all current Permits issued to the Seller which are related to the conduct of the Business as currently conducted or the ownership and use of the Purchased Assets, including the names of the Permits and their

respective dates of issuance and expiration. To the Knowledge of the Seller, no event has occurred that, with or without notice or lapse of time or both, would reasonably be expected to result in the revocation, suspension, lapse or limitation of any Permit set forth in **Section 4.17(b)** of the Disclosure Schedules.

Section . **Capitalization of the Parent and EyeLock Sub**

. The Parent's authorized capital stock consists solely of 500,000,000 shares of common stock, of which 61,917,356 shares are issued and outstanding, and 175,000,000 authorized shares of preferred stock, of which 137,465,373 shares are issued and outstanding. All shares of Parent stock are owned of record and beneficially by the Persons listed in **Section 4.18** of the Disclosure Schedules. Except as set forth in **Section 4.18** of the Disclosure Schedules, there are no outstanding (a) dividends, whether current or accumulated, due or payable on any of the capital stock of the Parent, or (b) options, warrants, rights, commitments, or agreements of any kind for the issuance or sale of, or outstanding securities convertible into, any additional shares (of any class) of capital stock of the Parent, and there are no voting trusts, voting agreements, proxies, or other agreements, instruments, or undertakings with respect to the voting of any the Parent stock. The Parent owns all of the issued and outstanding equity interests of EyeLock Sub.

Section . **Employee Benefit Matters**

(a) **Section 4.19(a)** of the Disclosure Schedules contains a true and complete list of each pension, benefit, retirement, compensation, employment, consulting, profit-sharing, deferred compensation, incentive, bonus, performance award, phantom equity, stock or stock-based, change in control, retention, severance, vacation, paid time off, welfare, fringe-benefit and other similar agreement, plan, policy, program or arrangement (and any amendments thereto), in each case whether or not reduced to writing and whether funded or unfunded, including each "employee benefit plan" within the meaning of Section 3(3) of ERISA, whether or not tax-qualified and whether or not subject to ERISA, which is or has been maintained, sponsored, contributed to, or required to be contributed to by the Seller for the benefit of any current or former employee, officer, director, retiree, independent contractor or consultant of the Business or any spouse or dependent of such individual, or under which the Seller or any of its ERISA Affiliates has or may have any Liability, or with respect to which the Buyer or any of its Affiliates would reasonably be expected to have any Liability, contingent or otherwise (as listed in **Section 4.19(a)** of the Disclosure Schedules, each, a "**Benefit Plan**"). Listed in **Section 4.19(a)** of the Disclosure Schedules is each Benefit Plan that is currently maintained, sponsored, contributed to, or required to be contributed to by the Seller primarily for the benefit of employees of the Business outside of the United States (a "**Non-U.S. Benefit Plan**").

(b) With respect to each Benefit Plan, by the Delivery Date, the Seller will have made available to the Buyer accurate, current and complete copies of each of the following: (i) where the Benefit Plan has been reduced to writing, the plan document together with all amendments; (ii) where the Benefit Plan has not been reduced to writing, a written summary of all material plan terms; (iii) where applicable, copies of any trust agreements or other funding arrangements, custodial agreements, insurance policies and Contracts, administration agreements and similar agreements, and investment management or investment advisory agreements, now in effect or required in the future as a result of the transactions contemplated by this Agreement or otherwise; (iv) copies of any summary plan descriptions, summaries of material modifications, employee handbooks and any other written communications (or a description of any oral communications) relating to any Benefit Plan; (v) in the case of any Benefit Plan that is intended to be qualified under Section 401(a) of the Code, a copy of the most recent determination, opinion or advisory letter from the Internal Revenue Service; (vi) in the case of any Benefit Plan for which a Form 5500 is required to be filed, a copy of the two most recently filed Form 5500, with schedules and financial statements attached; (vii) actuarial valuations and reports related to any Benefit Plans with respect to the

most recently completed plan years; (viii) the most recent nondiscrimination tests performed under the Code; and (ix) copies of material notices, letters or other correspondence from the Internal Revenue Service, Department of Labor, Pension Benefit Guaranty Corporation or other Governmental Authority relating to the Benefit Plan.

(c) Each Benefit Plan and related trust (other than any multiemployer plan within the meaning of Section 3(37) of ERISA (each a “**Multiemployer Plan**”)) has been established, administered and maintained in accordance with its terms and in compliance with all applicable Laws (including ERISA, the Code and any applicable local Laws). Each Benefit Plan that is intended to be qualified under Section 401(a) of the Code (a “**Qualified Benefit Plan**”) is so qualified and has received a favorable and current determination letter from the Internal Revenue Service, or with respect to a prototype plan, can rely on an opinion letter from the Internal Revenue Service to the prototype plan sponsor, to the effect that such Qualified Benefit Plan is so qualified and that the plan and the trust related thereto are exempt from federal income taxes under Sections 401(a) and 501(a), respectively, of the Code, and nothing has occurred that could reasonably be expected to adversely affect the qualified status of any Qualified Benefit Plan. Nothing has occurred with respect to any Benefit Plan that has subjected or could reasonably be expected to subject the Seller or any of its ERISA Affiliates or, with respect to any period on or after the Closing Date, the Buyer or any of its Affiliates, to a penalty under Section 502 of ERISA or to tax or penalty under Section 4975 of the Code. All benefits, contributions and premiums relating to each Benefit Plan have been timely paid in accordance with the terms of such Benefit Plan and all applicable Laws and accounting principles, and all benefits accrued under any unfunded Benefit Plan have been paid, accrued or otherwise adequately reserved to the extent required by, and in accordance with GAAP. All Non-U.S. Benefit Plans that are intended to be funded and/or book-reserved are funded and/or book-reserved, as appropriate, based upon reasonable actuarial assumptions.

(d) Neither the Seller nor any of its ERISA Affiliates has (i) incurred or reasonably expects to incur, either directly or indirectly, any material Liability under Title I or Title IV of ERISA or related provisions of the Code or applicable local Law relating to employee benefit plans, (ii) failed to timely pay premiums to the Pension Benefit Guaranty Corporation, (iii) withdrawn from any Benefit Plan; or (iv) engaged in any transaction which would give rise to liability under Section 4069 or Section 4212(c) of ERISA.

(e) With respect to each Benefit Plan (i) no such plan is a Multiemployer Plan, (ii) no such plan is a “multiple employer plan” within the meaning of Section 413(c) of the Code or a “multiple employer welfare arrangement” (as defined in Section 3(40) of ERISA), (iii) no Action has been initiated by the Pension Benefit Guaranty Corporation to terminate any such plan or to appoint a trustee for any such plan, (iv) no such plan is subject to the minimum funding standards of Section 412 of the Code or Title IV of ERISA, and none of the Purchased Assets is, or may reasonably be expected to become, the subject of any lien arising under Section 302 of ERISA or Section 412(a) of the Code, except as set forth in **Section 4.19** of the Disclosure Schedules, no such plan is subject to the minimum funding standards of Section 412 of the Code or Title IV of ERISA, and no plan listed in **Section 4.19** of the Disclosure Schedules has failed to satisfy the minimum funding standards of Section 302 of ERISA or Section 412 of the Code, and (v) no “reportable event,” as defined in Section 4043 of ERISA, has occurred with respect to any such plan.

(f) Other than as required under Section 601 et. seq. of ERISA or other applicable Law, no Benefit Plan or other arrangement provides post-termination or retiree welfare benefits to any individual for any reason.

(g) There is no pending or, to the Seller’s Knowledge, threatened Action relating to a Benefit Plan (other than routine claims for benefits), and no Benefit Plan has within the three years prior to the date hereof been the subject of an examination or audit by a Governmental Authority or the subject of an application or filing under, or is a participant in, an amnesty, voluntary compliance, self-correction or similar program sponsored by any Governmental Authority.

(h) There has been no amendment to, announcement by the Seller or any of its Affiliates relating to, or change in employee participation or coverage under, any Benefit Plan or collective bargaining agreement that would increase the annual expense of maintaining such plan above the level of the expense incurred for the most recently completed fiscal year with respect to any director, officer, employee, consultant or independent contractor of the Business, as applicable. Except as set forth in **Section 4.19** of the Disclosure Schedules, neither the Seller nor any of its Affiliates has any material commitment or obligation or has made any material representations to any director, officer, employee, consultant or independent contractor of the Business, whether or not legally binding, to adopt, amend, modify or terminate any Benefit Plan or any collective bargaining agreement.

(i) Each Benefit Plan that is subject to Section 409A of the Code has been administered in compliance with its terms and the operational and documentary requirements of Section 409A of the Code and all applicable regulatory guidance (including, notices, rulings and proposed and final regulations) thereunder. The Seller has no obligation to gross up, indemnify or otherwise reimburse any individual for any excise taxes, interest or penalties incurred pursuant to Section 409A of the Code.

(j) Except as set forth on Section 4.19(j) of the Disclosure Schedules, neither the execution of this Agreement nor any of the transactions contemplated by this Agreement will (either alone or upon the occurrence of any additional or subsequent events): (i) entitle any current or former director, officer, employee, independent contractor or consultant of the Business to severance pay or any other payment; (ii) accelerate the time of payment, funding or vesting, or increase the amount of compensation due to any such individual; (iii) increase the amount payable under or result in any other material obligation pursuant to any Benefit Plan; (iv) result in “excess parachute payments” within the meaning of Section 280G(b) of the Code; or (v) require a “gross-up” or other payment to any “disqualified individual” within the meaning of Section 280G(c) of the Code.

