

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended February 28, 2007

Commission file number 0-28839

AUDIOVOX 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)

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

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

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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

Yes No

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

Yes No

The aggregate market value of the common stock held by non-affiliates of the Registrant was \$265,196,672 (based upon closing price on the Nasdaq Stock Market on August 31, 2006).

The number of shares outstanding of each of the registrant's classes of common stock, as of May 9, 2007 was:

Class	Outstanding
Class A common stock \$.01 par value	20,643,499
Class B common stock \$.01 par value	2,260,954

DOCUMENTS INCORPORATED BY REFERENCE

Part III — (Items 10, 11, 12, 13 and 14) Proxy Statement for Annual Meeting of Stockholders to be filed on or before June 21, 2007.

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

This Annual Report on Form 10-K and the information incorporated by reference includes “forward-looking statements” within the meaning of section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend those forward looking-statements to be covered by the safe harbor provisions for forward-looking statements. All statements regarding our expected financial position and operating results, our business strategy, our financing plans and the outcome of any contingencies are forward-looking statements. Any such forward-looking statements are based on current expectations, estimates, and projections about our industry and our business. Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” or variations of those words and similar expressions are intended to identify such forward-looking

statements. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those stated in or implied by any forward-looking statements. Factors that could cause actual results to differ materially from forward-looking statements include, but are not limited to, matters listed in Item 1A under “Risk Factors”.

NOTE REGARDING DOLLAR AMOUNTS AND FISCAL YEAR END CHANGE

In this annual report, all dollar amounts are expressed in thousands, except for share prices and per-share amounts.

In February 2006, the Company changed its fiscal year end from November 30th to February 28th. The Company’s current fiscal year began March 1, 2006 and ended February 28, 2007.

PART I

Item 1 — Business

Audiovox Corporation (“Audiovox”, “We”, “Our”, “Us” or “Company”) is a leading international distributor and value added service provider in the accessory, mobile and consumer electronics industries. We conduct our business through five wholly-owned subsidiaries: American Radio Corp., Audiovox Electronics Corporation (“AEC”), Audiovox German Holdings GmbH (“Audiovox Germany”), Audiovox Venezuela, C.A and Code Systems, Inc. (“Code”). We market our products under the Audiovox® brand name and other brand names, such as Acoustic Research®, Advent®, Ambico®, Car Link®, Chapman®, Code-Alarm®, Discwasher®, Heco®, Jensen®, Mac Audio®, Magnate®, Movies 2 Go®, Phase Linear®, Prestige®, Pursuit®, RCA®, Recoton®, Road Gear® and Spikemaster®, as well as private labels through a large domestic and international distribution network. We also function as an OEM (“Original Equipment Manufacturer”) supplier to several customers and presently have one reportable segment (“Electronics”), which is organized by product category.

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

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

Acquisitions

On March 5, 2007 (subsequent to year end), Audiovox German Holdings GmbH completed the acquisition of OEHLBACH Kabel GmbH, a European market leader in the accessories field, for a

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total purchase price of approximately \$6,600, in addition to certain earn-out payments. The purpose of this acquisition was to expand our electronics accessory product line to international markets.

On January 29, 2007, we completed the acquisition of Thomson’s Americas consumer electronics accessory business for a total purchase price of approximately \$60,485 plus a five year fee related to the RCA brand in connection with future sales. The purpose of this acquisition was to enhance our market share in the accessory business, which includes the rights to the RCA brand for consumer electronics accessories as well as the Recoton, Spikemaster, Ambico and Discwasher brands for use on any product category and the Jensen, Advent, Acoustic Research and Road Gear brands for consumer electronics accessories.

On January 4, 2005, we purchased certain assets and liabilities of Terk Technologies Corp. (“Terk”) for \$15,274, as adjusted. The purpose of this acquisition was to increase our market share for satellite radio products as well as accessories, such as antennas for HDTV products.

On July 8, 2003 we acquired, for \$40,406, the U.S. audio operations of Recoton and the outstanding capital stock of Recoton German Holdings GmbH. The primary reason for this transaction was to expand the product offerings of Audiovox and to obtain certain long-standing trademarks such as Jensen® and Acoustic Research®.

Refer to Note 4 “Business Acquisitions” of the Notes to Consolidated Financial Statements for additional information regarding the aforementioned acquisitions.

Divestitures (Discontinued Operations)

On November 7, 2005, we completed the sale of our majority owned subsidiary, Audiovox Malaysia (“AVM”) to the then current minority interest shareholder due to increased competition from non-local OEM’s and deteriorating credit quality of local customers.

On November 1, 2004, we completed the divestiture of our Cellular business (formerly known as “ACC”, “Cellular” or “Wireless”) to UTStarcom, Inc. (“UTSI”). After paying outstanding domestic obligations, taxes and other costs associated with the divestiture, we received net proceeds of approximately \$144,053. We plan to utilize the net proceeds to pursue strategic and complementary acquisitions or invest in our current operations. However, we may use all or a portion of the net proceeds for other purposes and are considering all opportunities.

These divestitures have been presented as discontinued operations, as such, certain reclassifications have been made to prior year amounts in order to conform to the current period presentation. Refer to Note 2 “Discontinued Operations” of the Notes to Consolidated Financial Statements for additional information regarding the aforementioned divestitures.

Strategy

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

The key elements of our strategy are as follows:

Capitalize on the Audiovox® family of brands. We believe the “Audiovox®” family of brands, which includes Acoustic Research®, Advent®, Ambico®, Car Link®, Chapman®, Code-Alarm®, Discwasher®, Heco®, Jensen®, Mac Audio®, Magnate®, Movies 2 Go®, Phase Linear®, Prestige®, Pursuit®, RCA®, Recoton®, Road Gear® and Spikemaster®, is one of our greatest strengths and offers us significant opportunity for increased market penetration. To further benefit from the Audiovox® brands, we continue to invest and introduce new products using our brand names.

Capitalize on niche product and distribution opportunities in the electronics industry. We intend to use our extensive distribution and supply networks to capitalize on niche product and distribution opportunities in categories like satellite radio, collision avoidance, accessories, home theater systems, navigation, mobile video, DVD’s, flat panel TVs and GMRS radios.

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Leverage our distribution network. We believe our distribution network which includes power retailers, mass merchandisers, distributors, car dealers and OEM’s will allow us to increase market penetration.

Grow our international presence. We continue to expand our international presence in Europe through Audiovox Germany and will continue to pursue additional business opportunities through acquisitions as well as new market opportunities.

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

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

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

Industry

We participate in selected categories in the mobile and consumer electronics and accessories market. The mobile and consumer electronics industries are large and diverse and encompass a broad range of products. The significant competitors in our industries are Sony, Panasonic, JVC, Kenwood, Alpine, Directed Electronics, Phillips, Monster Cable and Delphi. There are other companies that specialize in niche products such as those we offer.

The introduction of new products and technological advancements are the major growth drivers in the electronics industry. Currently, new products include, but are not limited to, satellite radio, installed and portable DVD mobile video systems, rear observation and collision avoidance systems, flat panel TVs, hand held GPS, innovative home speaker systems, navigation systems with real time traffic information and digital multi-media products.

Products

Our electronic products consist of two major categories: Mobile Electronics and Consumer Electronics.

Mobile electronics products include:

- mobile multi-media video products, including in-dash, overhead, headrest and portable mobile video systems,
- autosound products including CD radios, speakers, amplifiers and CD changers,

- satellite radios including plug and play models and direct connect models,
- automotive security and remote start systems,
- car to car portable navigation systems,
- rear observation and collision avoidance systems,
- automotive power accessories,
- Home electronic accessories such as cabling and performance enhancing electronics, and
- Accessories such as remotes, iPod specialized products, wireless headphones and other connectivity products.

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Consumer electronics products include:

- LCD and Plasma flat panel televisions,
- Home and portable stereos,
- HDTV Antennas, WiFi Antennas and HDMI accessories,
- Two-way radios, digital multi-media products such as personal video recorders and MP3 products,
- Home speaker systems and home theater in a box,
- Portable DVD players, and
- Flat panel TV mounting systems.

Net sales by product category are as follows:

	Year Ended February 28, 2007	Three Months Ended February 28, 2006	Years ended November 30,	
			2005	2004
Mobile electronics	\$ 317,355	\$ 70,814	\$ 339,355	\$ 403,196
Consumer electronics	139,335	32,236	200,361	160,457
Total net sales	<u>\$ 456,690</u>	<u>\$ 103,050</u>	<u>\$ 539,716</u>	<u>\$ 563,653</u>

Core mobile electronics products were adversely affected by lower remote start sales due to the mild winter and lower selling prices of maturing mobile multimedia products, which was offset by the addition of one month of accessory sales as a result of the acquisition of the Thomson North American accessory business in January 2007. In addition, average selling prices on LCD TVs and Plasma TVs declined during the year ended February 28, 2007. In anticipation of declining sales prices we limited inventory for the holiday season, which adversely affected consumer electronics sales but reduced exposure from post holiday inventory write downs.

Gross margins have improved and we anticipate further increases in margins through the introduction of new products with technologies that take advantage of market opportunities created by the digital convergence of data, navigation and entertainment.

Licensing and Royalties

We have various license and royalty programs with manufacturers, customers and other electronic suppliers. Such agreements entitle us to receive license and royalty income for Audiovox products sold by the licensees without adding any significant costs. Depending on the terms of each agreement, income is based on either a fixed amount per unit or percentage of net sales. Current license and royalty agreements have duration periods, which range from 1 to 8 years and certain agreements may be renewed at the end of termination of the agreement. Renewals of license and royalty agreements are dependent on negotiations with licensees as well as current Audiovox products being sold by the licensee.

License and royalty income is recorded upon sale to the end-user and amounted to \$2,200, \$537, \$1,959 and \$2,024 for the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004, respectively.

Distribution and Marketing

We sell our products to:

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

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

We sell our products under OEM arrangements with domestic and/or international subsidiaries of automobile manufacturers such as Ford Motor Company, Daimler Chrysler, General Motors Corporation, Toyota, Kia, Mazda, Jaguar and Subaru. These projects require a close partnership with the customer as we develop products to meet specific requirements. OEM projects accounted for approximately 11%, 13%, 10% and 14% of net sales for the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004, respectively.

Our five largest customers represented 18%, 16%, 24%, and 27% of net sales during the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004, respectively. During the year ended February 28, 2007, the three months ended February 28, 2006 and the year ended November 30, 2005, no single customer accounted for more than 10% of net sales. During the year ended November 30, 2004, one customer accounted for 11% of net sales.

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

- product design and development,
- engineering and testing,
- sales training,
- instore display design,
- installation training and technical support,
- product repair services and warranty,
- nationwide installation network, and
- warehousing.

We have flexible shipping policies designed to meet customer needs. In the absence of specific customer instructions, we ship products within 24 to 48 hours from the receipt of an order from public warehouses and leased facilities throughout the United States, Venezuela and Germany.

Product Development, Warranty and Customer Service

Our product development cycle includes:

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

We work closely with customers and suppliers throughout the product design, testing and development process in an effort to meet the expectations of consumer demand for technologically-advanced and high quality products. Our Hauppauge, New York facility is ISO 14001:2004, ISO/TS 1649:2002 certified, which requires the monitoring of quality standards in all facets of business.

We are committed to providing product warranties for all our product lines, which generally range from 90 days up to the life of the vehicle for the original owner on some automobile-installed products. To support our warranties, we have independent warranty centers throughout the United States, Europe and Venezuela. We have a customer service group that provides product information, answers questions and serves as a technical hotline for installation help for end-users and customers.

Suppliers

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

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

Competition

The electronics industry is highly competitive across all product categories, and we compete with a number of well-established companies that manufacture and sell similar products. Brand name, design, features and price are the major competitive factors within the electronics industry. Our Mobile Electronic products compete against factory-supplied products, including those provided by, among others, General Motors, Ford and Daimler Chrysler. Our Mobile Electronic products also compete in the automotive aftermarket against major companies such as Sony, Panasonic, Kenwood, Alpine, Directed Electronics, Pioneer, Dual and Delphi. Our Consumer Electronics product lines compete against major companies, such as JVC, Sony, Panasonic, Phillips, Monster Cable and AIWA.

Financial Information About Foreign and Domestic Operations

The amounts of net sales and long-lived assets, attributable to foreign and domestic operations for all periods presented are set forth in Note 15 of the Notes to Consolidated Financials Statements, included herein.

Equity Investment

We have a 50% non-controlling ownership interest in Audiovox Specialized Applications, Inc. ("ASA") which acts as a distributor to specialized markets for specialized vehicles, such as RV's and van conversions, of televisions and other automotive sound, security and accessory products. The goal of this equity investment is to blend financial and product resources with local operations in an effort to expand our distribution and marketing capabilities.

Employees

As of February 28, 2007, we employed approximately 840 people worldwide. We consider our relations with employees to be good and no employees are covered by collective bargaining agreements.

Item 1A — Risk Factors

We have identified certain risk factors that apply to us. You should carefully consider each of the following risk factors and all of the other information included or incorporated by reference in this Form 10-K. If any of these risks, or other risks not presently known to us or that we currently believe

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not to be significant, develop into actual events, then our business, financial condition, liquidity, or results of operations could be adversely affected. If that happens, the market price of our common stock would likely decline, and you may lose all or part of your investment.

We could spend or invest the net proceeds from the sale of the Cellular business in ways with which Audiovox stockholders may not agree, including the possible pursuit of other market opportunities, including acquisitions.

The investment of these net proceeds may not yield a favorable return. In addition, because the market for our remaining businesses is often evolving, in the future, we may discover new opportunities that are more attractive. As a result, we may commit resources to these alternative market opportunities, including acquisitions. This action may require us to limit our currently planned focus on the current businesses. If we change the business focus, we may face risks that may be different from the risks associated with our current business.

The asset purchase agreement with UTSI exposes the Company to contingent liabilities.

Under the asset purchase agreement for the sale of the Cellular business to UTSI we agreed to indemnify UTSI for any breach or violation of ACC and its representations, warranties and covenants contained in the asset purchase agreement and for other matters, subject to certain limitations. Significant indemnification claims by UTSI could have a material adverse effect on our financial condition and results of operations.

We will be unable to compete in the Cellular business for five years from the date of the sale of our former Cellular business.

The asset purchase agreement with UTSI provided that for a period of five years after the closing on November 1, 2004, we will not compete, directly or indirectly, in the Cellular business or, without the prior written consent of UTSI, directly or indirectly, own an interest in, manage, operate, control, as a partner, stockholder or otherwise, any person that competes in the Cellular business, subject to certain exceptions.

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

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

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

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

The Electronics Business Is Highly Competitive and Faces Significant Competition from Original Equipment Manufacturers (OEMs) and Direct Imports By Our Retail Customers.

The market for electronics is highly competitive across all product lines. We compete against many established companies who have substantially greater financial and engineering resources than

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we do. We compete directly with OEMs, including divisions of well-known automobile manufacturers, in the autosound, auto security, mobile video and accessories industry. We believe that OEMs have diversified and improved their product offerings and place increased sales pressure on new car dealers with whom they have close business relationships to purchase that OEM-supplied equipment and accessories. To the extent that OEMs succeed in their efforts, this success would have a material adverse effect on our sales of automotive entertainment and security products to new car dealers. In addition, we compete with major retailers who may at any time choose to direct import products that we may currently supply.

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

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

Sales in Our Electronics Business Are Dependent on New Products and Consumer Acceptance.

Our Electronics business depends, to a large extent, on the introduction and availability of innovative products and technologies. Significant sales of new products in niche markets, such as navigation, satellite radios, flat-panel TVs and mobile video systems, have fueled the recent growth of our Electronics business. If we are not able to continually introduce new products that achieve consumer acceptance, our sales and profit margins may decline.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Seasonal consumer shopping patterns significantly affect our business. We generally make a substantial amount of our sales and net income during September, October and November. We expect this trend to continue. December is also a key month for us, due largely to the increase in

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promotional activities by our customers during the holiday season. If the economy faltered in these periods, if our customers altered the timing or frequency of their promotional activities or if the effectiveness of these promotional activities declined, particularly around the holiday season, it could have a material adverse effect on our annual financial results.

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

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

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

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

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

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

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

Goodwill and other intangible assets recorded on our balance sheet as of February 28, 2007 was \$75,388. We evaluate the recoverability of recorded goodwill and other intangible asset amounts annually, or when evidence of potential impairment exists. The annual impairment test is based on several factors requiring judgment. Changes in our operating performance or business conditions, in general, could result in an impairment of goodwill and/or other intangible assets, which could be material to our results of operations.

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

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

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

We Are Responsible for Product Warranties and Defects.

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

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

We believe that we currently have sufficient resources to fund our existing operations for the foreseeable future. However, we may need additional capital to operate our business if:

- market conditions change,
- our business plans or assumptions change,
- we make significant acquisitions, and
- we need to make significant increases in capital expenditures or working capital.

Our Stock Price Could Fluctuate Significantly.

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

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

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

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

Mr. Shalam beneficially owns approximately 55% of the combined voting power of both classes of common stock. This will allow him to elect our Board of Directors and, in general, to determine the outcome of any other matter submitted to the stockholders for approval. Mr. Shalam's voting power may have the effect of delaying or preventing a change in control of the Company.

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

Other Risks

Other risks and uncertainties include:

- changes in U.S. federal, state and local law,
- our ability to implement operating cost structures that align with revenue growth,
- trade sanctions against or for foreign countries,

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- successful integration of business acquisitions and new brands in our distribution network, and
- compliance with the Sarbanes-Oxley Act.

Item 1B — Unresolved Staff Comments

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

Item 2 — Properties

Our Corporate headquarters is located at 180 Marcus Blvd. in Hauppauge, New York. In addition, as of February 28, 2007, the Company leased a total of 18 operating facilities or offices located in 9 states as well as Germany, China, Malaysia, Canada and Venezuela. The leases have been classified as operating leases, with the exception of one, which is recorded as a capital lease. These facilities are located in California, Florida, Georgia, Massachusetts, New York, Ohio, Tennessee, Indiana and Michigan. These facilities serve as offices, warehouses, distribution centers or retail locations. Additionally, we utilize public warehouse facilities located in Virginia, Nevada and Mississippi.

Item 3 — Legal Proceedings

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

In November 2004, several purported double derivative, derivative and class actions were filed in the Court of Chancery of the State of Delaware, New Castle County challenging approximately \$27,000 made in payments from the proceeds of the Asset Sale to UTStarcom, Inc. These actions were subsequently consolidated into a single derivative complaint (the “Complaint”), *In re Audiovox Corporation Derivative Litigation*. The Complaint challenges the payment of \$16,000 to Mr. Christopher pursuant to a Personally Held Intangibles Agreement, an additional \$4,000 to Mr. Christopher pursuant to an Agreement and General Release, \$1,916 to Mr. Shalam pursuant to an amendment to his Long-Term Incentive Award, \$5,000 distributed to ACC employees other than Mr. Christopher and the extension of certain options to Mr. Christopher. The Complaint alleges that: (i) the payments should be rescinded on grounds including, *inter alia*, material misrepresentation, breach of fiduciary duty and mistake, (ii) the recipients of the various payments were unjustly enriched, and (iii) the directors of Audiovox breached their fiduciary duties to Audiovox and its shareholders. This matter has been settled in principle for an estimated payment of \$6,750 to the Company (less plaintiffs’ legal fees, costs of notice and mailing, etc., all to be determined). The settlement will not become final until a hearing and Court of Chancery approval in May 2007. As this represents a gain contingency, these amounts will not be recorded until received and such amount will be recorded within discontinued operations when received.

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

The products the Company sells are continually changing as a result of improved technology. As a result, although the Company and its suppliers attempt to avoid infringing known proprietary rights,

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the Company may be subject to legal proceedings and claims for alleged infringement by its suppliers or distributors, of third party patents, trade secrets, trademarks or copyrights. Any claims relating to the infringement of third-party proprietary rights, even if not meritorious, could result in costly litigation, divert management’s attention and resources, or require the Company to either enter into royalty or license agreements which are not advantageous to the Company or pay material amounts of damages.

Under the asset purchase agreement for the sale of the Company’s Cellular business to UTSI, the Company agreed to indemnify UTSI for any breach or violation by ACC and its representations, warranties and covenants contained in the asset purchase agreement and for other matters, subject to certain limitations. Significant indemnification claims by UTSI could have a material adverse effect on the Company’s financial condition and results of operation. The Company is not aware of any such claim(s) for indemnification.

Item 4 — Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the quarter ended February 28, 2007.

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PART II

Item 5 — Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

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

<u>Year ended February 28, 2007</u>	<u>High</u>	<u>Low</u>
First Quarter	\$ 12.98	\$ 11.20
Second Quarter	14.81	11.78
Third Quarter	15.19	12.63
Fourth Quarter	15.99	12.82
<u>Three months ended February 28, 2006</u>	<u>High</u>	<u>Low</u>
December 1, 2005 through February 28, 2006	\$ 15.87	\$ 12.35

Year ended November 30, 2006	High	Low
First Quarter	\$ 16.85	\$ 14.91
Second Quarter	15.30	12.54
Third Quarter	18.88	14.81
Fourth Quarter	18.21	12.98

Dividends

We have not paid or declared any cash dividends on our common stock. We have retained, and currently anticipate that we will continue to retain, all of our earnings for use in developing our business. Future cash dividends, if any, will be paid at the discretion of our Board of Directors and will depend, among other things, upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and such other factors as our Board of Directors may deem relevant.

Holder

There are approximately 643 holders of record of our Class A Common Stock and 4 holders of Class B Convertible Common Stock.

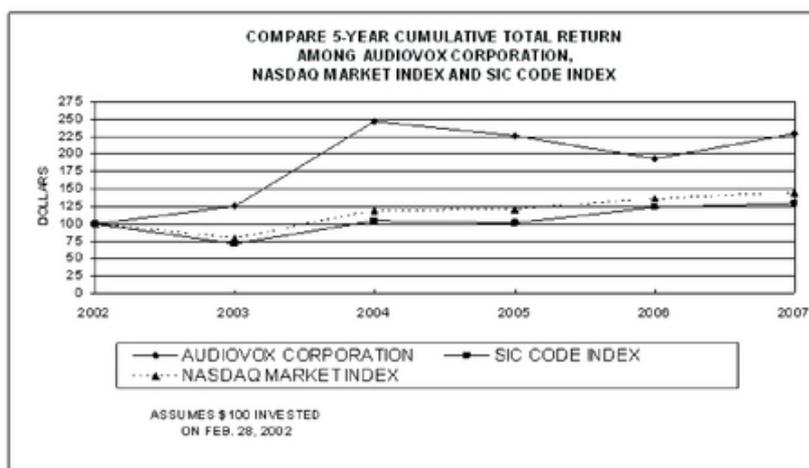
Issuer Purchases of Equity Securities

In September 2000, we were authorized by the Board of Directors to repurchase up to 1,563,000 shares of Class A Common Stock in the open market under a share repurchase program (the "Program"). In July 2006, the Board of Directors authorized an additional repurchase up to 2,000,000 Class A Common Stock in the open market in connection with the Program. As of February 28, 2007, the cumulative total of acquired shares pursuant to the program was 1,693,047, with a cumulative value of \$16,979 reducing the remaining authorized share repurchase balance to 1,869,953. During the year ended February 28, 2007, we purchased 305,100 shares for \$4,155 resulting in an average price paid per share of \$13.60. No treasury stock purchases were made during the three months ended February 28, 2007.

Performance Graph

The following table compares the annual percentage change in our cumulative total stockholder return on our common Class A common stock during a period commencing on February 28, 2002 and ending on February 28, 2007 with the cumulative total return of the Nasdaq Stock Market (US) Index and our SIC Code Index, during such period.

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Item 6 — Selected Consolidated Financial Data

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

Year Ended	Three Months	Years ended November 30,			
		2005 (4)	2004	2003 (2)	2002

	February 28, 2007	Ended February 28, 2006				
Consolidated Statement of Operations Data						
Net sales (1)	\$ 456,690	\$ 103,050	\$ 539,716	\$ 563,653	\$ 510,899	\$ 361,087
Operating (loss) income (1)	(5,077)	(3,159)	(27,690)	(1,356)	14,008	5,401
Net income (loss) from continuing operations (1)	3,692	367	(6,687)	64	8,027	929
Net (loss) income from discontinued operations (3)	(756)	(184)	(2,904)	77,136	3,212	(15,209)
Cumulative effect of a change in accounting for negative goodwill	—	—	—	—	—	240
Net income (loss)	<u>\$ 2,936</u>	<u>\$ 183</u>	<u>\$ (9,591)</u>	<u>\$ 77,200</u>	<u>\$ 11,239</u>	<u>\$ (14,040)</u>
Net income (loss) per common share from continuing operations:						
Basic	\$ 0.16	\$ 0.02	\$ (0.30)	\$ 0.00	\$ 0.36	\$ 0.04
Diluted	\$ 0.16	\$ 0.02	\$ (0.30)	\$ 0.00	\$ 0.36	\$ 0.04
Net income (loss) per common share:						
Basic	\$ 0.13	\$ 0.01	\$ (0.43)	\$ 3.52	\$ 0.51	\$ (0.69)
Diluted	\$ 0.13	\$ 0.01	\$ (0.43)	\$ 3.45	\$ 0.51	\$ (0.69)

	As of February 28,		As of November 30,			
	2007	2006	2005	2004	2003	2002
Consolidated Balance Sheet Data						
Total assets	\$ 495,773	\$ 466,012	\$ 485,864	\$ 543,338	\$ 583,360	\$ 555,365
Working capital	301,934	340,564	340,488	362,018	304,354	292,687
Long-term obligations	18,679	18,385	18,425	18,598	29,639	18,250
Stockholders' equity	404,362	400,732	401,157	404,187	325,728	309,513

- (1) Amounts exclude the financial results of discontinued operations (see Note 2 of the Notes to Consolidated Financial Statements).
- (2) 2003 amounts reflect the acquisition of Recoton.
- (3) 2004 amount reflects the results of the divestiture of the Cellular business and 2005 amount reflects the divestiture of Malaysia (see Note 2 of the Notes to Consolidated Financial Statements).
- (4) 2005 amounts reflect the acquisition of Terk (see Note 4 of the Notes to Consolidated Financial Statements).

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

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

We begin Management's Discussion and Analysis of Financial Condition and Results of Operations with an overview of the business, including our strategy to give the reader a summary of the goals of our business and the direction in which our business is moving. This is followed by a discussion of the Critical Accounting Policies and Estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results. In the next section, we discuss our Results of Operations for the year ended February 28, 2007 compared to the year ended February 28, 2006, and for the year ended November 30, 2005 compared to the year ended November 30, 2004. We then provide an analysis of changes in our balance sheet and cash flows, and discuss our financial commitments in the sections entitled "Liquidity and Capital Resources, including Contractual and Commercial Commitments". We conclude this MD&A with a discussion of "Related Party Transactions" and "Recent Accounting Pronouncements".

Business Overview and Strategy

Audiovox Corporation ("Audiovox", "We", "Our", "Us" or "Company") is a leading international distributor and value added service provider in the accessory, mobile and consumer electronics industries. We conduct our business through five wholly-owned subsidiaries: American Radio Corp., Audiovox Electronics Corporation ("AEC"), Audiovox German Holdings GmbH ("Audiovox Germany"), Audiovox Venezuela, C.A and Code Systems, Inc. ("Code"). We market our products under the Audiovox® brand name and other brand names, such as Acoustic Research®, Advent®, Ambico®, Car Link®, Chapman®, Code-Alarm®, Discwasher®, Heco®, Jensen®, Mac Audio®, Magnate®, Movies 2 Go®, Phase Linear®, Prestige®, Pursuit®, RCA®, Recoton®, Road Gear® and Spikemaster®, as well as private labels through a large domestic and international distribution network. We also function as an OEM ("Original Equipment Manufacturer") supplier to several customers and presently have one reportable segment ("Electronics"), which is organized by product category.