Section . **Employment Matters**

(a) **Section 4.20** of the Disclosure Schedules contains a list of all persons who, as of the date hereof, are employees of the Business, including any employee who is on a leave of absence of any nature, paid or unpaid, authorized or unauthorized, and sets forth for each such individual the following: (A) name, (B) title or position (including whether full or part time), (C) hire date, (D) current annual base compensation rate, (E) commission, bonus or other incentive-based compensation, and (F) a description of the fringe benefits provided to each such individual as of the date hereof. Section 4.20 of the Disclosure Schedules also contains a list of all persons who, as of the date hereof, are independent contractors and consultants of the Business who have been paid in excess of \$50,000 by the Seller since January 1, 2014. Except as set forth in **Section 4.20** of the Disclosure Schedules, as of the date hereof, to the Knowledge of the Seller, all compensation, including wages, commissions and bonuses payable to all employees, independent contractors or consultants of the Business for services performed on or prior to the date hereof have been paid in full and there are no outstanding agreements, understandings or commitments of the Seller with respect to any compensation, commissions or bonuses.

(b) The Seller is not, and has never been, a party to, bound by, or negotiating any collective bargaining agreement or other Contract with a union, works council or labor organization (collectively, “**Union**”), and there is not, and has not been for the past five (5) years, any Union representing or purporting to represent any employee of the Seller, and to the Seller’s Knowledge, no Union or group of employees is seeking or has sought to organize employees for the purpose of collective bargaining. There has never been, nor has there been any threat of, any strike, slowdown, work stoppage, lockout, concerted refusal to work overtime or other similar labor disruption or dispute affecting the Seller or any employees of the Business. The Seller has no duty to bargain with any Union.

(c) The Seller is and has been in compliance with all applicable Laws pertaining to employment and employment practices to the extent they relate to employees of the Business, including all Laws relating to labor relations, equal employment opportunities, fair employment practices, employment discrimination, harassment, retaliation, reasonable accommodation, disability rights or benefits, immigration, wages, hours, overtime compensation, child labor, hiring, promotion and termination of employees, working conditions, meal and break periods, privacy, health and safety, workers' compensation, leaves of absence and unemployment insurance. All individuals characterized and treated by the Seller as consultants or independent contractors of the Business are properly treated as independent contractors under all applicable Laws. All employees of the Business classified as exempt under the Fair Labor Standards Act and state and local wage and hour laws are properly classified. Except as set forth in **Section 4.20** of the Disclosure Schedules, there are no Actions against the Seller pending or, to the Knowledge of the Seller, threatened to be brought or filed, by or with any Governmental Authority or arbitrator in connection with the employment of any current or former applicant, employee, consultant or independent contractor of the Business, including, without limitation, any claim relating to unfair labor practices, employment discrimination, harassment, retaliation, equal pay, wages and hours or any other employment related matter arising under applicable Laws.

(d) With respect to each Government Contract, the Seller is, and has been in compliance with Executive Order No. 11246 of 1965 ("**E.O. 11246**"), Section 503 of the Rehabilitation Act of 1973 ("**Section 503**") and the Vietnam Era Veterans' Readjustment Assistance Act of 1974 ("**VEVRAA**"), including all implementing regulations. The Seller maintains and complies with affirmative action plans in compliance with E.O. 11246, Section 503 and VEVRAA, including all implementing regulations. The Seller is not, and has not been for the past five (5) years, the subject of any audit, investigation or enforcement action by any Governmental Authority in connection with any Government Contract or related compliance with E.O. 11246, Section 503 and VEVRAA. To the Knowledge of the Seller, the Seller has not been debarred, suspended or otherwise made ineligible from doing business with the United States government or any government contractor.

Section . **Taxes**

(a) All Tax Returns required to be filed by the Seller have been timely filed. Such Tax Returns are, or will be, true, complete and correct in all respects. Except as set forth in **Section 4.21** of the Disclosure Schedules, all Taxes due and owing by the Seller (whether or not shown on any Tax Return) have been timely paid.

(b) The Seller has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, customer, shareholder or other party, and complied with all information reporting and backup withholding provisions of applicable Law.

(c) No extensions or waivers of statutes of limitations have been given or requested with respect to any Taxes of the Seller.

(d) Except as set forth in **Section 4.21** of the Disclosure Schedules, all deficiencies asserted, or assessments made, against the Seller as a result of any examinations by any Governmental Authority have been fully paid.

(e) The Seller is not a party to any Action with respect to Taxes by any Governmental Authority. There are no pending or threatened Actions by any Governmental Authority.

(f) There are no Encumbrances for Taxes upon any of the Purchased Assets nor has any Governmental Authority notified the Seller that it is in the process of imposing any Encumbrances for Taxes on any of the Purchased Assets (other than for current Taxes not yet due and payable).

(g) The Seller is not, and has not been, a party to, or a promoter of, a “reportable transaction” within the meaning of Section 6707A(c)(1) of the Code and Treasury Regulations Section 1.6011-4(b) (and analogous state, local or foreign provision).

(h) The Seller is not, and has not been, a party to a transaction or Contract that is in conflict with the Tax rules on transfer pricing in any relevant jurisdiction. All applicable transfer pricing rules have been complied with, in all material respects, and all documentation required by all relevant transfer pricing Laws has been timely prepared.

(i) EyeLock Sub is not now, nor has it ever been, a member of a consolidated, affiliated, combined, unitary or similar group for Tax purposes and has no Liability for the Taxes of any Person under Treasury Regulations Section 1.1502-6 (or any corresponding or similar provision of state, local or foreign Tax Law), as a transferee or successor, by Contract or otherwise.

(j) EyeLock Sub is not a party to or bound by any Tax sharing, indemnity, allocation or similar Contract and has no Liability to another party under any such Contract.

Section . **Brokers**

. Except for Cowen and Company, no broker, finder or investment banker is entitled to any brokerage, finder’s or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of the Seller.

Section . **Full Disclosure**

. No representation or warranty by the Seller in this Agreement and no statement contained in the Disclosure Schedules to this Agreement or any certificate or other document furnished or to be furnished to the Buyer pursuant to this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not misleading.

Article IX

Article X

Representations and Warranties of the Buyer

Each of VOXX and the Buyer jointly and severally represent and warrant to the Seller that the statements contained in this **Article V** are true and correct.

Section . **Organization and Operations of the Buyer**

. The Buyer is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware. The Buyer has conducted no business and has no operations, assets or liabilities (including in respect of claims for liabilities threatened against, relating to or involving or otherwise affecting the Buyer) except as set forth in **Section 5.01** of the Disclosure Schedules. The Buyer has no subsidiaries or investments in any other entity or business operation. Attached hereto as **Exhibit B**, are a true and correct copies of the Buyer’s limited liability company agreement and certificate of formation filed with Secretary of State of the State of Delaware, each as in effect as of the date hereof.

Section . **Authority of the Buyer**

. The Buyer has full company power and authority to enter into this Agreement and the other Transaction Documents to which the Buyer is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by the Buyer of this Agreement and any other Transaction Document to which the Buyer is a party, the performance by the Buyer of its obligations hereunder and thereunder and the consummation by the Buyer of the transactions contemplated hereby and thereby have been duly authorized by all requisite company action on the part of the Buyer. This Agreement has been duly executed and delivered by the Buyer, and (assuming due authorization, execution and delivery by the Seller) this Agreement constitutes a legal, valid and binding obligation of the Buyer enforceable against the Buyer in accordance with its

terms. When each other Transaction Document to which the Buyer is or will be a party has been duly executed and delivered by the Buyer (assuming due authorization, execution and delivery by each other party thereto), such Transaction Document will constitute a legal and binding obligation of the Buyer enforceable against it in accordance with its terms.

Section . **No Conflicts; Consents**

. The execution, delivery and performance by the Buyer of this Agreement and the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the certificate of incorporation, by-laws or other organizational documents of the Buyer, (b) conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to the Buyer, or (c) require the consent, notice or other action by any Person under any Contract to which the Buyer is a party. No consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to the Buyer in connection with the execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby.

Section . **Brokers**

. Except for Wells Fargo, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of the Buyer.

Section . **Sufficiency of Funds**

. At Closing, the Buyer will have sufficient cash on hand or other sources of immediately available funds to enable it to make payment of the Cash Payment and consummate the transactions contemplated by this Agreement.

Section . **Legal Proceedings**

. There are no Actions pending or, to the Buyer's knowledge, threatened against or by the Buyer or any Affiliate of the Buyer that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. No event has occurred or circumstances exist that may give rise or serve as a basis for any such Action.

Section . **Capitalization**

. The Buyer's authorized capitalization consists solely of One Thousand (1,000) shares of common units of membership interest, of which prior to the Closing Fifty-Four (54) units are issued and outstanding (the "**VOXX Units**"). All issued and outstanding units of the Buyer's membership interest are currently owned of record and beneficially by VOXX. There are no outstanding dividends, whether current or accumulated, due or payable on any of the capital stock of the Buyer. Immediately prior to the Closing, the VOXX Units will constitute all of the authorized and outstanding capital stock of the Buyer. Other than pursuant to the Equity Plan, there are no outstanding options, warrants, rights, commitments, or agreements of any kind for the issuance or sale of, or outstanding securities convertible into, any additional shares (of any class) of the capital stock of the Buyer, and there are no voting trusts, voting agreements, proxies, or other agreements, instruments, or undertakings with respect to the voting of the Buyer's membership interest. Except with respect to this Agreement, the LLC Agreement and the documents attached hereto as **Exhibit B**, (i) the Buyer has not entered into any limited liability company agreement, operating agreements, shareholders agreements, voting agreements, or any other agreements in respect of the capital stock of the Buyer, and (ii) the Buyer has no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other Contracts or commitments in respect of its capital stock.