Mobile electronics products include:

- mobile multi-media video products, including in-dash, overhead, headrest and portable mobile video systems,
- autosound products including radios, speakers, amplifiers and CD changers,
- satellite radios including plug and play models and direct connect models,
- automotive security and remote start systems,
- car to car portable navigation systems,
- rear observation and collision avoidance systems,
- automotive power accessories,
- Home electronic accessories such as cabling and performance enhancing electronics, and
- Accessories such as remotes, iPod specialized products, wireless headphones and other connectivity products.

Consumer electronics products include:

- LCD and Plasma flat panel televisions,
- Home and portable stereos,
- HDTV Antennas, WiFi Antennas and HDMI accessories,

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- Two-way radios, digital multi-media products such as personal video recorders and MP3 products,
- Home speaker systems and home theater in a box,
- Portable DVD players, and
- Flat panel TV mounting systems.

Acquisitions

On March 5, 2007 (subsequent to year end), Audiovox German Holdings GmbH completed the acquisition of OEHLBACH Kabel GmbH, a European market leader in the accessories field, for a total purchase price of approximately \$6,600, in addition to certain earn-out payments. The purpose of this acquisition was to expand our electronics accessory product line to international markets.

On January 29, 2007, we completed the acquisition of Thomson's Americas consumer electronics accessory business for a total purchase price of approximately \$60,485 plus a five year fee related to the RCA brand in connection with future sales. The purpose of this acquisition was to enhance our market share in the accessory business, which includes the rights to the RCA brand for consumer electronics accessories as well as the Recoton, Spikemaster, Ambico and Discwasher brands for use on any product category and the Jensen, Advent, Acoustic Research and Road Gear brands for consumer electronics accessories.

On January 4, 2005, we purchased certain assets and liabilities of Terk Technologies Corp. ("Terk") for \$15,274, as adjusted. The purpose of this acquisition was to increase our market share for satellite radio products as well as accessories, such as antennas for HDTV products.

Divestitures

On November 7, 2005, we completed the sale of our majority owned subsidiary, Audiovox Malaysia ("AVM"), to the then current minority interest shareholder due to increased competition from non-local OEM's and deteriorating credit quality of local customers. We sold our remaining equity in AVM in exchange for a \$550 promissory note and were released from all of our Malaysian liabilities, including bank obligations resulting in a loss on sale of \$2,079.

On November 1, 2004, we completed the divestiture of our Cellular business to UTSI. The Cellular business was a major driver in our growth over the past twenty years. However, consolidation within the Cellular industry, extensive price competition and the inability to successfully partner with a manufacturer created a difficult challenge to compete within the Cellular industry. The competitive nature of the Cellular business caused inconsistency in Cellular results, which led to the sale of selected assets and certain liabilities of our Cellular business to UTSI for an initial purchase price of \$165,170, a working capital adjustment of \$8,472 and the retention of certain account receivables of \$148,494 for total gross proceeds of \$322,136. After paying outstanding domestic obligations, taxes and other costs associated with the divestiture, we received net proceeds of approximately \$144,053. As a result of the sale of the Cellular business, we recorded a gain of \$67,000 within discontinued operations for the year ended November 30, 2004.

Currently, the remaining net proceeds from the Cellular divestiture has been invested in short-term investments with the intention of maintaining principal while generating a moderate return and maintaining liquidity in the account's holdings. We have used and will continue to use the proceeds to pursue strategic and complementary acquisitions or invest in our current business. However, we may use all or a portion of the proceeds for other purposes and are considering all market opportunities.

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Growth of Electronics Group

Electronics net sales have a compound growth rate of 26.5% from \$361,087 for the year ended November 30, 2002 to \$456,690 for the year ended February 28, 2007. During this period, our sales were impacted by the following items:

- acquisition and growth in Jensen sales,
- acquisition of Code-Alarm branded products,
- acquisition of Terk Technologies,
- acquisition of Thomson's Americas consumer electronics accessory business,
- the introduction of new products and lines such as, portable DVD players, flat-panel TVs, satellite radio, GPS navigation and mobile multimedia,
- volatility in mobile and consumer sales due to increased competition and lower selling prices.

Strategy

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

The key elements of our strategy are:

- Capitalize on the Audiovox® family of brands,
- Capitalize on niche product and distribution opportunities in the electronics industry,
- Leverage our distribution network,
- Grow our international presence,
- Pursue strategic and complementary acquisitions,
- Continue to outsource manufacturing to increase operating leverage, and
- Continue to streamline operations and monitor operating expenses.

Critical Accounting Policies and Estimates

General

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

Revenue Recognition

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

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Sales Incentives

We offer sales incentives to our customers in the form of (1) co-operative advertising allowances; (2) market development funds; (3) volume incentive rebates and (4) other trade allowances. We account for sales incentives in accordance with EITF 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of Vendor's Products)" (EITF 01-9). Except for other trade allowances, all sales incentives require the customer to purchase our products during a specified period of time. All sales incentives require customers to claim the sales incentive within a certain time period (referred to as the "claim period") and claims are settled

either by the customer claiming a deduction against an outstanding account receivable or by the customer requesting a check. All costs associated with sales incentives are classified as a reduction of net sales, and the following is a summary of the various sales incentive programs:

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

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

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

Other trade allowances are additional sales incentives that we provide to customers subsequent to the related revenue being recognized. In accordance with EITF 01-9, we record the provision for these additional sales incentives at the later of when the sales incentive is offered or when the related revenue is recognized. Such additional sales incentives are based upon a fixed percentage of the selling price to the customer, a fixed amount per unit, or a lump-sum amount.

The accrual balance for sales incentives at February 28, 2007 and 2006 was \$7,410 and \$8,512, respectively. Although we make our best estimate of sales incentive liabilities, many factors, including significant unanticipated changes in the purchasing volume and the lack of claims from customers could have a significant impact on the liability for sales incentives and reported operating results.

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

For the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004, reversals of previously established sales incentive liabilities amounted to \$2,460, \$480, \$2,836 and \$3,889, respectively. These reversals include unearned and unclaimed sales incentives. Unearned sales incentives are volume incentive rebates where the customer did not purchase the required minimum quantities of product during the specified time. Volume incentive rebates are reversed into income in the period when the customer did not reach the required minimum purchases of product during the specified time. Reversals of unearned sales

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incentives for the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004 amounted to \$1,148, \$0, \$1,007, and \$2,187, respectively. Unclaimed sales incentives are sales incentives earned by the customer but the customer has not claimed payment within the claim period (period after program has ended). Reversals of unclaimed sales incentives for the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004 amounted to \$1,312, \$480, \$1,829 and \$1,702, respectively.

Accounts Receivable

We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and current credit worthiness, as determined by a review of current credit information. We continuously monitor collections from our customers and maintain a provision for estimated credit losses based upon historical experience and any specific customer collection issues that have been identified. We record charges for estimated credit losses against operating expenses and charges for price adjustments against net sales in the consolidated financial statements. The reserve for estimated credit losses at February 28, 2007 and 2006 was \$5,062 and \$6,136, respectively. While such credit losses have historically been within management's expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that have been experienced in the past. Since our accounts receivable are concentrated in a relatively few number of customers, a significant change in the liquidity or financial position of any one of these customers could have a material adverse impact on the collectability of accounts receivable and our results of operations.

Inventories

We value our inventory at the lower of the actual cost to purchase (primarily on a weighted moving average basis) and/or the current estimated market value of the inventory less expected costs to sell the inventory. We regularly review inventory quantities on-hand and record a provision, in cost of sales, for excess and obsolete inventory based primarily from selling price reductions subsequent to the balance sheet date, indications from

customers based upon current negotiations and purchase orders. A significant sudden increase in the demand for our products could result in a short-term increase in the cost of inventory purchases while a significant decrease in demand could result in an increase in the amount of excess inventory quantities on-hand. In addition, our industry is characterized by rapid technological change and frequent new product introductions that could result in an increase in the amount of obsolete inventory quantities on-hand. During the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004, we recorded inventory write-downs of \$2,977, \$689, \$16,924 and \$5,506, respectively.

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

Goodwill and Other Intangible Assets

Goodwill and other intangible assets, which consists of the excess cost over fair value of assets acquired (goodwill) and other intangible assets (patents, contracts, and trademarks) amounted to \$75,388 at February 28, 2007. Goodwill, which includes equity investment goodwill, is calculated as the excess of the cost of purchased businesses over the value of their underlying net assets. Goodwill and other intangible assets that have an indefinite useful life are not amortized. Intangible assets that have a definite useful life are amortized over their estimated useful life.

On an annual basis, we test goodwill and other intangible assets for impairment. To determine the fair value of these intangible assets, there are many assumptions and estimates used that directly impact the results of the testing. We have the ability to influence the outcome and ultimate results based on the assumptions and estimates we choose. To mitigate undue influence, we set criteria that are reviewed and approved by various levels of management. Additionally, we evaluate our recorded

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intangible assets with the assistance of a third-party valuation firm, as necessary. These impairment tests may result in impairment losses that could have a material adverse impact on our results of operations.

Warranties

We offer warranties of various lengths depending upon the specific product. Our standard warranties require us to repair or replace defective product returned by both end users and customers during such warranty period at no cost. We record an estimate for warranty related costs, in cost of sales, based upon actual historical return rates and repair costs at the time of sale. The estimated liability for future warranty expense, which has been included in accrued expenses and other current liabilities, amounted to \$5,856 and \$5,314 at February 28, 2007 and 2006, respectively. While warranty costs have historically been within expectations and the provisions established, we cannot guarantee that we will continue to experience the same warranty return rates or repair costs that have been experienced in the past. A significant increase in product return rates, or a significant increase in the costs to repair products, could have a material adverse impact on our operating results.

Stock-Based Compensation

As discussed further in “Notes to Consolidated Financial Statements — Note 1 Accounting for Stock-Based Compensation,” we adopted Statement of Financial Accounting Standards (“SFAS”) No. 123(R) on December 1, 2005 using the modified prospective method. Through November 30, 2005 we accounted for our stock option plans under the intrinsic value method of Accounting Principles Board (“APB”) Opinion No. 25, and as a result no compensation costs had been recognized in our historical consolidated statements of operations.

We have used and expect to continue to use the Black-Scholes option pricing model to compute the estimated fair value of stock-based awards. The Black-Scholes option pricing model includes assumptions regarding dividend yields, expected volatility, expected option term and risk-free interest rates. The assumptions used in computing the fair value of stock-based awards reflect our best estimates, but involve uncertainties relating to market and other conditions, many of which are outside of our control. We estimate expected volatility by considering the historical volatility of our stock, the implied volatility of publicly traded stock options in our stock and our expectations of volatility for the expected term of stock-based compensation awards. As a result, if other assumptions or estimates had been used for options granted in the year ended February 28, 2007 and in prior periods, the stock-based compensation expense of \$432 that was recorded for the year ended February 28, 2007 could have been materially different. Furthermore, if different assumptions are used in future periods, stock-based compensation expense could be materially impacted in the future.

Income Taxes

We account for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, “Accounting for Income Taxes”. We record a valuation allowance to reduce our deferred tax assets to the amount of future tax benefit that is more likely than not to be realized. We decrease the valuation allowance when, based on the weight of available evidence, it is more likely than not that the amount of future tax benefit will be realized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, there is no assurance that the valuation allowance will not need to be increased to cover additional deferred tax assets that may not be realized. Any increase or decline in the valuation allowance could have a material adverse impact on our income tax provision and net income in the period in which such determination is made.

Furthermore, the Company provides loss contingencies for state and international tax matters relating to potential tax examination issues, planning initiatives and compliance responsibilities. The development of these reserves requires judgments about tax issues, potential outcomes and timing.

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Segment

We have determined that we operate in one segment, the Electronics Group based on review of SFAS No. 131 “Disclosures about Segments of an Enterprise and Related Information”. Characteristics of our operations which are relied on in making and reviewing business decisions include the similarities in our products, the commonality of our customers across brands, our unified marketing strategy, and the nature of the financial information used by our Executive Officers. Management reviews the financial results of the Company based on the performance of the Electronics Group.

Results of Operations

In February 2006, we changed our fiscal year end from November 30th to February 28th. Included in Item 8 of this annual report on Form 10-K are the consolidated balance sheets at February 28, 2007 and 2006 and the consolidated statements of operations, consolidated statements of stockholders’ equity and consolidated statements of cash flows for the year ended February 28, 2007, the three month transition period ending February 28, 2006 and the years ended November 30, 2005 and 2004. In order to provide the reader meaningful comparison, the following analysis provides comparison of the audited year ended February 28, 2007 with the unaudited year ended February 28, 2006 (derived from the results of operations of the last nine months of fiscal year ended November 30, 2005 and the transition quarter ended February 28, 2006) and the historical analysis for the years ended November 30, 2005 and 2004. Refer to the previously filed Form 10-QT for the period of February 28, 2006, which discusses the operations of the three months ended February 28, 2006 compared to the three months ended February 28, 2005. We analyze and explain the differences between periods in the specific line items of the consolidated statements of operations.

Year ended February 28, 2007 compared to the year ended February 28, 2006

Continuing Operations

The following tables sets forth, for the periods indicated, certain statement of operations data for the years ended February 28, 2007 (“fiscal 2007”) and 2006 (“fiscal 2006”).

Net Sales

	<u>Fiscal 2007</u>	<u>Fiscal 2006</u>	<u>\$ Change</u>	<u>% Change</u>
Mobile Electronics	\$ 317,355	\$ 335,491	\$ (18,136)	(5.4)%
Consumer Electronics	139,335	191,295	(51,960)	(27.2)
Total net sales	<u>\$ 456,690</u>	<u>\$ 526,786</u>	<u>\$ (70,096)</u>	<u>(13.3)%</u>

Mobile Electronics, which represented 69.5% of net sales, were impacted by the absence of Rampage, Prestige and Video-in-a-Bag sales, which were the result of our decision to exit those product lines at the end of fiscal 2006. In addition, we suspended sales of Plug & Play XM satellite radio receivers for five months pending the outcome of a Federal Communication Commission (“FCC”) issue. Mobile sales were also adversely impacted by lower average selling prices in our mobile multi-media line due to the maturing of the category and increased competition in the market. This decrease was partially offset by increased sales in Phase Linear, Audiovox Germany, Code Systems and \$10,335 in sales generated from the acquisition of Thomson Accessories business in January 2007.

Consumer Electronics, which represented 30.5% of net sales for fiscal 2007, decreased as average selling prices on LCD TVs and Plasma TVs declined during fiscal 2007. In anticipation of the decline in selling prices we limited inventory for the holiday season, which adversely affected consumer electronics sales but reduced exposure from post holiday inventory write downs. In addition, during fiscal 2007, the Company continued its policy of eliminating low margin retail programs which adversely impacted consumer sales.

Sales incentive expense decreased \$4,524 to \$12,501 for fiscal 2007 as a result of a decline in sales and increased reversals of \$465. The increase in reversals is primarily due to an increase in reversals

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of unearned sales incentives as a result of large retail customers not reaching minimum sales targets required to earn sales incentive funds. We believe the reversal of earned but unclaimed sales incentives upon the expiration

of the claim period is a disciplined, rational, consistent and systematic method of reversing unclaimed sales incentives. These sales incentive programs are expected to continue and will either increase or decrease based upon competition and customer demands.

Gross Profit

	Fiscal 2007	Fiscal 2006
Gross profit	\$ 79,319	\$ 60,418
Gross margin percentage	17.4%	11.5%

Gross margins increased to 17.4% for fiscal 2007 as compared to 11.5% for the prior year. Gross margins increased as a result of improving margins in the mobile category and improved inventory management which resulted in less inventory writedowns. Specifically, gross margins were favorably impacted by an \$11,700 decrease (or 2.6% favorable impact) in inventory write downs primarily as a result of a \$3,789 inventory adjustment related to satellite radio inventory and an \$8,775 adjustment related to the discontinuance of certain products within select product lines recorded in the prior year.

Operating Expenses and Operating Loss

	Fiscal 2007	Fiscal 2006	\$ Change	% Change
Operating Expenses:				
Selling	\$ 28,220	\$ 30,632	\$ (2,412)	(7.9)%
General and administrative	48,920	48,643	277	0.6
Engineering and technical support	7,256	6,191	1,065	17.2
Total Operating Expenses	<u>84,396</u>	<u>85,466</u>	<u>(1,070)</u>	<u>(1.3)</u>
Operating Loss	<u>\$ (5,077)</u>	<u>\$ (25,048)</u>	<u>\$ 19,971</u>	<u>(79.7)%</u>

Operating expenses decreased \$1,070 or 1.3% for fiscal 2007, as compared to 2006. As a percentage of net sales, operating expenses increased to 18.5% for fiscal 2007 from 16.2% in 2006 due to the decline in sales during the period. Operating expenses for fiscal 2007 includes stock-based compensation expense of \$432, legal settlements of \$1,588 and \$1,180 of expenses from the newly acquired Thomson accessory business.

Selling expenses decreased \$2,412 or 7.9% primarily due to a \$1,924 decrease in commission expense as a result of the decline in commissionable sales. The remaining decline in selling expenses is primarily due to a decline in consumer and print media advertisements.

General and administrative expenses increased \$277 or 0.6% due to the following:

- \$719 increase in occupancy costs as a result of transition services costs necessary to support the newly acquired Thomson operations.
- \$1,517 increase in employee benefits due to increased health care costs under the Company's medical and dental plan as well as increased employer contributions to the 401(k) plan.

The above increases in general and administrative expenses were partially offset by the following:

- \$476 decrease in professional fees due to reduced audit, legal and consulting costs, partially offset by \$1,588 in legal settlements from claims by licensors during fiscal 2007,
- \$817 decrease in bad debt expense due to a decline in the accounts receivable balance and improved collectibility efforts. The Company does not consider this to be a trend in the overall accounts receivable,
- increased MIS billings of \$489 for services performed in connection with a transition service agreement.

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Engineering and technical support expenses increased \$1,065 or 17.2% due to an increase in direct labor as a result of wage increases and increased labor costs.

Other Income (Expense)

	Fiscal 2007	Fiscal 2006	\$ Change
Interest and bank charges	\$ (1,955)	\$ (2,405)	\$ 450
Equity in income of equity investees	2,937	2,463	474
Other, net	6,253	6,894	(641)
Total other income	<u>\$ 7,235</u>	<u>\$ 6,952</u>	<u>\$ 283</u>

Interest and bank charges decreased due to reductions in outstanding bank obligations and long term debt. Interest and bank charges represent expenses for debt and bank obligations of Audiovox Germany and Venezuela and interest for a capital lease.

Equity in income of equity investees increased due to increased equity income of Audiovox Specialized Applications, Inc. ("ASA") as a result of increased sales and gross margins in the Jensen Audio and Voyager product lines.

Other income declined due to a one time \$2,455 unrealized gain recorded during fiscal 2006 in connection with the Bliss-tel investment partially offset by an other than temporary impairment charge of \$1,758 recorded for the CellStar investment during fiscal 2006. The decline in other income was further offset by increased interest income as a result of increased short-term investment holdings and higher interest rates as compared to the prior year.

Income Tax Benefit

The effective tax rate for fiscal 2007 was a benefit of 71.1% compared to a benefit of 68.1% in the prior period. The interest income earned on our short-term investments is tax exempt, which results in our effective tax rate being less than the statutory rate. The tax benefit for fiscal 2006 was positively impacted by the favorable outcome of \$3,307 in tax accrual reductions due to the completion of certain tax examinations.

Income (loss) from Discontinued Operations

The following is a summary of results included within discontinued operations:

	Fiscal 2007	Fiscal 2006
Net sales from discontinued operations	\$ —	\$ 2,690
Income (loss) from discontinued operations before income taxes	(1,163)	(774)
Income tax benefit	407	418
	(756)	(356)
Loss on sale of discontinued operations, net of tax	—	(2,079)
Loss from discontinued operations, net of tax	<u>\$ (756)</u>	<u>\$ (2,435)</u>

Included in loss from discontinued operations for fiscal 2006 is the financial results of Audiovox Malaysia which was sold on November 7, 2005. The loss from discontinued operations for fiscal 2007 is primarily due to legal and related costs associated with contingencies pertaining to our discontinued Cellular business.

Net Income (Loss)

Net income for fiscal 2007 was \$2,936 compared to a net loss of \$8,203 in fiscal 2006. Income per share for fiscal 2007 was \$0.13 (diluted) as compared to loss per share of \$0.36 (diluted) for fiscal 2006. Net income (loss) was favorably impacted by sales incentive reversals of \$2,460 (\$1,501 after taxes) and \$1,995 (\$1,217 after taxes) for fiscal 2007 and 2006, respectively.

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Year ended November 30, 2005 compared to year ended November 30, 2004

Continuing Operations

The following tables sets forth, for the periods indicated, certain statement of operations data for the years ended November 30, 2005 ("fiscal 2005") and 2004 ("fiscal 2004").

Net Sales

	Fiscal 2005	Fiscal 2004	\$ Change	% Change
Mobile Electronics	\$ 339,355	\$ 403,196	\$ (63,841)	(15.8)%
Consumer Electronics	200,361	160,457	39,904	24.9
Total net sales	<u>\$ 539,716</u>	<u>\$ 563,653</u>	<u>\$ (23,937)</u>	(4.3)%

Mobile Electronics sales, which represented 62.9% of net sales, was impacted by a shift in the mobile video category brought on by video-in-a-bag systems being replaced by lower priced portable DVD's, increased presence by original equipment car manufacturers and lower SUV sales. In addition, sales were adversely impacted when reduced pricing by one of our competitors resulted in a significant reduction in pricing for satellite radio plug and play units. Sales were favorably impacted by the recent acquisition of Terk in January of 2005 and an increase in sales of Jensen mobile multimedia products.

Consumer Electronics sales, which represented 37.1% of net sales, showed growth as a result of increased demand for LCD flat-panel TV product lines and portable DVD Players.

Sales incentive expense increased \$3,395 to \$16,518 as a result of the shift in business to mass merchant and large retail customers. Also, the increase in sales incentive expense is attributable to a \$1,053 decrease in reversals due to increased achievement of Volume Incentive Rebate programs as compared to the prior year. We believe that the reversal of earned but unclaimed sales incentives upon the expiration of the claim period is a disciplined, rational, consistent and systematic method of reversing unclaimed sales incentives. These sales incentive programs are expected to continue and will either increase or decrease based upon competition and customer demands.

Gross Profit

	Fiscal 2005	Fiscal 2004
Gross profit	\$ 60,839	\$ 89,737
Gross margin percentage	11.3%	15.9%

Gross margins decreased to 11.3% for fiscal 2005 as compared to 15.9% for fiscal 2004. Gross margins were impacted by the following:

- Increased inventory writedowns of \$11,418 from \$5,506 (1.0% impact) in fiscal 2004 to \$16,924 (3.1% impact) in fiscal 2005. The increase in writedowns was the result of:
- The Company's: a) post holiday season review of inventory and sales projections, b) review of products which were at the end of their product life cycle at the completion of the fourth quarter, and c) market information obtained from industry competitors and customers regarding pricing and product demand at the January 2006 Consumer Electronics trade show, the Company decided to discontinue certain product lines resulting in a \$9,972 inventory charge in the fourth quarter of fiscal 2005, which is primarily related to a \$8,775 charge due to the discontinuance of certain products within select product lines.
- A \$3,789 writedown recorded during the third quarter of fiscal 2005 primarily for satellite radio plug and play products as a result of sudden reduced pricing by a competitor.
- Continual price erosion in the electronics industry due to increased competition and increased technological advancements in the electronics industry.

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Gross margins were also impacted by the following:

- Increased consumer product sales, which traditionally have lower gross margins than mobile products.
- Increased freight costs as a result of higher fuel prices, and increased shipments as a result of a change in sales mix.
- A shift in business to mass merchants and large retail customers caused margins to decline due to increased sales incentive expense. Reversals of sales incentive expense favorably impacted gross margins by 0.5% and 0.7% during fiscal 2005 and 2004, respectively.
- Gross margins were favorably impacted by increased margins in Jensen mobile, Audiovox LCD TV's and the Terk brand.

Operating Expenses and Operating Loss

	Fiscal 2005	Fiscal 2004	\$ Change	% Change
Selling	\$ 31,799	\$ 31,796	\$ 3	—%
General and administrative	50,540	54,576	(4,036)	(7.4)
Engineering and technical support	6,190	4,721	1,469	31.1
Operating expenses	<u>\$ 88,529</u>	<u>\$ 91,093</u>	<u>\$ (2,564)</u>	<u>(2.8)</u>
Operating loss	(27,690)	(1,356)	(26,334)	(1,942.0)%

Consolidated operating expenses decreased \$2,564 or 2.8%, for fiscal 2005, as compared to 2004. As a percentage of net sales, operating expenses increased to 16.4% for fiscal 2005 as compared to 16.2% in 2004.

Selling expenses remained consistent with the prior year. Advertising expense declined \$596 primarily due to a decline in print media advertising for Audiovox Germany offset by a \$613 increase in commissions as a result of increased consumer electronics sales, changes in compensation programs related to commissionable sales for Jensen products and incremental selling expenses from the recently acquired Terk product line.

General and administrative expenses decreased as a result of the following:

- A decrease of \$2,067 in professional fees due to a reduction in legal settlements, legal costs related to patent infringement cases and a decline in costs to comply with Sarbanes-Oxley Section 404.
- Officer salaries decreased \$3,908 as a result of a decline in variable compensation due to reduced earnings and long-term incentive awards paid in connection with the sale of the Cellular business in

fiscal 2004.

- Office salaries declined due to a reduction in headcount and includes a one-time severance charge of \$471 for fiscal 2005.

The above decreases in general and administrative expense were partially offset by the following:

- \$680 increase in occupancy costs due to the incremental costs to operate the Terk facility.
- \$869 increase in bad debt expense due to the recoveries of previously written off bad debt in fiscal 2004, which did not recur in fiscal 2005.
- \$462 increase in information technology costs due to the acquisition of Terk and increased software users.

Engineering and technical support increased due to an increase in direct labor as a result of the recent Terk acquisition and an increase in product complexity, which has resulted in hiring additional engineers and providing additional customer service.

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Other Income (Expense)

	Fiscal 2005	Fiscal 2004	\$ Change
Interest and bank charges	(\$2,478)	(\$3,762)	\$ 1,284
Equity in income of equity investees	2,342	3,980	(1,638)
Other, net	9,730	2,436	7,294
Total other income	<u>\$ 9,594</u>	<u>\$ 2,654</u>	<u>\$ 6,940</u>

Interest expense and bank charges decreased primarily due to the reduction in outstanding bank obligations, as we repaid all amounts outstanding under our domestic bank obligations on November 1, 2004. Interest expense and bank charges during fiscal 2005 primarily represent expenses for debt and bank obligations of Audiovox Germany and interest for a capital lease.

Equity in income of equity investees decreased due to a decrease in the equity income of Audiovox Specialized Applications, LLC ("ASA") as a result of decreased sales due to increased competition for van conversion products and a decline in sales to one major customer.

Other income increased due to a one-time \$4,971 unrealized gain as a result of an initial public offering and stock appreciation of Bliss-tel stock and issuance of Bliss-tel warrants, a former equity investment. In addition, interest income increased \$3,018 to \$3,813 during fiscal 2005 due to returns on the purchase of short-term investments in November 2004. Furthermore, other income was favorably impacted by increased rental income as compared to the prior year. The increase in other income was partially offset by an other than temporary impairment charge of \$1,758 recorded during fiscal 2005 for our Cellstar investment due to the extended decline in stock price of this investment.

Provision for Income Taxes

The effective tax rate for fiscal 2005 was 63.0% compared to 36.9% in the prior year. The income tax benefit for fiscal 2005 was primarily due to the pre-tax loss for fiscal 2005, tax-exempt interest income earned on short-term investments during fiscal 2005 and the favorable outcome of tax accrual reductions due to the completion of certain tax examinations.