Section . **Conduct of Business Prior to the Closing**

. From the date hereof until the Closing, except as otherwise provided in this Agreement or consented to in writing by the Buyer (which consent shall not be unreasonably withheld or delayed), the Seller shall (x) conduct the Business in the ordinary course of business consistent with past practice; and (y) use its best efforts to maintain and preserve intact its current Business organization, operations and franchise and to preserve the rights, franchises, goodwill and relationships of its employees, customers, lenders, suppliers, regulators and others having relationships with the Business. Without limiting the foregoing, from the date hereof until the Closing Date, the Seller shall, and shall cause EyeLock Sub to:

- (a) preserve and maintain all Permits required for the conduct of the Business as currently conducted or the ownership and use of the Purchased Assets;
- (b) pay the debts, Taxes and other obligations of the Business when due;
- (c) continue to collect Accounts Receivable in a manner consistent with past practice, without discounting such Accounts Receivable;
- (d) maintain the properties and assets included in the Purchased Assets in the same condition as they were on the date of this Agreement, subject to reasonable wear and tear;
- (e) continue in full force and effect without modification all Insurance Policies, except as required by applicable Law;
- (f) defend and protect the properties and assets included in the Purchased Assets from infringement or usurpation;
- (g) perform all of its obligations under all Assigned Contracts;
- (h) protect, defend and maintain all of the Intellectual Property Assets;
- (i) maintain the Books and Records in accordance with past practice;
- (j) comply in all material respects with all Laws applicable to the conduct of the Business or the ownership and use of the Purchased Assets; and
- (k) not take or permit any action that would cause any breach of the representations set forth in **Article IV** of this Agreement.

Section . **Access to Information**

. From the date hereof until the Closing, the Seller shall (a) afford the Buyer and its Representatives full and free access to and the right to inspect all of the Real Property, properties, assets, premises, Books and Records, Contracts and other documents and data related to the Business, (b) furnish the Buyer and its Representatives with such financial, operating and other data and information related to the Business as the Buyer or any of its Representatives may reasonably request, and (c) instruct the Representatives of the Seller to cooperate with the Buyer in its investigation of the Business. Any investigation pursuant to this **Section 6.02** shall be conducted in such manner as not to interfere unreasonably with the conduct of the Business or any other businesses of the Seller. No investigation by the Buyer or other information received by the Buyer shall operate as a waiver or otherwise affect any representation, warranty or agreement given or made by the Seller in this Agreement.

Section . **Reserved**Section . **Notice of Certain Events**

(a) From the date hereof until the Closing, the Seller shall promptly notify the Buyer in writing of:

(i) any fact, circumstance, event or action, the existence, occurrence, or taking of which (A) has had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (B) has resulted in, or could reasonably be expected to result in, any representation or warranty made by the Seller hereunder not being true and correct in all material respects or (C) has resulted in, or could reasonably be expected to result in, the failure of any of the conditions set forth in **Section 7.02** to be satisfied;

(ii) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

(iii) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement; and

(iv) any Actions commenced or, to the Seller's Knowledge, threatened against, relating to or involving or otherwise affecting the Business, the Purchased Assets or the Assumed Liabilities that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to **Section 4.16** or that relates to the consummation of the transactions contemplated by this Agreement.

(b) The Buyer's receipt of information pursuant to this **Section 6.04** shall not operate as a waiver or otherwise affect any representation, warranty or agreement given or made by the Seller in this Agreement (including **Section 8.02** and **Section 9.01(b)**) and shall not be deemed to amend or supplement the Disclosure Schedules.

Section . **Employees and Employee Benefits**

(a) Commencing on the Closing Date, the Seller shall terminate all employees of the Business who are actively at work on the Closing Date, and, at the Buyer's sole discretion, the Buyer may offer employment, on an "at will" basis, to any or all of such employees. The Seller shall bear any and all obligations and liability under the WARN Act resulting from employment losses pursuant to this **Section 6.05**.

(b) The Seller shall be solely responsible, and the Buyer shall have no obligations whatsoever for, any compensation or other amounts payable to any current or former employee, officer, director, independent contractor or consultant of the Business, including, without limitation, hourly pay, commission, bonus, salary, accrued vacation, fringe, pension or profit sharing benefits or severance pay for any period relating to the service with the Seller at any time on or prior to the Closing Date and the Seller shall pay all such amounts to all entitled persons on or prior to the Closing Date.

(c) The Seller shall remain solely responsible for the satisfaction of all claims for medical, dental, life insurance, health accident or disability benefits brought by or in respect of current or former employees, officers, directors, independent contractors or consultants of the Business or the spouses, dependents or beneficiaries thereof, which claims relate to events occurring on or prior to the Closing Date. The Seller also shall remain solely responsible for all worker's compensation claims of any current or former employees, officers, directors, independent contractors or consultants of the Business which relate to events occurring on or prior to the Closing Date. The Seller shall pay, or cause to be paid, all such amounts to the appropriate persons as and when due.

(d) Effective as soon as practicable following the Closing Date, the Seller, or any applicable Affiliate, shall effect a transfer of assets and liabilities (including outstanding loans) from the defined contribution retirement plan that it maintains, to the defined contribution retirement plan maintained by the Buyer, with respect to those employees of the Business who become employed by the Buyer, or an Affiliate of the Buyer, in connection with the transactions contemplated by this Agreement. Any such transfer shall be in an amount sufficient to satisfy Section 414(l) of the Code. Upon the transfer of assets

and liabilities into the Buyer's plan, all transferred account balances from the Seller's plan shall become fully vested.

(e) Each employee of the Business who becomes employed by the Buyer in connection with the transaction shall be given service credit for the purpose of eligibility under the group health plan and eligibility and vesting only under the defined contribution retirement plan for his or her period of service with the Seller prior to the Closing Date; *provided, however*, that (i) such credit shall be given pursuant to payroll or plan records, at the election of the Buyer, in its sole and absolute discretion; and (ii) such service crediting shall be permitted and consistent with the Buyer's defined contribution retirement plan.

Section . **Confidentiality**

. From and after the Closing, the Seller shall, and shall cause its Affiliates to, hold, and shall use its best efforts to cause its or their respective Representatives to hold, in confidence any and all information, whether written or oral, concerning the Business, except to the extent that the Seller can show that such information (a) is generally available to and known by the public through no fault of the Seller, any of its Affiliates or their respective Representatives; or (b) is lawfully acquired by the Seller, any of its Affiliates or their respective Representatives from and after the Closing from sources which are not prohibited from disclosing such information by a legal, contractual or fiduciary obligation. If the Seller or any of its Affiliates or their respective Representatives are compelled to disclose any information by judicial or administrative process or by other requirements of Law, the Seller shall promptly notify the Buyer in writing and shall disclose only that portion of such information which the Seller is advised by its counsel in writing is legally required to be disclosed, *provided, however*, that the Seller shall use reasonable best efforts to obtain an appropriate protective order or other reasonable assurance that confidential treatment will be accorded such information.

Section . **Non-competition; Non-solicitation**

(a) For a period of five (5) years commencing on the Closing Date (the "**Restricted Period**"), the Seller shall not, and shall not permit any of its subsidiaries to, directly or indirectly, (i) engage in or assist others in engaging in the Restricted Business in the Territory, (ii) have an interest in any Person that engages directly or indirectly in the Restricted Business in the Territory in any capacity, including as a partner, shareholder, member, employee, principal, agent, trustee or consultant, or (iii) cause, induce or encourage any material actual or prospective client, customer, supplier or licensor of the Business (including any existing or former client or customer of the Seller and any Person that becomes a client or customer of the Business after the Closing), or any other Person who has a material business relationship with the Business, to terminate or modify any such actual or prospective relationship. Notwithstanding the foregoing, the Seller or any subsidiary of the Seller may own, directly or indirectly, solely as an investment, securities of any Person traded on any national securities exchange if the Seller or its subsidiary is not a controlling Person of, or a member of a group which controls, such Person and does not, directly or indirectly, own one percent or more of any class of securities of such Person.

(b) During the Restricted Period, the Seller shall not, and shall not permit any of its subsidiaries to, directly or indirectly, hire or solicit any person who is offered employment by the Buyer pursuant to **Section 6.05(a)** or is or was employed in the Business during the Restricted Period, or encourage any such employee to leave such employment or hire any such employee who has left such employment; *provided, however*, that nothing in this **Section 6.07(b)** shall prevent the Seller or its subsidiaries from hiring any employee whose employment has been terminated by the Buyer.

(c) The Seller acknowledges that a breach or threatened breach of this **Section 6.07** would give rise to irreparable harm to the Buyer, for which monetary damages would not be an adequate remedy, and hereby agrees that in the event of a breach or a threatened breach by the Seller any such obligations,

the Buyer shall, in addition to any and all other rights and remedies that may be available to it in respect of such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction (without any requirement to post bond).

(d) The Seller acknowledges that the restrictions contained in this **Section 6.07** are reasonable and necessary to protect the legitimate interests of the Buyer and constitute a material inducement to the Buyer to enter into this Agreement and consummate the transactions contemplated by this Agreement. In the event that any covenant contained in this **Section 6.07** should ever be adjudicated to exceed the time, geographic, product or service or other limitations permitted by applicable Law in any jurisdiction, then any court is expressly empowered to reform such covenant, and such covenant shall be deemed reformed, in such jurisdiction to the maximum time, geographic, product or service or other limitations permitted by applicable Law. The covenants contained in this **Section 6.07** and each provision hereof are severable and distinct covenants and provisions. The invalidity or unenforceability of any such covenant or provision as written shall not invalidate or render unenforceable the remaining covenants or provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such covenant or provision in any other jurisdiction.

Section . **Governmental Approvals and Consents**

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(a) Each party hereto shall, as promptly as possible, (i) make, or cause or be made, all filings and submissions required under any Law applicable to such party or any of its Affiliates; and (ii) use reasonable best efforts to obtain, or cause to be obtained, all consents, authorizations, orders and approvals from all Governmental Authorities that may be or become necessary for its execution and delivery of this Agreement and the performance of its obligations pursuant to this Agreement and the other Transaction Documents. Each party shall cooperate fully with the other party and its Affiliates in promptly seeking to obtain all such consents, authorizations, orders and approvals. The parties hereto shall not willfully take any action that will have the effect of delaying, impairing or impeding the receipt of any required consents, authorizations, orders and approvals.