Income (loss) from Discontinued Operations

The following is a summary of results included within discontinued operations:

	Fiscal 2005	Fiscal 2004
Net sales from discontinued operations	\$ 3,404	\$ 1,162,863
Income (loss) from discontinued operations before income taxes	(1,187)	10,837
Provision for (benefit from) income taxes	(362)	701
	(825)	10,136
Gain (loss) on sale of discontinued operations, net of tax	(2,079)	67,000
Income (loss) from discontinued operations, net of tax	<u>(\$2,904)</u>	<u>\$ 77,136</u>

Income (loss) from discontinued operations, net of tax, was a loss of \$2,904 for fiscal 2005 compared to income of \$77,136 for fiscal 2004. Included in loss from discontinued operations for fiscal 2005 is a loss of \$2,079 on the sale of AVM. The decline in income from discontinued operations for fiscal 2005 is primarily due to the losses of AVM as well as the sale of Cellular business on November 1, 2004, which resulted in a \$67,000 gain in fiscal 2004.

Net Income (loss)

Net loss for fiscal 2005 was \$9,591, compared to net income of \$77,200 in 2004. Loss per share for fiscal 2005 was \$0.43 basic and diluted, as compared to earnings of \$3.52 basic and \$3.45 diluted for 2004. Net income (loss) was favorably impacted by sales incentive reversals of \$2,836 and \$5,083 (inclusive of discontinued operations) for fiscal 2005 and 2004, respectively.

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We believe the Electronics Group has an expanding market with a certain level of volatility related to both domestic and international new car sales, increased competition by manufacturers, technological advancements, price erosion and general economic conditions. As a result, all of our products are subject to price fluctuations, which could affect the carrying value of inventories and gross margins in the future.

Liquidity and Capital Resources

Cash Flows, Commitments and Obligations

As of February 28, 2007, we had working capital of \$302,613, which includes cash and short-term investments of \$156,345 compared with working capital of \$343,145 at February 28, 2006, which included cash and short-term investments of \$177,079. The decrease in short-term investments is primarily due to the acquisition of Thomson's Americas consumer electronics accessory business for \$60,485 partially offset by improved inventory turnover and collection of accounts receivable. We plan to utilize our current cash position as well as collections from accounts receivable 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. The following table summarizes our cash flow activity for all periods presented:

	Year Ended	Three Months Ended	Years ended	
	February 28, 2007	February 28, 2006	November 30, 2005	November 30, 2004
Cash provided by (used in):				
Operating activities	\$ 43,420	\$ 55,298	\$ (42,085)	\$ 87,144
Investing activities	(40,897)	(51,018)	13,629	(4,177)
Financing activities	(3,449)	(2,188)	(555)	(44,580)
Effect of exchange rate changes on cash	119	24	(234)	320
Net (decrease) increase in cash and cash equivalents	\$ (807)	\$ 2,116	\$ (29,245)	\$ 38,707

Operating activities provided cash of \$43,420 for the year ended February 28, 2007 due to: i) net income from continuing operations of \$2,936, ii) decreased inventory balances as a result of increased turnover due to improved inventory management and iii) collection of income tax refunds. Cash provided or used by operating activities is primarily generated from net income from continuing operations, the collection of accounts receivable, inventory turnover and payment of accounts payable and income taxes. The timing of payments and collections can fluctuate and are often impacted by the timing of sales and inventory purchases.

Investing activities used cash of \$40,897 during the year ended February 28, 2007, primarily due to the purchase of the Thomson Americas consumer electronics accessory business partially offset by the sales (net of purchases) of short-term investments. Cash provided or used by investing activities is primarily generated from activity related to investments as well as acquisitions and divestitures.

Financing activities used \$3,449 during the year ended February 28, 2007, primarily from the purchase of treasury stock and payment of bank obligations and debt partially offset by proceeds received from the exercise of stock options and warrants. The increased cash usage from financing activities during the year ended November 30, 2004 is primarily due to the full repayment of all domestic bank obligations outstanding as a result of the sale of the Cellular business.

As of February 28, 2007, we have a domestic credit line to fund the temporary short-term working capital needs of the Company. This line expires on August 31, 2007 and allows aggregate borrowings of up to \$25,000 at an interest rate of Prime (or similar designations) plus 1%. In addition, Audiovox Germany has a 16,000 Euro accounts receivable factoring arrangement and a 6,000 Euro Asset-Based Lending ("ABL") credit facility and a \$1,000 Venezuela credit facility.

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Certain contractual cash obligations and other commercial commitments will impact our short and long-term liquidity. At February 28, 2007, such obligations and commitments are as follows:

Contractual Cash Obligations	Payments Due by Period			
	Total	Less than 1-3 Years	4-5 Years	After 5

		1 Year			Years
Capital lease obligation (1)	\$ 11,971	\$ 521	\$ 1,043	\$ 1,056	\$ 9,351
Operating leases (2)	21,274	3,533	4,954	3,537	9,250
Total contractual cash obligations	\$ 33,245	\$ 4,054	\$ 5,997	\$ 4,593	\$ 18,601

Amount of Commitment Expiration per period

	Total Amounts Committed	Less than 1 Year	1-3 Years	4-5 Years	After 5 years
Other Commercial Commitments					
Bank obligations (3)	\$ 2,890	\$ 2,890	—	—	—
Stand-by letters of credit (4)	3,252	3,252	—	—	—
Commercial letters of credit (4)	6,056	6,056	—	—	—
Debt (5)	6,954	1,524	4,643	787	—
Unconditional purchase obligations (6)	73,484	73,484	—	—	—
Total commercial commitments	\$ 92,636	\$ 87,206	\$ 4,643	\$ 787	—

- (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 \$65 and \$5,676, respectively at February 28, 2007.
- (2) We enter into operating leases in the normal course of business.
- (3) Represents amounts outstanding under the Audiovox Germany factoring agreement at February 28, 2007.
- (4) Commercial letters of credit are issued during the ordinary course of business through major domestic banks as requested by certain suppliers. We also issue standby letters of credit to secure certain bank obligations and insurance requirements.
- (5) Represents amounts outstanding under a loan agreement for Audiovox Germany. This amount also includes amounts due under a call-put option with certain employees of Audiovox Germany.
- (6) Open purchase obligations represent inventory commitments. These obligations are not recorded in the consolidated financial statements until commitments are fulfilled and such obligations are subject to change based on negotiations with manufacturers.

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

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Off-Balance Sheet Arrangements

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

Impact of Inflation and Currency Fluctuation

To the extent that we expand our operations into Europe, Latin America and the Pacific Rim, the effects of inflation and currency fluctuations could impact our financial condition and results of operations. While the prices we pay for products purchased from our suppliers are principally denominated in United States dollars, price negotiations depend in part on the foreign currency of foreign manufacturers, as well as market, trade and political factors.

Seasonality

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

Related Party Transactions

During 1998, we entered into a 30-year capital lease for a building with our principal stockholder and chairman, which was the headquarters of the discontinued Cellular operation. Payments on the capital lease were based upon the construction costs of the building and the then-current interest rates. This capital lease was refinanced in December 2006 and the lease expires on November 30, 2026. The effective interest rate on the

capital lease obligation is 8%. On November 1, 2004, we entered into an agreement to sublease the building to UTStarcom for monthly payments of \$46 until November 1, 2009. We also lease another facility from our principal stockholder which expires on November 30, 2016. Total lease payments required under all related party leases for the five-year period ending February 28, 2012 are \$6,089.

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 clarifies the accounting for uncertain income tax positions that are recognized in the Company's financial statements in accordance with the provisions of FASB Statement No. 109, "Accounting for Income Taxes". FIN 48 also provides guidance on the derecognition of uncertain positions, financial statement classification, accounting for interest and penalties, accounting for interim periods and new disclosure requirements. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact that the adoption of FIN 48 will have on its financial position and the results of operations.

In September 2006, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 requires registrants to use both a balance sheet approach and an income statement approach when evaluating and quantifying the materiality of a misstatement. SAB 108 provides guidance on correcting errors under the dual approach as well as providing transition guidance for correcting errors. The Company adopted the provisions of SAB 108 as of February 28, 2007. The adoption of SAB 108 did not impact our financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurement. SFAS 157 does not require any new fair value measurements, but

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rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of SFAS 157, but we do not expect the adoption of this pronouncement will have a material impact on our financial position or results of operations.

Item 7a — Quantitative and Qualitative Disclosures About Market Risk

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

Marketable Securities

Marketable securities at February 28, 2007, which are recorded at fair value of \$13,179, include an unrealized loss of \$1,561, and have exposure to price risk. This risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in prices quoted by stock exchanges and amounts to \$1,318 as of February 28, 2007. Actual results may differ.

Interest Rate Risk

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

Foreign Exchange Risk

We are subject to risk from changes in foreign exchange rates for our subsidiaries and marketable securities that use a foreign currency as their functional currency and are translated into U.S. dollars. These changes result in cumulative translation adjustments, which are included in accumulated other comprehensive loss. At February 28, 2007, we had translation exposure to various foreign currencies with the most significant being the Euro, Thailand Baht, Malaysian Ringgit, Hong Kong Dollar and Canadian Dollar. The potential loss resulting from a hypothetical 10% adverse change in quoted foreign currency exchange rates, as of February 28, 2007 amounts to \$2,240. Actual results may differ.

Item 8 — Consolidated Financial Statements and Supplementary Data

The information required by this item appears beginning on page F-1 of this Annual Report on Form 10-K and is incorporated herein by reference.

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

Not Applicable

Item 9a — Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

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As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company’s management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to the Securities and Exchange Act Rule 13a-15. Based upon this evaluation as of February 28, 2007, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective and adequately designed.

Management’s Report on Internal Control Over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting; as such term is defined in the Securities and Exchange Act Rules 13a-15(f) and 15d-15(f). The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

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

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

Management evaluated the effectiveness of the Company’s internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Under the supervision and with the participation of the Company’s management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting as of February 28, 2007. Based on that evaluation, management concluded that the Company’s internal control over financial reporting was effective as of February 28, 2007 based on the COSO criteria.

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

Management’s assessment of the effectiveness of the Company’s internal control over financial reporting as of February 28, 2007, has been audited by Grant Thornton LLP, an independent registered public accounting firm who also audited the Company’s consolidated financial statements. Grant Thornton LLP’s attestation report on management’s assessment of the Company’s internal control over financial reporting is included below.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

Audiovox Corporation

We have audited management’s assessment, included in the accompanying Management’s Report on Internal Control over Financial Reporting, that Audiovox Corporation (a Delaware corporation) and subsidiaries (the “Company”) maintained effective internal control over financial reporting as of February 28, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring

Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, management's assessment that Audiovox Corporation and subsidiaries maintained effective internal control over financial reporting as of February 28, 2007, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Audiovox Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of February 28, 2007, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Audiovox Corporation and subsidiaries as of February 28, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss) and cash flows for the year ended February 28, 2007, three months ended February 28, 2006 and years ended November 30, 2005 and 2004, and our report dated May 11, 2007 expressed an unqualified opinion thereon.

GRANT THORNTON LLP

Melville, New York
May 11, 2007

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Changes in Internal Controls Over Financial Reporting

There were no material changes in our internal control over financial reporting (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the most recently completed fiscal fourth quarter ended February 28, 2007 covered by this report, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9b — Other Information

Not Applicable

PART III

The information required by Item 10 (Directors, Executive Officers and Corporate Governance), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters), Item 13 (Certain Relationships and Related Transactions, and Director Independence) and Item 14 (Principal Accounting Fees and Services) of Form 10-K, will be included in our Proxy Statement for the Annual meeting of Stockholders, which will be filed on or before June 21, 2007, and such information is incorporated herein by reference.

PART IV

Item 15 — Exhibits, Financial Statement Schedules

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

(3) Exhibits. The following is a list of exhibits:

Exhibit Number	Description
3.1	Certificate of Incorporation of the Company (incorporated by reference to the Company's Registration Statement on Form S-1; No. 33-107, filed May 4, 1987).
3.1a	Amendment to Certificate of Incorporation (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended November 30, 1993).
3.1b	Amendment to Certificate of Incorporation (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended November 30, 2000).
3.2	By-laws of the Company (incorporated by reference to the Company's Registration Statement on Form S-1; No. 33-10726, filed May 4, 1987).
10.1	Securities Purchase Agreement made and entered into as of May 29, 2002, by and among Toshiba Corporation, Audiovox Communications Corp. and Audiovox Corporation (incorporated by reference to the Company's Form 8-K filed via EDGAR on June 6, 2002).
10.2	Stockholders Agreement made and entered into as of May 29, 2002, by and among Toshiba Corporation, Audiovox Communications Corp. and Audiovox Corporation (incorporated by reference to the Company's Form 8-K filed via EDGAR on June 6, 2002).
10.3	Distribution Agreement made and entered into as of May 29, 2002, by and between Toshiba Corporation and Audiovox Communications Corp. (incorporated by reference to the Company's Form 8-K filed via EDGAR on June 6, 2002).