(b) The Seller and the Buyer shall use reasonable best efforts to give all notices to, and obtain all consents from, all third parties that are described in **Section 4.03** of the Disclosure Schedules, if any.

(c) Without limiting the generality of the parties' undertakings pursuant to subsections (a) and (b) above, each of the parties hereto shall use all reasonable best efforts to:

(i) respond to any inquiries by any Governmental Authority regarding antitrust or other matters with respect to the transactions contemplated by this Agreement or any other Transaction Document;

(ii) avoid the imposition of any order or the taking of any action that would restrain, alter or enjoin the transactions contemplated by this Agreement or any other Transaction Document; and

(iii) in the event any Governmental Order adversely affecting the ability of the parties to consummate the transactions contemplated by this Agreement or any other Transaction Document has been issued, to have such Governmental Order vacated or lifted.

Section . **Books and Records**

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(a) In order to facilitate the resolution of any claims made against or incurred by the Seller prior to the Closing, or for any other reasonable purpose, for a period of five (5) years after the Closing, the Buyer shall:

(i) retain the Books and Records (including personnel files) relating to periods prior to the Closing in a manner reasonably consistent with the prior practices of the Seller; and

(ii) upon reasonable notice, afford the Seller reasonable access (including the right to make, at the Seller's expense, photocopies), during normal business hours, to such Books and Records.

(b) In order to facilitate the resolution of any claims made by or against or incurred by the Buyer after the Closing, or for any other reasonable purpose, for a period of five (5) years following the Closing, the Seller shall:

(i) retain the books and records (including personnel files) of the Seller which relate to the Business and its operations for periods prior to the Closing; and

(ii) upon reasonable notice, afford the Buyer reasonable access (including the right to make, at the Buyer's expense, photocopies), during normal business hours, to such books and records.

(c) Neither the Buyer nor the Seller shall be obligated to provide the other party with access to any books or records (including personnel files) pursuant to this **Section 6.09** where such access would violate any Law.

Section . **Closing Conditions**

. From the date hereof until the Closing, each party hereto shall use reasonable best efforts to take such actions as are necessary to expeditiously satisfy the Closing conditions set forth in **Article VII** hereof.

Section . **Public Announcements**

. Unless otherwise required by applicable Law or stock exchange requirements (based upon the reasonable advice of counsel), no party to this Agreement shall make any public announcements in respect of this Agreement or the transactions contemplated hereby or otherwise communicate with any news media without the prior written consent of the other party (which consent shall not be unreasonably withheld or delayed), and the parties shall cooperate as to the timing and contents of any such announcement.

Section . **Bulk Sales Laws**

. The parties hereby waive compliance with the provisions of any bulk sales, bulk transfer or similar Laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Purchased Assets to the Buyer; it being understood that any Liabilities arising out of the failure of the Seller to comply with the requirements and provisions of any bulk sales, bulk transfer or similar Laws of any jurisdiction which would not otherwise constitute Assumed Liabilities shall be treated as Excluded Liabilities.

Section . **Receivables**

. From and after the Closing, if the Seller or any of its Affiliates receives or collects any funds relating to any Accounts Receivable or any other Purchased Asset, the Seller or its Affiliate shall remit such funds to the Buyer within five (5) Business Days after its receipt thereof. From and after the Closing, if the Buyer or its Affiliate receives or collects any funds relating to any Excluded Asset, the Buyer or its Affiliate shall remit any such funds to the Seller within five (5) Business Days after its receipt thereof.

Section . **Transfer Taxes**

. Any transfer, documentary, sales, use, stamp, registration, value added and other such similar Taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the other Transaction Documents (including any real property transfer Tax and any other similar Tax) shall be borne and paid by the Seller when due. The Seller and the Buyer shall cooperate as necessary to timely file any Tax Return or other document with respect to such Taxes or fees.

Section . **Reserved**

Section . **Reserved**

Section . **Equity Plan**

. On or prior to the Closing Date, the Buyer shall approve and adopt the Equity Plan.

Section . **Straddle Period**

. For purposes of this Agreement, in the case of any property, ad valorem and other similar Taxes that are imposed with respect to a Straddle Period, the amount of any such Tax that is allocable to the portion of a Straddle Period ending on the Closing Date shall be deemed to be the amount of such Tax for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of days in the portion of the Straddle Period ending on and including the Closing Date, and the denominator of which is the total number of days in the entire Straddle Period.

Section . **Tax Cooperation**

. The Buyer and the Seller agree to furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information and assistance relating to the Business and EyeLock Sub (including access to books and records) as is reasonably necessary for the filing of all Tax Returns, the making of any election relating to Taxes, the preparation for any audit by any Governmental Authority, the prosecution or defense of any claims, suits or proceedings relating to any Tax and the determination of any Liability for Taxes pursuant to this Agreement. Any expenses incurred in furnishing such information or assistance shall be borne by the party requesting it.

Section . **Director and Officer Insurance**

. From and after the Closing until the date that is five (5) years following the Closing, the Seller shall purchase and maintain a director and officer insurance policy with terms and conditions similar to those currently in effect under the Seller's current director and officer insurance policy. Alternatively, the Seller may, prior to the Closing, purchase a "tail" policy with respect to the period prior to Closing providing similar protections and coverages to the Seller's directors and officers.

Section . **2014 Audited Financial Statements**

. Prior to the Closing, the Buyer or VOXX shall fund (e.g., by VOXX making an additional Bridge Loan to the Seller), as determined by the Buyer, all costs and expenses of the Seller's independent auditor up to Fifty-Seven Thousand Dollars (\$57,000) in connection the preparation of audited financial statements of the Seller for the fiscal year ended December 31, 2014, consisting of the balance sheet of the Seller and the related statements of income and retained earnings, stockholders' equity and cash flow for such year (the "**2014 Audited Financial Statements**"). Such payment shall be made in advance of the preparation of such 2014 Audited Financial Statements. The Seller shall pay all such costs and expenses on or prior to the Closing.

Section . **Delivery of Disclosure Schedules and Certain Consents**

. The Seller's Disclosure Schedules shall be delivered by the Seller to the Buyer on or before the Delivery Date. The Seller Equity and Debt Holder Consents shall be delivered by the Seller to the Buyer on or before August 7, 2015.

Section . **Change of Name**

. Prior to or simultaneously with the Closing, each of Parent and EyeLock Sub shall change its name to a name that does not include the word "EyeLock."

Section . **Hoyos Debt Obligation**

. Following the Closing, so long as the Hoyos Debt Obligation shall not have matured or be due or owing, the Seller (or any successor entity of the Seller) shall have the right to assign to the Buyer, and Buyer shall assume and agree to pay, perform and discharge, subject to and in accordance with the terms and conditions of Section 15.22 of the LLC Agreement, the Hoyos Debt Obligation, provided that the aggregate Liabilities under the Settlement Agreement do not exceed One Million Two Hundred Thousand Dollars (\$1,200,000) and are comprised solely of the Hoyos Debt Obligation. The assignment of the Hoyos Debt Obligation to the Buyer pursuant to this **Section 6.24** shall be made by each of the Seller and the Buyer executing an assignment and assumption agreement in substantially the form of the Assignment and Assumption Agreement, and the Buyer agrees to execute such assignment and assumption agreement upon the Seller exercising its right to assign under this **Section 6.24**. In the event that the Hoyos Debt Obligation is assigned to the Buyer hereunder and until such time as the Buyer thereafter satisfies and pays the Hoyos Debt Obligation in full, the Seller shall not take any action which shall cause the Hoyos Debt Obligation or any portion thereof to mature or become due or owing, including but not limited to by redeeming all outstanding shares of the Seller's preferred stock, unless such actions involve a transaction or series of transactions the result of which is the pay-off in full of the Hoyos Debt Obligation contemporaneously with such Hoyos Debt Obligation becoming due and payable, which pay off shall be made either directly by the Seller or indirectly by the Seller directing the net proceeds of any such transaction(s) otherwise payable to the Seller to be used to pay off in full the Hoyos Debt Obligation. This obligations of the Seller under this **Section 6.24** shall survive the Closing indefinitely.

Section . **Further Assurances**

. At and following the Closing, each of the parties hereto shall, and shall cause their respective Affiliates to, execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the other Transaction Documents.

Article XIII

Article XIV

Conditions to Closing

Section . **Conditions to Obligations of All Parties**

. The obligations of each party to consummate the transactions contemplated by this Agreement shall be subject to the condition, at or prior to the Closing, that no Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Governmental Order which is in effect and has the effect of making the transactions contemplated by this Agreement illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated hereunder to be rescinded following completion thereof.

Section . **Conditions to Obligations of the Buyer**

. The obligations of the Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or the Buyer's waiver, at or prior to the Closing, of each of the following conditions:

(a) Other than the representations and warranties of the Seller contained in **Section 4.01**, **Section 4.02**, **Section 4.04** and **Section 4.22**, the representations and warranties of the Seller contained in this Agreement, the other Transaction Documents and any certificate or other writing delivered pursuant hereto shall be true and correct in all respects (in the case of any representation or warranty qualified by materiality or Material Adverse Effect) or in all material respects (in the case of any representation or warranty not qualified by materiality or Material Adverse Effect) on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects).

The representations and warranties of the Seller contained in **Section 4.01**, **Section 4.02**, **Section 4.04** and **Section 4.22** shall be true and correct in all respects on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects).

(b) The Seller shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement and each of the other Transaction Documents to be performed or complied with by it prior to or on the Closing Date; *provided, however*, that with respect to agreements, covenants and conditions that are qualified by materiality, the Seller shall have performed such agreements, covenants and conditions, as so qualified, in all respects.

(c) No Action shall have been commenced against the Buyer or the Seller, which would prevent the Closing. No injunction or restraining order shall have been issued by any Governmental Authority, and be in effect, which restrains or prohibits any transaction contemplated hereby.