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Exhibit Number	Description
10.4	Non-Negotiable Subordinated Convertible Promissory Note dated May 31, 2002 by Audiovox Communications Corp. in favor of Toshiba Corporation (incorporated by reference to the Company's Form 8-K filed via EDGAR on June 6, 2002).
10.5	Employment Agreement effective as of May 29, 2002 by and among Audiovox Communications Corp., Philip Christopher and Audiovox Corporation (incorporated by reference to the Company's Form 8-K filed via EDGAR on June 6, 2002).
10.6	Trademark License Agreement made as of May 29, 2002 between Audiovox Corporation and Audiovox Communications Corp. (incorporated by reference to the Company's Form 8-K filed via EDGAR on June 6, 2002).
10.7	Non-Negotiable Demand Note dated May 29, 2002 by Audiovox Communications Corp. in favor of Audiovox Corporation (incorporated by reference to the Company's Form 8-K filed via EDGAR on June 6, 2002).
10.8	Purchase Agreement made and entered into as of December 20, 2006 by and between Thomson and Audiovox Corporation (filed herewith).
10.9	Long Term Incentive Compensation Award to John J. Shalam (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended November 30, 2002).
10.10	Long Term Incentive Compensation Award to Philip Christopher (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended November 30, 2002).
10.11	Asset Purchase Agreement, dated as of June 11, 2004, by and among Audiovox Communications Corp., Quintex Mobile Communications Corporation, Audiovox Communications Canada Co., UTStarcom, Inc., UTStarcom Canada Company and, with respect to Sections 2.05, 2.07, 2.09, 3.01, 3.02, 3.11(b), 3.30, 5.06, 5.08, 5.19, 5.20, 5.21, 5.22, 5.24 and Articles VII — X only, Audiovox Corporation (incorporated by reference to the Company's Form 8-K filed via EDGAR June 14, 2004).
10.12	Voting Agreement and Irrevocable Proxy by and between UTStarcom, Inc. and John J. Shalam (incorporated by reference to the Company's Form 8-K filed via EDGAR June 14, 2004).
10.13	Personally Held Intangibles Purchase Agreement made and entered into as of June 10, 2004 by and between Audiovox Communications Corp. and Philip Christopher (incorporated by reference to the Company's Form 8-K filed via EDGAR June 14, 2004).
10.14	Agreement and General Release made and entered into as of June 10, 2004 among Audiovox Communications Corp., Audiovox Corporation and Philip Christopher (incorporated by reference to the Company's Form 8-K filed via EDGAR June 14, 2004).
10.15	Stock Purchase Agreement made and entered into as of June 10, 2004 by and among Toshiba Corporation, Audiovox Communications Corp. and Audiovox Corporation (incorporated by reference to the Company's Form 8-K filed via EDGAR June 14, 2004).
10.16	Agreement for Purchase of 7.5 Shares dated as of June 8, 2004 by and between Audiovox Corporation and Toshiba Corporation (incorporated by reference to the Company's Form 8-K filed via EDGAR June 14, 2004).

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Exhibit Number	Description
10.17	Form of Escrow Agreement (incorporated by reference to the Company's Form 8-K filed via EDGAR August 10, 2004).
10.18	Form of Transition Services Agreement (incorporated by reference to the Company's Form 8-K filed via EDGAR August 10, 2004).
10.19	Form of Trademark License Agreement (incorporated by reference to the Company's Form 8-K filed via EDGAR August 10, 2004).
21	Subsidiaries of the Registrant (filed herewith).
23	Consent of Grant Thornton LLP (filed herewith).
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act of 1934 (filed herewith).
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act of 1934 (filed herewith).
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
99.1	Consolidated Financial Report of Audiovox Specialized Applications LLC (ASA) as of November 30, 2006 and 2005 and for the Years Ended November 30, 2006, 2005 and 2004 (filed herewith).
99.2	Consent of McGladrey & Pullen, LLP (filed herewith).

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

[Table of Contents](#)**SIGNATURES**

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

AUDIOVOX CORPORATION

May 14, 2007

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

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

Signature	Title	Date
<u>/s/ Patrick M. Lavelle</u> Patrick M. Lavelle	President; Chief Executive Officer (Principal Executive Officer) and Director	May 14, 2007
<u>/s/ Charles M. Stoehr</u> Charles M. Stoehr	Senior Vice President, Chief Financial Officer (Principal Financial and Accounting Officer) and Director	May 14, 2007
<u>/s/ John J. Shalam</u> John J. Shalam	Chairman of the Board of Directors	May 14, 2007
<u>/s/ Philip Christopher</u> Philip Christopher	Director	May 14, 2007
<u>/s/ Paul C. Kreuch, Jr.</u> Paul C. Kreuch, Jr.	Director	May 14, 2007
<u>/s/ Dennis McManus</u> Dennis McManus	Director	May 14, 2007
<u>/s/ Peter A. Lesser</u> Peter A. Lesser	Director	May 14, 2007

AUDIOVOX CORPORATION
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Audiovox Corporation

We have audited the accompanying consolidated balance sheets of Audiovox Corporation (a Delaware corporation) and subsidiaries (the "Company") as of February 28, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss) and cash flows for the year ended February 28, 2007, three months ended February 28, 2006 and years ended November 30, 2005 and 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Audiovox Corporation and subsidiaries as of February 28, 2007 and 2006, and the results of their operations and their cash flows for the year ended February 28, 2007, three months ended February 28, 2006 and years ended November 30, 2005 and 2004 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1t of the notes to consolidated financial statements, the Company has adopted Financial Accounting Standards Board Statement No. 123(R), Share-Based Payments on December 1, 2005.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule II as of and for the year ended February 28, 2007, three months ended February 28, 2006 and years ended November 30, 2005 and 2004 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria) and our report dated May 11, 2007 expressed an unqualified opinion thereon.

GRANT THORNTON LLP

Melville, New York

May 11, 2007

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Audiovox Corporation and Subsidiaries
Consolidated Balance Sheets
February 28, 2007 and 2006
(In thousands, except share data)

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,473	\$ 16,280
Restricted cash	—	1,488
Short-term investments	140,872	160,799
Accounts receivable, net	86,003	88,671
Inventory	104,972	96,150
Receivables from vendors	13,935	9,830
Prepaid expenses and other current assets	11,427	5,985
Income taxes receivable	171	8,498
Deferred income taxes	2,492	2,339
Total current assets	<u>375,345</u>	<u>390,040</u>
Investment securities	13,179	14,709
Equity investments	11,353	11,834
Property, plant and equipment, net	18,019	18,799
Goodwill	17,514	16,067
Intangible assets	57,874	11,002
Deferred income taxes	1,858	1,408
Other assets	631	2,153
Total assets	<u>\$ 495,773</u>	<u>\$ 466,012</u>

See accompanying notes to consolidated financial statements.

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Audiovox Corporation and Subsidiaries
Consolidated Balance Sheets, continued
February 28, 2007 and 2006
(In thousands, except share data)

	2007	2006
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 34,344	\$ 13,776
Accrued expenses and other current liabilities	26,564	17,907
Accrued sales incentives	7,410	8,512
Bank obligations	2,890	5,329
Current portion of long-term debt	1,524	1,371
Total current liabilities	<u>72,732</u>	<u>46,895</u>
Long-term debt	5,430	5,924
Capital lease obligation	5,676	5,892

Deferred compensation	7,573	6,569
Total liabilities	<u>91,411</u>	<u>65,280</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$50 par value; 50,000 shares authorized, issued and outstanding, at February 28, 2006 with liquidation preference of \$2,500. No shares issued or outstanding at February 28, 2007.	—	2,500
Series preferred stock \$.01 par value, 1,500,000 shares authorized; no shares issued or outstanding	—	—
Common stock:		
Class A \$.01 par value; 60,000,000 shares authorized; 22,005,346 and 21,520,346 shares issued and 20,312,299 and 20,131,794 shares outstanding at February 28, 2007 and 2006, respectively	220	215
Class B convertible \$.01 par value; 10,000,000 shares authorized; 2,260,954 shares issued and outstanding	22	22
Paid-in capital	271,056	263,008
Retained earnings	151,363	148,427
Accumulated other comprehensive loss	(1,320)	(608)
Treasury stock, at cost, 1,693,047 and 1,388,552 shares of Class A common stock at February 28, 2007 and 2006, respectively	(16,979)	(12,832)
Total stockholders' equity	<u>404,362</u>	<u>400,732</u>
Total liabilities and stockholders' equity	<u>\$ 495,773</u>	<u>\$ 466,012</u>

See accompanying notes to consolidated financial statements.

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Audiovox Corporation and Subsidiaries
Consolidated Statements of Operations
Year Ended February 28, 2007, Three Months Ended February 28, 2006
and Years Ended November 30, 2005 and 2004
(In thousands, except share and per share data)

	Year Ended February 28, 2007	Three Months Ended February 28, 2006	Years ended November 30,	
			2005	2004
Net sales	\$ 456,690	\$ 103,050	\$ 539,716	\$ 563,653
Cost of sales	377,371	87,400	478,877	473,916
Gross profit	<u>79,319</u>	<u>15,650</u>	<u>60,839</u>	<u>89,737</u>
Operating expenses:				
Selling	28,220	6,824	31,799	31,796
General and administrative	48,920	10,517	50,540	54,576
Engineering and technical support	7,256	1,468	6,190	4,721
Total operating expenses	<u>84,396</u>	<u>18,809</u>	<u>88,529</u>	<u>91,093</u>
Operating loss	<u>(5,077)</u>	<u>(3,159)</u>	<u>(27,690)</u>	<u>(1,356)</u>
Other income (expense):				
Interest and bank charges	(1,955)	(560)	(2,478)	(3,762)
Equity in income of equity investees	2,937	474	2,342	3,980
Other, net (Note 1(r))	6,253	1,769	9,730	2,436
Total other income	<u>7,235</u>	<u>1,683</u>	<u>9,594</u>	<u>2,654</u>
Income (loss) from continuing operations				
before income taxes	2,158	(1,476)	(18,096)	1,298
Income tax (benefit) expense	(1,534)	(1,843)	(11,409)	479
Minority interest income (expense)	—	—	—	(755)
Net income (loss) from continuing operations	<u>3,692</u>	<u>367</u>	<u>(6,687)</u>	<u>64</u>
Net (loss) income from discontinued operations, net of tax (including \$2,079 loss on sale of Malaysia in fiscal 2005 and gain of \$67,000 from sale of Cellular business in fiscal 2004)	<u>(756)</u>	<u>(184)</u>	<u>(2,904)</u>	<u>77,136</u>
Net income (loss)	<u>\$ 2,936</u>	<u>\$ 183</u>	<u>\$ (9,591)</u>	<u>\$ 77,200</u>
Income (loss) per common share (basic):				
From continuing operations	\$ 0.16	\$ 0.02	\$ (0.30)	\$ —
From discontinued operations	(0.03)	(0.01)	(0.13)	3.52
Net income (loss) per common share (basic)	<u>\$ 0.13</u>	<u>\$ 0.01</u>	<u>\$ (0.43)</u>	<u>\$ 3.52</u>

Income (loss) per common share (diluted):				
From continuing operations	\$ 0.16	\$ 0.02	\$ (0.30)	\$ —
From discontinued operations	(0.03)	(0.01)	(0.13)	3.45
Net income (loss) per common share (diluted)	\$ 0.13	\$ 0.01	\$ (0.43)	\$ 3.45
Weighted average number of common shares outstanding (basic)	22,366,413	22,526,497	22,278,542	21,955,292
Weighted average number of common shares outstanding (diluted)	22,557,272	22,766,593	22,278,542	22,373,134

See accompanying notes to consolidated financial statements.

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Audiovox Corporation and Subsidiaries
Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss)
Year Ended February 28, 2007, Three Months Ended February 28, 2006
and Years Ended November 30, 2005 and 2004
(In thousands, except share data)

	Preferred Stock	Class A and Class B Common Stock	Paid-in Capital	Retained Earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Stock-Holder's equity
Balances at November 30, 2003	\$ 2,500	\$ 229	\$ 252,104	\$ 80,635	(\$1,229)	(\$8,511)	\$ 325,728
Comprehensive income:							
Net income	—	—	—	77,200	—	—	77,200
Foreign currency translation adjustment, net of reclassification adjustment (see disclosure below)	—	—	—	—	1,319	—	1,319
Unrealized loss on marketable securities, net of tax effect of \$1,184	—	—	—	—	(1,931)	—	(1,931)
Other comprehensive loss	—	—	—	—	—	—	(612)
Comprehensive income	—	—	—	—	—	—	76,588
Exercise of stock options into 131,464 shares of common stock	—	2	1,522	—	—	—	1,524
Tax benefit of stock options exercised	—	—	227	—	—	—	227
Remeasurement of stock options	—	—	98	—	—	—	98
Issuance of 1,780 shares of treasury stock	—	—	8	—	—	14	22
Balances at November 30, 2004	2,500	231	253,959	157,835	(1,841)	(8,497)	404,187
Comprehensive loss:							
Net loss	—	—	—	(9,591)	—	—	(9,591)
Foreign currency translation adjustment, net of reclassification adjustment (see disclosure below)	—	—	—	—	(157)	—	(157)
Unrealized loss on marketable securities, net of tax effect of \$190	—	—	—	—	(310)	—	(310)
Other comprehensive loss	—	—	—	—	—	—	(467)
Comprehensive loss:	—	—	—	—	—	—	(10,058)
Exercise of stock options into 660,500 shares of common stock	—	6	7,686	—	—	—	7,692
Tax benefit of stock options exercised	—	—	1,357	—	—	—	1,357
Purchase of 150,000 shares of treasury stock	—	—	—	—	—	(2,037)	(2,037)
Issuance of 1,205 shares of treasury stock	—	—	6	—	—	10	16
Balances at November 30, 2005	2,500	237	263,008	148,244	(2,308)	(10,524)	401,157
Comprehensive income:							
Net income	—	—	—	183	—	—	183
Foreign currency translation adjustment, net	—	—	—	—	263	—	263
Unrealized gain on marketable securities, net of tax effect of \$881	—	—	—	—	1,437	—	1,437
Other comprehensive income	—	—	—	—	—	—	1,700
Comprehensive income	—	—	—	—	—	—	1,883
Purchase of 168,800 shares of treasury stock	—	—	—	—	—	(2,308)	(2,308)
Balances at February 28, 2006	2,500	237	263,008	148,427	(608)	(12,832)	400,732

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Audiovox Corporation and Subsidiaries
Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss), continued
Year Ended February 28, 2007, Three Months Ended February 28, 2006
and Years Ended November 30, 2005 and 2004
(In thousands, except share data)

	Preferred Stock	Class A and Class B Common Stock	Paid-in Capital	Retained Earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity
Comprehensive income:							
Net income	—	—	—	2,936	—	—	2,936
Foreign currency translation adjustment, net of reclassification adjustment (see disclosure below)	—	—	—	—	1,180	—	1,180
Unrealized loss on marketable securities, net of tax effect of \$1,210, and reclassification adjustment (see disclosure below)	—	—	—	—	(1,892)	—	(1,892)
Other comprehensive loss	—	—	—	—	—	—	(712)
Comprehensive income	—	—	—	—	—	—	2,224
Exercise of stock options into 485,000 shares of common stock	—	5	4,223	—	—	—	4,228
Purchase of 305,100 shares of treasury stock	—	—	—	—	—	(4,155)	(4,155)
Tax benefit of stock options exercised	—	—	896	—	—	—	896
Stock based compensation expense	—	—	432	—	—	—	432
Repurchase of preferred stock	(2,500)	—	2,495	—	—	—	(5)
Issuance of 605 shares of treasury stock	—	—	2	—	—	8	10
Balances at February 28, 2007	—	\$ 242	\$ 271,056	\$ 151,363	\$ (1,320)	\$ (16,979)	\$ 404,362

	Year ended February 28, 2007	Three months ended February 28, 2006	Year ended November 30,	
			2005	2004
Disclosure of reclassification amount:				
Unrealized foreign currency translation gain (loss)	\$ 1,119	\$ 263	\$ (1,522)	\$ 2,233
Less: reclassification adjustments for gain (loss) included in net income (loss)	(61)	—	(1,365)	914
Net unrealized foreign currency translation gain (loss)	\$ 1,180	\$ 263	\$ (157)	\$ 1,319

	Year ended February 28, 2007
Disclosure of reclassification amount:	
Unrealized loss on marketable securities	\$ (2,009)
Less: reclassification adjustments for loss included in net income	(117)
Net unrealized loss on marketable securities	\$ (1,892)

See accompanying notes to consolidated financial statements.