(d) All Required Consents shall have been received, and executed counterparts thereof shall have been delivered to the Buyer at or prior to the Closing.

(e) From the date of this Agreement, there shall not have occurred any Material Adverse Effect, nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, could reasonably be expected to result in a Material Adverse Effect.

(f) The Seller shall have delivered to the Buyer duly executed counterparts to the Transaction Documents (other than this Agreement) and such other documents and deliveries set forth in **Section 3.02(a)**.

(g) The Buyer shall have received all Permits that are necessary for it to conduct the Business as conducted by the Seller as of the Closing Date.

(h) All Encumbrances relating to the Purchased Assets shall have been released in full, other than Permitted Encumbrances, and the Seller shall have delivered to the Buyer written evidence, in form satisfactory to the Buyer in its sole discretion, of the release of such Encumbrances.

(i) The Buyer shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of the Seller, that each of the conditions set forth in **Section 7.02(a)** and **Section 7.02(b)** have been satisfied (the "**Seller Closing Certificate**").

(j) The Buyer shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of the Seller certifying (i) that attached thereto are true and complete copies of all resolutions adopted by the board of directors of the Seller authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, (ii) that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby, and (iii) the names and signatures of the officers of the Seller authorized to sign this Agreement, the Transaction Documents and the other documents to be delivered hereunder and thereunder.

(k) VOXX shall have received a waiver from, or entered into an amendment of its loan agreement with, Wells Fargo Bank, National Association to permit the Buyer and VOXX to enter into this Agreement and consummate the transactions contemplated hereby.

(l) The Buyer shall be satisfied, in its sole discretion, (i) with its due diligence review of the Business, and (ii) that a Material Adverse Effect with respect to the Business shall not have occurred.

(m) The Buyer shall have received the Employment Agreements, duly executed by the respective counterparties thereto.

(n) The Buyer shall have received a certification (the "**FIRPTA Certificate**"), in form reasonably acceptable to Buyer and its counsel, of the non-foreign status of EyeLock Sub that complies with Section 1445 of the Code.

(o) The Seller shall have delivered to the Buyer such other documents or instruments as the Buyer reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

Section . **Conditions to Obligations of the Seller**

. The obligations of the Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or the Seller's waiver, at or prior to the Closing, of each of the following conditions:

(a) Other than the representations and warranties of the Buyer contained in **Section 5.01, Section 5.02** and **Section 5.04**, the representations and warranties of the Buyer contained in this Agreement, the other Transaction Documents and any certificate or other writing delivered pursuant hereto shall be true and correct in all respects (in the case of any representation or warranty qualified by materiality or Material Adverse Effect) or in all material respects (in the case of any representation or warranty not qualified by materiality or Material Adverse Effect) on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects). The representations and warranties of the Buyer contained in **Section 5.01, Section 5.02** and **Section 5.04** shall be true and correct in all respects on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date.

(b) The Buyer shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement and each of the other Transaction Documents to be performed or complied with by it prior to or on the Closing Date; *provided, however*, that with respect to agreements, covenants and conditions that are qualified by materiality, the Buyer shall have performed such agreements, covenants and conditions, as so qualified, in all respects.

(c) No injunction or restraining order shall have been issued by any Governmental Authority, and be in effect, which restrains or prohibits any material transaction contemplated hereby.

(d) The Buyer shall have delivered to the Seller duly executed counterparts to the Transaction Documents (other than this Agreement) and such other documents and deliveries set forth in **Section 3.02(b)**.

(e) The Buyer shall have delivered the Escrow Amount to the Escrow Agent pursuant to **Section 3.02(c)**.

(f) The Seller shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of the Buyer, certifying that each of the conditions set forth in **Section 7.03(a)** and **Section 7.03(b)** have been satisfied (the "**Buyer Closing Certificate**").

(g) The Seller shall have received duly executed Seller Equity and Debt Holder Consents.

(h) The Seller shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of the Buyer certifying (i) that attached thereto are true and complete copies of all resolutions adopted by the board of directors of the Buyer authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, (ii) that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby, and (iii) the names and signatures of the officers of the Buyer authorized to sign this Agreement, the Transaction Documents and the other documents to be delivered hereunder and thereunder.

(i) The Buyer shall have approved and adopted the Equity Plan, if applicable.

(j) The Buyer shall have delivered to the Seller such other documents or instruments as the Seller reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

(k) The Seller shall have received from the Buyer or VOXX funding (e.g., through an additional Bridge Loan by VOXX to the Seller), as determined by the Buyer, in respect of costs and expenses for the preparation of the 2014 Audited Financial Statements in accordance with **Section 6.21** of this Agreement, unless the Buyer has waived the delivery requirement in respect of such 2014 Audited Financial Statements set forth in **Section 3.02(a)(xiii)**.

Article XV

Article XVI

Indemnification

Section . **Survival**

. Subject to the limitations and other provisions of this Agreement, the representations and warranties contained herein shall survive the Closing and shall remain in full force and effect until the date that is two (2) years from the Closing Date; provided, however, that the representations in (i) **Section 4.01, Section 4.02, Section 4.08, Section 4.09, Section 4.18, Section 4.22** shall survive indefinitely, and (ii) **Section 4.19** and **Section 4.21** shall survive for the full period of all applicable statutes of limitations (giving effect to any waiver mitigation or extension thereof) plus sixty (60) calendar days. All covenants and agreements of the parties contained herein shall survive the Closing until the date that is two (2) years from the Closing Date or the period explicitly specified therein. Notwithstanding the foregoing, any claims asserted in good faith with reasonable specificity (to the extent known at such time) and in writing by notice from the non-breaching party to the breaching party prior to the expiration date of the applicable survival period shall not thereafter be barred by the expiration of the relevant representation or warranty and such claims shall survive until finally resolved.

Section . **Indemnification by the Seller from the Indemnification Escrow Account**

(a) Subject to the limitations set forth in **Section 8.02(b)** and **Section 8.04**, from and after the Closing (but subject to the other terms and conditions of this **Article VIII** and the Escrow Agreement), the Seller jointly and severally shall indemnify and defend the Buyer and its Affiliates and their respective Representatives (collectively, the “**Buyer Indemnitees**”) from and against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all Losses incurred or sustained by, or imposed upon, the Buyer Indemnitees based upon, arising out of, with respect to or by reason of:

(i) any inaccuracy in or breach of any of the representations or warranties of the Seller contained in this Agreement, the other Transaction Documents or in any certificate or instrument delivered by or on behalf of the Seller pursuant to this Agreement, as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date (except for representations and warranties that expressly relate to a specified date, the inaccuracy in or breach of which will be determined with reference to such specified date);

(ii) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by the Seller pursuant to this Agreement, the other Transaction Documents or any certificate or instrument delivered by or on behalf of the Seller pursuant to this Agreement; or

(iii) any Excluded Asset or Excluded Liability.

(b) Notwithstanding anything in this Agreement to the contrary, except for recourse against the Rep & Warranty Policy or the offset or other rights expressly provided in Section 15.21 or Section 15.22 of the LLC Agreement or with respect to **Section 6.24**, recovery against the funds then remaining and available in the Indemnification Escrow Account pursuant to this **Section 8.02, Section 2.09** and the Escrow Agreement constitutes the Buyer’s sole and exclusive remedy for any and all Losses or other claims relating to or arising from this Agreement, including in any Schedule or certificate delivered hereunder. The Buyer agrees that other than indirectly through the payment of all or a portion of the Escrow Amount to the Buyer (if and as required by the terms of this Agreement and the Escrow

Agreement) and the offset and other rights expressly provided in Section 15.21 or Section 15.22 of the LLC Agreement or with respect to **Section 6.24** or pursuant to the Rep & Warranty Policy, under no circumstances will the Seller Indemnitees have any liability for Losses to any Buyer Indemnitee relating to or arising from this Agreement, including in any Schedule or certificate delivered hereunder. For the avoidance of doubt, upon the release of the Escrow Amount in accordance with **Section 2.09**, the Buyer shall have no further remedy from the Seller, other than the offset or other rights expressly provided for in Section 15.21 or Section 15.22 of the LLC Agreement or with respect to **Section 6.24** or pursuant to the Rep & Warranty Policy, for any Losses relating to or arising from this Agreement, including in any Schedule or certificate delivered hereunder.

(c) None of the Buyer Indemnitees may avoid the limitations on liability set forth in this **Article VIII** by seeking damages for breach of contract, tort or pursuant to any theory of liability other than as permitted in accordance with this **Article VIII**, and the Buyer, for itself and the other Buyer Indemnitees, hereby waives, from and after the Closing, to the fullest extent permitted under applicable Law, any and all claims and rights the Buyer (or other Buyer Indemnitees) may have against the Seller Indemnitees relating (directly or indirectly) to the subject matter of this Agreement arising under or based upon any such other Law or otherwise.

(d) Except pursuant to **Section 2.05(b)**, no Person (including any Seller Indemnitee) shall have any obligation to fund the Indemnification Escrow Account, and title and all rights to all unencumbered funds in the Indemnification Escrow Account not subject to any Claims against the Indemnification Escrow Account shall transfer to the Seller in accordance with Section 2.09.

Section . **Indemnification by VOXX and Buyer**

. Subject to the other terms and conditions of this **Article VIII**, the Buyer and VOXX shall jointly and severally indemnify and defend each of the Seller and its Affiliates and their respective Representatives (collectively, the “**Seller Indemnitees**”) against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all Losses incurred or sustained by, or imposed upon, the Seller Indemnitees based upon, arising out of, with respect to or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of the Buyer contained in this Agreement or in any certificate or instrument delivered by or on behalf of the Buyer pursuant to this Agreement, as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date (except for representations and warranties that expressly relate to a specified date, the inaccuracy in or breach of which will be determined with reference to such specified date);

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by the Buyer pursuant to this Agreement; or

(c) any Assumed Liability;

provided, however, that VOXX shall not indemnify the Seller Indemnitees with respect to any claim under the foregoing sub-paragraphs (b) or (c), whether jointly or severally.