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Audiovox Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Year ended February 28, 2007, Three Months Ended February 28, 2006
And Years Ended November 30, 2005 and 2004
(Dollars in thousands)

	Year Ended February 28, 2007	Three Months Ended February 28, 2006	Years ended November 30,	
			2005	2004
			(revised)	(revised)
Cash flows from operating activities:				
Net income (loss)	\$ 2,936	\$ 183	(\$9,591)	\$ 77,200
Net loss (income) from discontinued operations	756	184	2,904	(77,136)
Net income (loss) from continuing operations	3,692	367	(6,687)	64
Adjustments to reconcile net income (loss) to net cash				

provided by (used in) continuing operating activities:				
Depreciation and amortization	3,994	951	3,635	2,638
Bad debt expense (recovery)	(23)	(595)	1,105	237
Equity in income of equity investees	(2,937)	(474)	(2,342)	(3,980)
Other-than-temporary decline in market value of investment	—	—	1,758	—
Minority interest	—	—	—	755
Deferred income tax expense (benefit), net	606	2,959	(3,104)	1,669
(Gain) Loss on disposal of property, plant and equipment	7	(155)	3	—
Tax benefit on stock options exercised	(896)	—	1,357	227
Non-cash compensation adjustment	353	(115)	408	371
Unrealized gain on trading security	—	—	(4,971)	—
Stock based compensation expense	432	—	—	—
Realized loss on sale of investment	178	—	—	—
Changes in operating assets and liabilities, net of assets and liabilities acquired:				
Accounts receivable	4,066	40,560	(2,378)	21,934
Inventory	23,589	33,091	17,805	11,464
Receivables from vendors	(4,079)	(1,752)	(1,064)	(2,565)
Prepaid expenses and other	(1,147)	945	(2,359)	4,476
Investment securities-trading	(1,026)	(395)	(1,279)	393
Accounts payable, accrued expenses, accrued sales incentives and other current liabilities	7,466	(18,314)	(19,954)	(12,040)
Income taxes payable	9,145	(1,775)	(41,245)	29,676
Change in assets and liabilities of discontinued operations	—	—	17,227	31,825
Net cash provided by (used in) operating activities	43,420	55,298	(42,085)	87,144
Cash flows from investing activities:				
Purchases of property, plant and equipment	(2,711)	(479)	(2,450)	(4,782)
Proceeds from sale of property, plant and equipment	50	677	18	212
Proceeds from distribution from an equity investee	3,419	713	1,147	4,131
Repurchase of subsidiary shares	—	—	—	(6,893)

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Audiovox Corporation and Subsidiaries
Consolidated Statements of Cash Flows, continued
Year ended February 28, 2007, Three Months Ended February 28, 2006
And Years Ended November 30, 2005 and 2004
(Dollars in thousands)

	Year Ended	Three Months	Years ended November 30,	
	February 28, 2007	February 28, 2006	2005	2004
Purchase of long-term investment	(1,000)	—	—	—
Net proceeds from sale of Cellular business	—	—	16,736	127,317
Escrow payment for minority interest	—	—	(1,702)	—
Purchase of short-term investments	(158,230)	(52,000)	(143,075)	(124,237)
Sale of short-term investments	178,175	—	158,450	—
Sale of long-term investment	360	—	—	—
Purchase of patents	(475)	—	(150)	—
(Purchase of) proceeds from acquired business	(60,485)	71	(15,345)	513
Cash used by discontinued operations	—	—	—	(438)
Net cash (used in) provided by investing activities	(40,897)	(51,018)	13,629	(4,177)
Cash flows from financing activities:				
Borrowings from bank obligations	—	654	1,100	1,229,068
Repayments on bank obligations	(2,853)	(114)	(5,350)	(1,261,353)
Principal payments on capital lease obligation	(89)	(37)	(69)	(65)
Proceeds from exercise of stock options and warrants	4,228	—	7,692	1,524
Repurchase of Class A common stock	(4,155)	(2,308)	(2,037)	—
Repurchase of preferred stock	(5)	—	—	—
Principal payments on debt	(1,471)	(383)	(1,831)	(12,951)
Payment of guarantee	—	—	—	(291)

Tax benefit on stock options exercised	896	—	—	—
Cash used by discontinued operations	—	—	(60)	(512)
Net cash used in financing activities	(3,449)	(2,188)	(555)	(44,580)
Effect of exchange rate changes on cash	119	24	(234)	320
Net (decrease) increase in cash and cash equivalents	(807)	2,116	(29,245)	38,707
Cash and cash equivalents at beginning of period	16,280	14,164	43,409	4,702
Cash and cash equivalents at end of period	\$ 15,473	\$ 16,280	\$ 14,164	\$ 43,409

Supplemental Cash Flow Information:

Cash paid during the periods for:

Interest, excluding bank charges	\$ 1,739	\$ 495	\$ 1,699	\$ 5,052
Income taxes (net of refunds)	\$ (10,226)	\$ (2,116)	\$ 31,639	\$ 7,431

See accompanying notes to consolidated financial statements.

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Audiovox Corporation and Subsidiaries
Notes to Consolidated Financial Statements
February 28, 2007
(Dollars in thousands, except share and per-share data)

1) Description of Business and Summary of Significant Accounting Policies

a) Description of Business and Accounting Principles

Audiovox Corporation and subsidiaries (the “Company”) design and market a diverse line of electronic products under the Audiovox® and other brand names throughout the world. The Company has one reportable segment, the Electronics Group, which is organized by product category. The Electronics Group consists of five wholly-owned subsidiaries: Audiovox Electronics Corporation, American Radio Corp., Code Systems, Inc., Audiovox German Holdings GmbH and Audiovox Venezuela, C.A. The Company completed the divestiture of the Cellular Group on November 1, 2004 and Audiovox Malaysia on November 7, 2005 (See Note 2). Unless specifically indicated otherwise, all amounts and percentages presented in the notes below are exclusive of discontinued operations.

In February 2006, the Company changed its fiscal year end from November 30th to February 28th. The Company’s current fiscal year began March 1, 2006 and ends on February 28, 2007. This annual report on Form 10-K supplements the transition report on Form 10-Q for the three month transition period ended February 28, 2006 and compares the financial position as of February 28, 2007 to February 28, 2006 and the results of operations for the year ended February 28, 2007 and three months ended February 28, 2006 with the results of operations for the years ended November 30, 2005 and 2004.

For the years ended November 30, 2005 and 2004, the Company revised the operating, investing and financing activities of cash flows attributed to discontinued operations, to conform to the appropriate presentation, whereas in the prior periods it was reported on a combined basis as a single line within operating activities.

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

b) Principles of Consolidation

The consolidated financial statements include the financial statements of Audiovox Corporation and its wholly owned and majority-owned subsidiaries. Minority interest of majority-owned subsidiaries, if any, are calculated based upon the respective minority interest ownership percentage. All significant intercompany balances and transactions have been eliminated in consolidation.

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

c) Use of Estimates

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

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Audiovox Corporation and Subsidiaries
Notes to Consolidated Financial Statements , continued
February 28, 2007
(Dollars in thousands, except share and per-share data)

d) Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of demand deposits with banks and highly liquid money market funds with original maturities of three months or less when purchased. Cash equivalents amounted to \$14,017 and \$12,696 at February 28, 2007 and 2006, respectively. Cash amounts held in foreign bank accounts amounted to \$2,882 and \$1,661 at February 28, 2007 and 2006, respectively. Restricted cash of \$1,488 at February 28, 2006 represented the amount held in escrow for the purchase of Audiovox Venezuela's minority interest during the year ended February 28, 2007 (Note 17).

e) Investment Securities

The Company classifies its investment securities in one of two categories: trading or available-for-sale. Trading securities are bought and held principally for the purpose of selling them in the near term. All other securities not included in trading are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a 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. Dividend and interest income are recognized when earned.

The cost, gross unrealized gains (losses) and aggregate fair value of investment securities as of February 28, 2007 and 2006 are as follows:

	February 28, 2007		
	Cost	Unrealized Holding Gain/(Loss)	Aggregate Fair Value
Short-term investments*	\$ 140,872	—	\$ 140,872
CellStar Common Stock*	643	168	811
Bliss-tel Stock and Warrants* (Note 14)	6,510	(2,755)	3,755
Other Investment*	1,040	—	1,040
Trading Securities	7,573	—	7,573
Long-term investments	\$ 15,766	(\$2,587)	\$ 13,179

	February 28, 2006		
	Cost	Unrealized Holding Gain/(Loss)	Aggregate Fair Value
Short-term investments*	\$ 160,799	—	\$ 160,799
CellStar Common Stock*	643	352	995
Bliss-tel Stock and Warrants* (Note 14)	6,987	181	7,168
Trading Securities	6,546	—	6,546
Long-term investments	\$ 14,176	\$ 533	\$ 14,709

* Represents investments that are classified as available-for-sale securities.

Audiovox Corporation and Subsidiaries
Notes to Consolidated Financial Statements , continued
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Short-term investments consist of tax-exempt auction rate notes, which are available for sale one year or less when purchased. The Company's overall goal for short-term investments is to invest primarily in low risk, fixed income securities with the intention of maintaining principal while generating a moderate return. In accordance with the Company's investment policy, all short-term investments are invested in "investment grade" rated securities and all investments have an Aaa or better rating at February 28, 2007. Trading securities consist of mutual funds, which are held in connection with the Company's deferred compensation plan.

Deferred tax assets (liabilities) of \$1,009 and \$(203) related to available for sale securities were recorded at February 28, 2007 and 2006, respectively, as a reduction to the unrealized holding gain (loss) included in accumulated other comprehensive loss.

During the year ended November 30, 2005, the Company recorded an-other-than temporary impairment charge of \$1,758 for its investment in CellStar common stock and such charge has been included in other income on the accompanying Consolidated Statement of Operations. The Company recorded this charge as a result of the inability of the investment to regain its marketability, stock listing and the unlikelihood that the cost of this investment would be recovered due to the extended decline in stock price. 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.

f) Revenue Recognition

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

The Company includes all costs incurred for shipping and handling as cost of sales and all amounts billed to customers as revenue.

g) Accounts Receivable

The majority of the Company's accounts receivable are due from companies in the retail, mass merchant and OEM industries. Credit is extended based on an evaluation of a customer's financial condition. Accounts receivable are generally due within 30-60 days and

Audiovox Corporation and Subsidiaries
Notes to Consolidated Financial Statements , continued
February 28, 2007
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are stated at amounts due from customers, net of an allowance for doubtful accounts. Accounts outstanding longer than the contracted payment terms are considered past due.

Accounts receivable is comprised of the following:

	February 28,	
	2007	2006
Trade accounts receivable and other	\$ 91,330	\$ 95,132
Less:		
Allowance for doubtful accounts	5,062	6,136
Allowance for cash discounts	265	325
	<u>\$ 86,003</u>	<u>\$ 88,671</u>

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

h) Inventory

The Company values its inventory (finished goods) at the lower of the actual cost to purchase (primarily on a weighted moving average basis) and/or the current estimated market value of the inventory less expected costs to sell the inventory. The Company regularly reviews inventory quantities on-hand and records a provision for excess and obsolete inventory based primarily from selling prices, indications from customers based upon current price negotiations and purchase orders. The Company's industry is characterized by rapid technological change and frequent new product introductions that could result in an increase in the amount of obsolete inventory quantities on-hand. The Company recorded inventory write-downs on inventory of \$2,977, \$689, \$16,924 and \$5,506 for the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004, respectively.

As a result of the Company's: a) post holiday season review of inventory and sales projections, b) review of products which were at the end of their product life cycle at the completion of the fourth quarter and c) market information obtained from industry competitors and customers regarding pricing and product demand at the January 2006 Consumer Electronics trade show, the Company decided to discontinue certain product lines resulting in a \$9,972 inventory writedown in the fourth quarter of fiscal 2005.

In addition, the Company recorded a \$3,789 inventory writedown during the third quarter of fiscal 2005 primarily for satellite radio plug and play products as a result of sudden reduced pricing by a competitor.