Section . **Certain Limitations**

. The indemnification provided for in **Section 8.02** or **Section 8.03** shall be subject to the following limitations:

(a) Except for, and in addition to, the offset or other rights expressly provided in Section 15.21 or Section 15.22 of the LLC Agreement or with respect to **Section 6.24** or pursuant to the Rep & Warranty Policy, the aggregate amount of all Losses for which the Seller shall be liable pursuant to **Section 8.02(a)** shall not exceed the aggregate amount of the Escrow Amount.

(b) Notwithstanding anything to the contrary contained in this Agreement, no Buyer Indemnitee shall have any right to indemnification for Losses resulting from or attributable to any Tax

elections, changes in Tax method of accounting, or amended Tax Returns made or filed by the Seller after the Closing, except if such elections, changes or amendments are required as a result of or are attributable to a breach of any of the representations set forth in **Section 4.21**.

For purposes of clarification, nothing in this **Article VIII** shall in any manner limit any claim or recovery by the Buyer under the Rep & Warranty Policy, and no payment to or recovery by the Buyer under the Rep & Warranty Policy shall affect any claim by the Buyer for indemnification or any indemnification obligation of the Seller.

Section . **Indemnification Procedures**

. The party making a claim under this **Article VIII** is referred to as the “**Indemnified Party**,” and the party against whom such claims are asserted under this **Article VIII** is referred to as the “**Indemnifying Party**.”

(a) **Third Party Claims**

. If any Indemnified Party receives notice of the assertion or commencement of any Action made or brought by any Person who is not a party to this Agreement or an Affiliate of a party to this Agreement or a Representative of the foregoing (a “**Third Party Claim**”) against such Indemnified Party with respect to which the Indemnifying Party is obligated to provide indemnification under this Agreement, the Indemnified Party shall give the Indemnifying Party reasonably prompt written notice thereof, but in any event not later than 15 calendar days after receipt of such notice of such Third Party Claim. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party has been prejudiced thereby. Such notice by the Indemnified Party shall describe the Third Party Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have the right to participate in, or by giving written notice to the Indemnified Party, to assume the defense of any Third Party Claim at the Indemnifying Party’s expense and by the Indemnifying Party’s own counsel, and the Indemnified Party shall cooperate in good faith in such defense; *provided, that* if the Indemnifying Party is Seller, such Indemnifying Party shall not have the right to defend or direct the defense of any such Third Party Claim that (x) is asserted directly by or on behalf of a Person that is a supplier or customer of the Business, or (y) seeks an injunction or other equitable relief against the Indemnified Party. In the event that the Indemnifying Party assumes the defense of any Third Party Claim, subject to **Section 8.05(b)**, it shall have the right to take such action as it deems necessary to avoid, dispute, defend, appeal or make counterclaims pertaining to any such Third Party Claim in the name and on behalf of the Indemnified Party. The Indemnified Party shall have the right to participate in the defense of any Third Party Claim with counsel selected by it subject to the Indemnifying Party’s right to control the defense thereof. The fees and disbursements of such counsel shall be at the expense of the Indemnified Party, *provided, that* if in the reasonable opinion of counsel to the Indemnified Party, (A) there are legal defenses available to an Indemnified Party that are different from or additional to those available to the Indemnifying Party; or (B) there exists a conflict of interest between the Indemnifying Party and the Indemnified Party that cannot be waived, the Indemnifying Party shall be liable for the reasonable fees and expenses of counsel to the Indemnified Party in each jurisdiction for which the Indemnified Party determines counsel is required. If the Indemnifying Party elects not to compromise or defend such Third Party Claim, fails to promptly notify the Indemnified Party in writing of its election to defend as provided in this Agreement, or fails to diligently prosecute the defense of such Third Party Claim, the Indemnified Party may, subject to **Section 8.05(b)**, pay, compromise, defend such Third Party Claim and seek indemnification for any and all Losses based upon, arising from or relating to such Third Party Claim. Seller and Buyer shall cooperate with each other in all reasonable respects in connection with the defense of any Third Party Claim, including

making available (subject to the provisions of **Section 6.06**) records relating to such Third Party Claim and furnishing, without expense (other than reimbursement of actual out-of-pocket expenses) to the defending party, management employees of the non-defending party as may be reasonably necessary for the preparation of the defense of such Third Party Claim.

(b) **Settlement of Third Party Claims**

. Notwithstanding any other provision of this Agreement, the Indemnifying Party shall not enter into settlement of any Third Party Claim without the prior written consent of the Indemnified Party, except as provided in this **Section 8.05(b)**. If a firm offer is made to settle a Third Party Claim without leading to liability or the creation of a financial or other obligation (including any increase in or adverse determination on Taxes) on the part of the Indemnified Party and provides, in customary form, for the unconditional release of each Indemnified Party from all liabilities and obligations in connection with such Third Party Claim and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give written notice to that effect to the Indemnified Party. If the Indemnified Party fails to consent to such firm offer within 10 days after its receipt of such notice, the Indemnified Party may continue to contest or defend such Third Party Claim and in such event, the maximum liability of the Indemnifying Party as to such Third Party Claim shall not exceed the amount of such settlement offer. If the Indemnified Party fails to consent to such firm offer and also fails to assume defense of such Third Party Claim, the Indemnifying Party may settle the Third Party Claim upon the terms set forth in such firm offer to settle such Third Party Claim. If the Indemnified Party has assumed the defense pursuant to **Section 8.05(a)**, it shall not agree to any settlement without the written consent of the Indemnifying Party (which consent shall not be unreasonably withheld or delayed).

(c) **Direct Claims**

. Any Action by an Indemnified Party on account of a Loss which does not result from a Third Party Claim (a “**Direct Claim**”) shall be asserted by the Indemnified Party giving the Indemnifying Party reasonably prompt written notice thereof. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except to the extent that the Indemnifying Party has been prejudiced thereby. Such notice by the Indemnified Party shall describe the Direct Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have thirty (30) calendar days after its receipt of such notice to respond in writing to such Direct Claim. If the Indemnifying Party does not so respond within such 30-day period, the Indemnifying Party shall be deemed to have rejected such claim, in which case the Indemnified Party shall be free to pursue such remedies as may be available to the Indemnified Party on the terms and subject to the provisions of this Agreement.

Section . **Payments**

. Once a Loss is agreed to by the Indemnifying Party or finally adjudicated to be payable pursuant to this **Article VIII**, (i) if the Indemnifying Party is the Buyer, the Buyer shall satisfy its obligations within fifteen (15) Business Days of such final, non-appealable adjudication by wire transfer of immediately available funds, (ii) if the Indemnifying Party is the Seller, such obligations shall be satisfied pursuant to the Escrow Agreement or the LLC Agreement.

Section . **Tax Treatment of Indemnification Payments**

. All indemnification payments made under this Agreement shall be treated by the parties as an adjustment to the Purchase Price for Tax purposes, unless otherwise required by Law.

Section . **Effect of Investigation**

. The representations, warranties and covenants of the Indemnifying Party, and the Indemnified Party's right to indemnification with respect thereto, shall not be affected or deemed waived by reason of any investigation made by or on behalf of the Indemnified Party (including by any of its Representatives) or by reason of the fact that the Indemnified Party or any of its Representatives knew or should have known that any such representation or warranty is, was or might be inaccurate or by reason of the Indemnified Party's waiver of any condition set forth in **Section 7.02** or **Section 7.02(I)**, as the case may be.

Section . **Insurance Proceeds**

. Payments by an Indemnifying Party pursuant to this Agreement in respect of any Loss shall be reduced by an amount equal to any (i) Tax benefit and (ii) insurance proceeds realized (other than under the Rep & Warranty Policy) as a result of such Loss by the Indemnified Party.

Section . **Exclusive Remedies**

. Subject to **Section 6.07** and **Section 10.12** and except as provided in **Section 10.07** or otherwise in this **Article VIII**, the parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims (other than claims arising from fraud, criminal activity or willful misconduct on the part of a party hereto in connection with the transactions contemplated by this Agreement) for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement, shall be pursuant to the indemnification provisions set forth in this **Article VIII** or the offset and other rights expressly provided in Section 15.21 or Section 15.22 of the LLC Agreement or pursuant to the Rep & Warranty Policy. In furtherance of the foregoing, each party hereby waives, to the fullest extent permitted under Law, any and all rights, claims and causes of action for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement it may have against the other parties hereto and their Affiliates and each of their respective Representatives arising under or based upon any Law, except pursuant to the indemnification provisions set forth in this **Article VIII** or the offset and other rights expressly provided in Section 15.21 or Section 15.22 of the LLC Agreement. Nothing in this **Section 8.10** shall limit any Person's right to seek and obtain any equitable relief to which any Person shall be entitled or to seek any remedy on account of any party's fraudulent, criminal or intentional misconduct.

Article XVII

Article XVIII

Termination

Section . **Termination**

. This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of the Seller and the Buyer;

(b) by the Buyer by written notice to the Seller if:

(i) The Buyer is not then in material breach of any provision of this Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by the Seller pursuant to this Agreement that would give rise to the failure of any of the conditions specified in **Article VII** and such breach, inaccuracy or failure has not been cured by the Seller within ten (10) calendar days of the Seller's receipt of written notice of such breach from the Buyer;

(ii) any of the conditions set forth in **Section 7.01** or **Section 7.02** shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by September 1, 2015, unless such failure shall be due to the failure of the Buyer to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing; or

(iii) each of the Employment Agreements has not been executed by the parties thereto by the Delivery Date.

(c) by the Seller by written notice to the Buyer if:

(i) the Seller is not then in material breach of any provision of this Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by the Buyer pursuant to this Agreement that would give rise to the failure of any of the conditions specified in **Article VII** and such breach, inaccuracy or failure has not been cured by the Buyer within ten (10) calendar days of the Buyer's receipt of written notice of such breach from the Seller; or

(ii) any of the conditions set forth in **Section 7.01**, **Section 7.02(k)** or **Section 7.03(g)** shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by September 1, 2015, unless, except in the case of the conditions set forth in **Section 7.03(g)** or the covenant of the Seller set forth in the second sentence of **Section 6.22**, such failure shall be due to the failure of the Seller to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing; or

(d) by the Buyer or the Seller in the event that (i) there shall be any Law that makes consummation of the transactions contemplated by this Agreement illegal or otherwise prohibited or (ii) any Governmental Authority shall have issued a Governmental Order restraining or enjoining the transactions contemplated by this Agreement, and such Governmental Order shall have become final and non-appealable.

Section . **Effect of Termination**

. In the event of the termination of this Agreement in accordance with this **Article IX**, this Agreement shall forthwith become void and there shall be no liability on the part of any party hereto except:

(a) as set forth in this **Article IX** and **Section 6.06** and **Article X** hereof; and

(b) that nothing herein shall relieve any party hereto from liability for any willful breach of any provision hereof.

Article XIX

Article XX

Miscellaneous

Section . **Expenses**

. Except as otherwise expressly provided herein, all costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses, whether or not the Closing shall have occurred.

Section . **Notices**

. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt), (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested), (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient, or (d) on the third (3rd) calendar day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this **Section 10.02**):

EyeLock, Inc.
c/o Stelac Capital Partners LLC
654 Madison Avenue
11th Floor
New York, NY 10065
Facsimile: 212-920-3888
E-mail: clo@stelac.com
Attention: Carlos M. Lopez-Oña

If to the Seller:

Ice Miller LLP
One American Square, Suite 2900
Indianapolis, IN 46282-0200
Facsimile: 317-236-2219
E-mail: John.Thornburgh@icemiller.com
Attention: John Thornburgh, Esq.

with a copy to:

Voxx Security LLC
c/o Voxx International Corporation
180 Marcus Blvd.
Hauppauge, NY, 11788
Facsimile: (631)-231-1370
E-mail: mstoehr@voxxintl.com
Attention: Charles M. Stoehr, Senior Vice President
and Chief Financial Officer

If to the Buyer:

Duane Morris LLP
1540 Broadway
New York, NY 10036-4086
Facsimile: (212) 202-6315
E-mail: lshughes@duanemorris.com
Attention: Laurence Hughes, Esq.

and

Levy, Stopol & Camelo, LLP
1425 RXR Plaza
Uniondale, NY 11556-1425
Facsimile: (516) 802-7008
E-mail: lstopol@levystopol.com
Attention: Larry Stopol, Esq.

with a copy to:

Section . **Disclosure Schedules**

. Buyer expressly agrees that Seller shall have the right, from and after the execution of this Agreement but prior to the Delivery Date, (i) to qualify any representation, warranty or other provision of this agreement by adding any new Disclosure Schedules, whether or not this Agreement contains a reference to a Disclosure Schedule in respect of such provision that is being qualified, and (ii) to work on, amend, and update any Disclosure Schedule provided as of the date of the execution of this Agreement or at any time until the Delivery Date, it being expressly understood that there is no requirement that Seller deliver any Disclosure Schedules to Buyer as of the date of this Agreement, and failure to deliver such Disclosure Schedules to Buyer as of the date of this Agreement shall not be deemed to be a breach of the corresponding representation and warranty or other provision to the extent such Disclosure Schedules are amended and/or updated and delivered on or prior to the Delivery Date. The Disclosure Schedules shall be final and effective to qualify any representation, warranty or other provision of this Agreement as of the Delivery Date. Following the Delivery Date, but prior to the Closing, the Seller shall update the Disclosure Schedules as required; *provided*, that the inclusion of any disclosure, matter or item in any such new, amended and/or updated Disclosure Schedules delivered after the Delivery Date (the “**Updated Disclosure Schedules**”) shall not be effective to qualify any representation, warranty or other provision for purposes of determining the truth or accuracy of, or compliance with, any such representation,

warranty or other provision as of the Closing. The inclusion of any information in the Disclosure Schedules, including the Updated Disclosure Schedules, will not be deemed an admission or acknowledgement that such information is required to be listed thereon. The Disclosure Schedules, including the Updated Disclosure Schedules, shall be arranged in sections corresponding to the sections contained in this Agreement. The disclosures in any section of the Disclosure Schedules, including the Updated Disclosure Schedules, shall qualify other sections in in this Agreement to the extent it is reasonably clear from a reading of the disclosure that such disclosure is applicable to such other sections.

Section . **Interpretation**

. For purposes of this Agreement, (a) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation,” (b) the word “or” is not exclusive, and (c) the words “herein,” “hereof,” “hereby,” “hereto” and “hereunder” refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (x) to Articles, Sections, Disclosure Schedules and Exhibits mean the Articles and Sections of, and Disclosure Schedules and Exhibits attached to, this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof, and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The Disclosure Schedules and Exhibits referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein.

Section . **Headings**

. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section . **Severability**

. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Except as provided in **Section 6.07(d)**, upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section . **Entire Agreement**

. This Agreement and the other Transaction Documents constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter, other than Section 4 of the Confidential Term Sheet, which shall continue in effect per its terms and conditions. In the event of any inconsistency between the statements in the body of this Agreement and those in the other Transaction Documents, the Exhibits and Disclosure Schedules (other than an exception expressly set forth as such in the Disclosure Schedules), the statements in the body of this Agreement will control.

Section . **Successors and Assigns**

. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations

hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed; *provided, however*, that the Buyer may without the prior written consent of the Seller, collaterally assign all or any portion of its rights under this Agreement to one or more lenders to the Buyer or VOXX or any of their respective Affiliates. No assignment shall relieve the assigning party of any of its obligations hereunder.

Section . **No Third-party Beneficiaries**

. Except as provided in **Article VIII**, this Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section . **Amendment and Modification; Waiver**

. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section . **Governing Law; Submission to Jurisdiction; Waiver of Jury Trial**

(a) This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of Law provision or rule (whether of the State of New York or any other jurisdiction).

(b) ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY MAY BE INSTITUTED IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA OR THE COURTS OF THE STATE OF NEW YORK IN EACH CASE LOCATED IN THE CITY OF NEW YORK AND COUNTY OF NEW YORK, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN ANY SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR ANY PROCEEDING IN SUCH COURTS AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS OR THE TRANSACTIONS

CONTEMPLATED HEREBY OR THEREBY. EACH PARTY TO THIS AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS Section 10.11(c).

Section . **Specific Performance**

. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at Law or in equity.

Section . **Counterparts**

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

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

EYELOCK, INC., a corporation organized under the Laws of
Puerto Rico

By: s/James Demitrius

Name: James Demitrius

Title: Chief Executive Officer

EYELOCK CORPORATION, a Delaware corporation

By: s/James Demitrius

Name: James Demitrius

Title: Chief Executive Officer

VOXX SECURITY LLC, a Delaware limited liability company

By: VOXX INTERNATIONAL CORPORATION, its Member

By: s/Charles M. Stoehr

Name: Charles M. Stoehr

Title: Senior Vice President and Chief Financial
Officer

VOXX INTERNATIONAL CORPORATION, a Delaware
corporation

By: s/Charles M. Stoehr

Name: Charles M. Stoehr

Title: Senior Vice President and Chief Financial
Officer

AMENDMENT NO. 1 TO THE ASSET PURCHASE AGREEMENT

This Amendment (the “**Amendment**”), dated as of September 1, 2015, is entered into by and among EyeLock, Inc., a corporation organized under the Laws of Puerto Rico (“**EyeLock**”), EyeLock Corporation (“**EyeLock Sub**”), a Delaware corporation, EYELOCK LLC, a Delaware limited liability company (f/k/a Voxx Security LLC) (the “**Buyer**”), and Voxx International Corporation, a Delaware corporation (“**Voxx**” and, collectively with EyeLock, EyeLock Sub, and Buyer, the “**Parties**”), with respect to that certain Asset Purchase Agreement, dated as of July 29, 2015 (as amended, modified and/or extended from time to time, the “**Asset Purchase Agreement**”). The Parties hereby desire to amend the Asset Purchase Agreement on the terms and conditions hereinafter set forth.

I. **Defined Terms.**

Capitalized terms defined in the Asset Purchase Agreement and used but not otherwise defined herein shall have the meanings given to them in the Asset Purchase Agreement.

II. **Amendments to the Asset Purchase Agreement.**

1. The name of the Buyer for all purposes of the Asset Purchase Agreement (as amended hereby) shall be EYELOCK LLC (the name was formerly Voxx Security LLC).

2. Article I -

(a) The defined term “Current Liabilities” and the definition thereof shall be deleted in its entirety.

(b) The defined term “Bridge Loans” shall be deleted in its entirety, and in lieu thereof, the following shall be inserted:

“**Bridge Loans**” means the loans extended to the Seller by VOXX pursuant to promissory notes dated May 28, 2015, June 12, 2015, June 22, 2015, June 29, 2015 and July 16, 2015, in the aggregate principal amount of One Million Seven Hundred Nine Thousand Five Hundred Dollars & 00/100 (\$1,709,500), as well as all other loans extended to the Seller by VOXX prior to the Closing except for the Existing Non-Bridge Indebtedness. The aggregate principal balance of the Bridge Loans at September 1, 2015 is \$3,175,586. The definition of the term Bridge Loans shall exclude any accrued but unpaid interest relating to the Bridge Loans and, except for the aggregate principal amount payable under the Bridge Loans, shall also exclude any other obligations of Seller in connection with the Bridge Loans.

(c) The defined term “Existing Non-Bridge Indebtedness” shall be deleted in its entirety, and in lieu thereof, the following shall be inserted:

“**Existing Non-Bridge Indebtedness**” means all Liabilities, including but not limited to all accrued interest and supplemental payments, owing to VOXX from the Seller as of the Closing Date, other than the Bridge Loans, which were contributed to the Buyer by VOXX prior to the Closing Date and are currently held by the Buyer. The definition of the term Existing Non-Bridge Indebtedness shall include any accrued but unpaid interest relating to the Bridge Loans and, except for the aggregate principal amount payable under the Bridge Loans, shall also include any other obligations of Seller in connection with the Bridge Loans.

3. Section 2.02 - Subsection (a) thereof shall be amended such that the phrase “cash and cash equivalents” shall be deleted and the phrase “cash and cash equivalents other than (1) any security or similar deposits held by or maintained with any of the landlords or lessors which are the subject of Section 4.10(b) of the Disclosure Schedules; any such amounts shall be paid by the Seller to the Buyer, notwithstanding any other provision contained in this Agreement to the contrary, within two (2) Business Days of the receipt by the Seller of the same, and the Seller shall use commercially reasonable efforts to obtain the same in accordance with the applicable leases or other arrangements with the aforesaid landlords/lessors, and (2) cash in the amount of \$12,165.35” shall be inserted in lieu thereof.

4. Section 2.04 - Subsection (h) thereof shall be deleted in its entirety, and in lieu thereof, the following shall be inserted:

(h) (1) subject to Section 6.24 with regard to the Hoyos Debt Obligation, any Liabilities of the Seller for any present or former employees, officers, directors, retirees, independent contractors or consultants of the Seller, including, without limitation, any Liabilities associated with any claims for wages or other benefits, bonuses, accrued vacation, workers’ compensation, severance, retention, termination or other payments; and (2) any Liabilities to Tracy Hoyos (including to the extent arising out of the civil lawsuit described in Section 4.16 of the Disclosure Schedules) or Hector Hoyos (other than the Hoyos Debt Obligation);

5. Section 2.05 -

Subsection (a) thereof shall be amended such that the phrase “no later than two (2) Business Days prior to the Closing Date” shall be deleted and the phrase “simultaneously with or prior to the Closing” shall be inserted in lieu thereof.

Section . Subsection (d) thereof shall be deleted, and in lieu thereof, the following shall be inserted:

(d) The Unit Payment shall be paid by the issuance to the Seller at the Closing of thirty-four (34) units of the Buyer’s common membership interests, which shall be governed by and contain the rights and preferences established by the LLC Agreement.

6. Section 2.06 - The phrase “for all purposes (including tax and financial accounting)” shall be deleted and the phrase “for Tax purposes” shall be inserted in lieu thereof.

7. Section 3.02(a) - Sections 3.02(a)(viii) and (ix) shall be deleted, and in lieu thereof, the word “Reserved;” shall be inserted in each case.

8. Section 3.02(a)(xii) - The phrase “Secretary or Assistant Secretary” shall be deleted, and in lieu thereof, the phrase “Chief Executive Officer” shall be inserted.

9. Section 3.02(b)(x) - The phrase “Secretary or Assistant Secretary” shall be deleted, and in lieu thereof, the phrase “a duly authorized officer of the sole member” shall be inserted.

10. Section 3.02(b) - Sections 3.02(b)(vi), (vii) and (viii) shall be deleted, and in lieu thereof, the word “Reserved;” shall be inserted in each case.

11. Section 4.01 - The phrase “State of New York” shall be deleted and the phrase “State of Delaware” shall be inserted in lieu thereof.

12. Section 4.05 - The phrase “Except as set forth in Section 4.06 of the Disclosure Schedules” shall be deleted, and in lieu thereof, the phrase “Except as set forth in Section 4.05 of the Disclosure Schedules” shall be inserted.

13. The following additional section shall be added to the end of Article VI:

Section 6.26. Post-Closing Obligations and Other Agreements.

(a) Within forty five (45) days from the Closing Date, the Seller shall deliver to the Buyer a copyright assignment agreement, in form and substance satisfactory to the Buyer and duly executed by David M. Strauss, transferring to the Buyer all of his right, title and interest in and to the copyright "EyeLock Logo" with registration No. VAu001167958.

(b) Within three (3) Business Days subsequent to the Closing Date, a member of the Board of Directors of Seller or a Person authorized by the Board of Directors of Seller shall deliver a certificate to the Buyer certifying as to initiation of wire transfers to each and every Person of any portion of the Purchase Price proceeds or of any of the amounts which the parties hereto contemplate will be paid in connection with the transactions contemplated hereby, directly or indirectly, including the name of the payee and the amount paid to such payee; provided, that such certificate shall not certify any payments or wire transfers of Purchase Price Proceeds made by the Buyer on the Closing Date. The Seller shall promptly provide to the Buyer any confirmations it may receive in connection with its wire transfers of Purchase Price Proceeds, and it will use commercially reasonable efforts to promptly obtain confirmation of all such payments or wire transfers.

(c) Notwithstanding anything herein to the contrary, the Parties acknowledge and agree that Seller shall be deemed not to be in breach of any representation, warranty, covenant, agreement or other obligation of Seller pursuant to any Transaction Document, the LLC Agreement, or any other agreements, certificates and documents relating thereto, as a result of the Cash Payment being made by the Buyer on any date after the Closing Date, and the parties further acknowledge and agree that the Closing Date shall be September 1, 2015, but the parties also acknowledge and agree that certain of their respective obligations have been or will be performed on September 2, 2015.

14. Section 7.02(j) - shall be deleted in its entirety, and in lieu thereof, the following shall be inserted:

(j) The Buyer shall have received a certificate of the Chief Executive Officer (or equivalent officer) of the Seller certifying (i) that attached thereto are true and complete copies of all resolutions adopted by the board of directors of the Seller authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, (ii) that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby, (iii) the names and signatures of the officers of the Seller authorized to sign this Agreement, the Transaction Documents and the other documents to be delivered hereunder and thereunder, and (iv) certificates of good standing as of a recent date from the appropriate governmental authority certifying as to the good-standing status of each of EyeLock Sub and the Parent.

15. Section 7.03(h) - The phrase "Secretary or an Assistant Secretary (or equivalent officer)" shall be deleted, and in lieu thereof, the phrase "a duly authorized officer of the sole member" shall be inserted.

16. Notwithstanding anything in the Asset Purchase Agreement to the contrary, including without limitation the terms and conditions of Section 4.01 and 10.03 thereof, the Disclosure Schedules attached hereto as Exhibit A shall be deemed to be the "Disclosure Schedules" under the Asset Purchase Agreement for all purposes and shall supersede, amend and replace in all respects the Disclosure Schedules delivered by Seller on the Delivery Date and any and all other Disclosure Schedules or Updated Disclosure Schedules that may have been delivered prior to the date hereof. Voxx and Buyer hereby waive any and

all rights they may have under the Asset Purchase Agreement which are in conflict with the forgoing, including without limitation, in respect of Sections 4.01 and 10.03 of the Asset Purchase Agreement.

III. **General.**

1. No Other Amendments; Confirmation.

The amendments to the Asset Purchase Agreement set forth in this Amendment shall be deemed to be part of, and a modification to, the Asset Purchase Agreement and shall be governed by the terms of the Asset Purchase Agreement, which terms are incorporated herein by reference. Except as expressly amended, modified and supplemented hereby, the provisions of the Asset Purchase Agreement are ratified and confirmed and shall remain in full force and effect, as amended hereby. This Amendment does not constitute a waiver or amendment of any provision of the Asset Purchase Agreement other than as set forth herein. This Amendment shall be deemed to be a Transaction Document, and it may only be amended, and its provisions/obligations hereunder may only be waived, if effected pursuant to Section 10.10 of the Asset Purchase Agreement.

2. Governing Law.

(a) This Amendment shall be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of Law provision or rule (whether of the State of New York or any other jurisdiction).

3. Counterparts.

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

Section .

[SIGNATURE PAGE FOLLOWS]

[Signature Page to Amendment #1 to Asset Purchase Agreement]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

EYELOCK, INC., a corporation organized under the Laws of
Puerto Rico

By: s/James Demitrius

Name: James Demitrius

Title: Chief Executive Officer

EYELOCK CORPORATION, a Delaware corporation

By: s/James Demitrius

Name: James Demitrius

Title: Chief Executive Officer

EYELOCK LLC, a Delaware limited liability company

By: VOXX INTERNATIONAL CORPORATION, its Member

By: s/Charles M. Stoehr

Name: Charles M. Stoehr

Title: Senior Vice President and Chief Financial
Officer

VOXX INTERNATIONAL CORPORATION, a Delaware
corporation

By: s/Charles M. Stoehr

Name: Charles M. Stoehr

Title: Senior Vice President and Chief Financial
Officer

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Patrick M. Lavelle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of VOXX International Corporation (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the three and nine months ended November 30, 2015) that has materiality affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

January 11, 2016

/s/ Patrick M. Lavelle
Patrick M. Lavelle
President and Chief Executive Officer

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, C. Michael Stoehr, certify that:

1. I have reviewed this quarterly report on Form 10-Q of VOXX International Corporation (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the three and nine months ended November 30, 2015) that has materiality affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

January 11, 2016

/s/ C. Michael Stoehr
C. Michael Stoehr
Senior Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of VOXX International Corporation (the "Company") on Form 10-Q for the three and nine months ended November 30, 2015 (the "Report") as filed with the Securities and Exchange Commission on the date hereof, I, Patrick M. Lavelle, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

January 11, 2016

/s/Patrick M. Lavelle
Patrick M. Lavelle
President and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of VOXX International Corporation (the "Company") on Form 10-Q for the three and nine months ended November 30, 2015 (the "Report") as filed with the Securities and Exchange Commission on the date hereof, I, C. Michael Stoehr, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

January 11, 2016

/s/ C. Michael Stoehr
C. Michael Stoehr
Senior Vice President and Chief Financial Officer