The Company's estimates of excess and obsolete inventory may prove to be inaccurate, in which case the Company may have understated or overstated the provision required for

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excess and obsolete inventory. Although the Company makes every effort to ensure the accuracy of its forecasts of future product demand, any significant unanticipated changes in demand, price or technological developments could have a significant impact on the value of the Company's inventory and reported operating results.

i) Debt Issuance Costs

Costs incurred in connection with the previous restructuring of bank obligations were capitalized. These charges were amortized over the lives of the respective agreements resulting in amortization expense of \$1,024 for the year ended November 30, 2004. These capitalized costs were fully amortized at November 30, 2004.

j) Property, Plant and Equipment

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

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

	February 28,	
	2007	2006
Land	\$ 338	\$ 338
Buildings	5,806	5,806
Property under capital lease	6,981	7,142
Furniture, fixtures and displays	2,457	2,392
Machinery and equipment	5,912	5,505
Construction-in-progress	48	—
Computer hardware and software	15,146	13,152
Automobiles	977	845
Leasehold improvements	5,136	4,989
	<u>42,801</u>	<u>40,169</u>
Less accumulated depreciation and amortization	<u>24,782</u>	<u>21,370</u>
	<u>\$ 18,019</u>	<u>\$ 18,799</u>

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

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

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

Depreciation and amortization of property, plant and equipment amounted to \$3,599, \$893, \$3,399 and \$2,638 for the year ended February 28, 2007, the three months ended

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Audiovox Corporation and Subsidiaries
Notes to Consolidated Financial Statements , continued
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February 28, 2006 and the years ended November 30, 2005 and 2004, respectively. Included in depreciation and amortization expense is amortization of computer software costs of \$334, \$65, \$179 and \$149 for the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004, respectively. Included in depreciation expense is \$240 of depreciation related to property under capital lease for the years ended February 28, 2007, November 30, 2005 and 2004, and \$60 for the three months ended February 28, 2006.

Accumulated depreciation and amortization includes \$2,138 and \$1,898 related to property under capital lease at February 28, 2007 and 2006, respectively. Computer software includes approximately \$1,240 and \$353 of unamortized costs as of February 28, 2007 and 2006, respectively, related to the acquisition and installation of management information systems for internal use.

k) Goodwill and Other Intangible Assets

Goodwill and other intangible assets consist of the excess over the fair value of assets acquired (goodwill) and other intangible assets (patents, contracts and trademarks/tradenames).

Statement of Financial Accounting Standards (“SFAS”) No. 142 “Goodwill and Other Intangible Assets” requires that goodwill and intangible assets with indefinite useful lives be tested for impairment at least annually or more frequently if an event occurs or circumstances change that could more likely than not reduce the fair value of a reporting unit below its carrying amount. Equity method goodwill, which amounted to \$4,602 at February 28, 2007 and 2006, is evaluated for impairment under Accounting Principles Board No. 18, “*The Equity Method of Accounting for Investments in Common Stock*”, as amended. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144, “*Accounting for the Impairment or Disposal of Long-Lived Assets*”.

For intangible assets with indefinite lives, including goodwill, the Company performed its annual impairment test, as of the end of the fiscal fourth quarter, which indicated no reduction is required. The cost of other intangible assets with definite lives are amortized on a straight-line basis over their respective lives.

Goodwill

The change in carrying amount of goodwill is as follows:

	February 28,	
	2007	2006
Net beginning balance (March 1st)	\$ 16,067	\$ 17,818
Terk acquisition purchase price adjustment	—	(2,001)
Purchase of minority interest (Note 17)	1,447	250
Net ending balance (February 28th)	<u>\$ 17,514</u>	<u>\$ 16,067</u>

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

Other Intangible Assets

	February 28, 2007		
	Gross Carrying	Accumulated Amortization	Total Net Book

	<u>Value</u>	<u>Value</u>	<u>Value</u>
Patents subject to amortization	\$ 625	\$ 193	\$ 432
Trademarks/Tradenames not subject to amortization (see below)	56,835	—	56,835
Contract subject to amortization (5 years)	<u>1,104</u>	<u>497</u>	<u>607</u>
Total	<u>\$ 58,564</u>	<u>\$ 690</u>	<u>\$ 57,874</u>

	<u>February 28, 2006</u>		
	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Total Net Book Value</u>
Patents subject to amortization	\$ 150	\$ 18	\$ 132
Trademarks/Tradenames not subject to amortization	10,042	—	10,042
Contract subject to amortization (5 years)	<u>1,104</u>	<u>276</u>	<u>828</u>
Total	<u>\$ 11,296</u>	<u>\$ 294</u>	<u>\$ 11,002</u>

During the year ended February 28, 2007, the Company purchased \$475 of patents subject to amortization with estimated useful lives ranging from twenty-four to forty-five months. In addition, the Company acquired in January 2007 \$46,793 of intangible assets in connection with an acquisition, which has been preliminarily allocated to trademarks not subject to amortization (Note 4).

Amortization expense for intangible assets amounted to \$395, \$58 and \$236 for the year ended February 28, 2007, three months ended February 28, 2006 and year ended November 30, 2005, respectively. The estimated aggregate amortization expense for all amortizable intangibles for each of the succeeding years ending February 28, 2012 is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 410
2009	343
2010	214
2011	15
2012	<u>15</u>
	<u>\$ 997</u>

l) Sales Incentives

The Company offers sales incentives to its customers in the form of (1) co-operative advertising allowances; (2) market development funds; (3) volume incentive rebates and (4) other trade allowances. The Company accounts for sales incentives in accordance with EITF 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of Vendor's Products)" (EITF 01-9). Except for other trade allowances, all sales incentives require the customer to purchase the Company's products during a specified period of time. All sales incentives require customers to claim the sales incentive within a

Audiovox Corporation and Subsidiaries
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certain time period (referred to as the "claim period") and claims are settled either by the customer claiming a deduction against an outstanding account receivable or by the customer requesting a cash payout. All costs associated with sales incentives are classified as a reduction of net sales. The following is a summary of the various sales incentive programs:

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

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

Volume incentive rebates offered to customers require that minimum quantities of product be purchased during a specified period of time. The amount offered is either based upon a fixed percentage of sales revenue to the customer or a fixed amount per unit sold to the customer. The Company makes an estimate of the ultimate

amount of the rebate their customers will earn based upon past history with the customer and other facts and circumstances. The Company has the ability to estimate these volume incentive rebates, as there does not exist a relatively long period of time for a particular rebate to be claimed. Any changes in the estimated amount of volume incentive rebates are recognized immediately using a cumulative catch-up adjustment.

Other trade allowances are additional sales incentives that the Company provides to customers subsequent to the related revenue being recognized. In accordance with EITF 01-9, the Company records the provision for these additional sales incentives at the later of when the sales incentive is offered or when the related revenue is recognized. Such additional sales incentives are based upon a fixed percentage of the selling price to the customer, a fixed amount per unit, or a lump-sum amount.

The accrual balance for sales incentives at February 28, 2007 and 2006 was \$7,410 and \$8,512, respectively. Although the Company makes its best estimate of its sales incentive liability, many factors, including significant unanticipated changes in the purchasing volume of its customers and the lack of claims made by customers could have a significant impact on the sales incentives liability and reported operating results.

For the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004, reversals of previously established sales incentive liabilities amounted to \$2,460, \$480, \$2,836 and \$3,889, respectively. These reversals include unearned and unclaimed sales incentives. Reversals of unearned sales incentives are volume incentive rebates where the customer did not purchase the required minimum quantities of product during the specified time. Volume incentive rebates are reversed into income in the period when the customer did not reach the required minimum purchases of product during the specified time. Unearned sales incentives for the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004 amounted to \$1,148, \$0, \$1,007 and \$2,187, respectively.

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Unclaimed sales incentives are sales incentives earned by the customer but the customer has not claimed payment from the Company within the claim period (period after program has ended). Unclaimed sales incentives for the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004 amounted to \$1,312, \$480, \$1,829 and \$1,702, respectively.

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

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

	Year Ended February 28, 2007	Three Months Ended February 28, 2006	Years ended November 30,	
			2005	2004
Opening balance	\$ 8,512	\$ 9,826	\$ 7,584	\$ 14,605
Accruals	14,961	3,526	20,609*	17,012
Payments	(13,603)	(4,360)	(15,531)	(20,144)
Reversals for unearned incentives	(1,148)	—	(1,007)	(2,187)
Reversals for unclaimed incentives	(1,312)	(480)	(1,829)	(1,702)
Ending balance	<u>\$ 7,410</u>	<u>\$ 8,512</u>	<u>\$ 9,826</u>	<u>\$ 7,584</u>

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

* Included in accruals for the year ended November 30, 2005 is \$1,255 of accrued sales incentives from the acquisition of Terk (Note 4).

m) *Advertising*

Excluding co-operative advertising, the Company expensed the cost of advertising, as incurred, of \$6,194, \$1,682, \$8,214 and \$8,821 for the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004, respectively.

n) *Product Warranties and Product Repair Costs*

The Company generally warrants its products against certain manufacturing and other defects. The Company provides warranties for all of its products ranging from 90 days to the lifetime of the product. Warranty expenses are accrued at the time of sale based on the Company's estimated cost to repair expected returns of products for

warranty matters. This liability is based primarily on historical experiences of actual warranty claims as well as current information on repair costs. The warranty liability of \$5,856 and \$5,314 is recorded in accrued expenses in the accompanying consolidated balance sheets as of February 28, 2007 and 2006, respectively. In addition, the Company records a reserve for product repair costs which is based upon the quantities of defective inventory on hand and an estimate of the cost to repair such defective inventory. The reserve for product repair costs of \$3,730 and \$4,633 is recorded as a reduction to inventory in the accompanying consolidated balance sheets as of February 28, 2007 and 2006, respectively. Warranty claims and product

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repair costs expense for the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004 were \$8,047, \$477, \$6,063 and \$3,257, respectively.

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

	Year Ended February 28, 2007	Three Months Ended February 28, 2006	Years ended November 30,	
			2005	2004
Beginning balance	\$ 9,947	\$ 10,329	\$ 11,794	\$ 14,695
Liabilities acquired from acquisition (Note 4)	1,705	—	—	—
Liabilities accrued for warranties issued	8,047	477	6,063	3,257
Warranty claims paid	(10,113)	(859)	(7,528)	(6,158)
Ending balance	<u>\$ 9,586</u>	<u>\$ 9,947</u>	<u>\$ 10,329</u>	<u>\$ 11,794</u>

During the year ended November 30, 2004, the Company received a credit of \$1,517 from a vendor as a result of re-negotiating charges for the repair of defective inventory. This credit has been included as a reduction to the liabilities accrued for warranties issued during the year ended November 30, 2004.

o) Foreign Currency

Assets and liabilities of those subsidiaries and former equity investees located outside the United States whose cash flows are primarily in local currencies have been translated at rates of exchange at the end of the period or historical exchange rates, as appropriate in accordance with SFAS No. 52, "Foreign Currency Translation". Revenues and expenses have been translated at the weighted average rates of exchange in effect during the period. Gains and losses resulting from translation are recorded in the cumulative foreign currency translation account in accumulated other comprehensive income (loss).

Exchange gains and losses on inter-company balances of a long-term nature are also recorded in the cumulative foreign currency translation account in accumulated other comprehensive income (loss).

p) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled (Note 9). The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

q) Income (Loss) Per Common Share

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

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

	Year Ended February 28, 2007	Three Months Ended February 28, 2006	Years ended November 30,	
			2005	2004
Weighted-average number of common shares outstanding (basic)	22,366,413	22,526,497	22,278,542	21,955,292
Effect of dilutive securities:				
Stock options and stock warrants	190,859	240,096	—	417,842
Weighted-average number of common and potential common shares outstanding (diluted)	<u>22,557,272</u>	<u>22,766,593</u>	<u>22,278,542</u>	<u>22,373,134</u>

Stock options and stock warrants totaling 1,157,226, 1,028,000, 611,923 and 366,250 for the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004, respectively, were not included in the net income (loss) per common share calculation because the exercise price of these options and warrants were greater than the average market price of common stock during the period or these options and warrants were anti-dilutive due to losses during the respective periods.

r) Other Income (Loss)

Other income (loss) is comprised of the following:

	Year Ended February 28, 2007	Three Months Ended February 28, 2006	Years ended November 30,	
			2005	2004
CellStar impairment (Note 1 (e))	\$ —	\$ —	\$ (1,758)	\$ —
Bliss-tel (Note 14)	(178)	—	4,971	—
Interest income	6,218	1,108	3,813	795
Rental income	552	143	610	106
Other	(339)	518	2,094	1,535
Total - Other, net	<u>\$ 6,253</u>	<u>\$ 1,769</u>	<u>\$ 9,730</u>	<u>\$ 2,436</u>

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

Long-lived assets and certain identifiable intangibles are reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. Recoverability of assets held for sale is measured by comparing the carrying amount of the assets to their estimated fair market value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets.

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t) Accounting for Stock-Based Compensation

The Company has stock option plans under which employees and non-employee directors may be granted incentive stock options (ISO's) and non-qualified stock options (NQSO's) to purchase shares of Class A common stock. Under the plans, the exercise price of the ISO's will not be less than the market value of the Company's Class A common stock or greater than 110% of the market value of the Company's Class A common stock on the date of grant. The exercise price of the NQSO's may not be less than 50% of the market value of the Company's Class A common stock on the date of grant. The options must be exercised no later than ten years after the date of grant. The vesting requirements are determined by the Board of Directors at the time of grant. Exercised options are issued from authorized Class A Common Stock. As of February 28, 2007, 1,402,500 shares were available for future grants under the terms of these plans.

Prior to December 1, 2005, the Company accounted for stock-based employee compensation under the intrinsic value method as outlined in the provisions of Accounting Principles Board Opinion No. 25, "Accounting for

Stock Issued to Employees” (“APB No. 25”), and related interpretations while disclosing pro-forma net income (loss) and pro-forma net income (loss) per share as if the fair value method had been applied in accordance with Statement of Financial Accounting Standards No. 123, “Accounting for Stock-Based Compensation (“SFAS No. 123”).” Under the intrinsic value method, no compensation expense was recognized if the exercise price of the Company’s employee stock options equaled or exceeded the market price of the underlying stock on the date of grant. The Company issued all stock option grants with exercise prices equal to, or greater than, the market value of the underlying common stock on the date of grant. Accordingly, no compensation expense relating to the grant of such options was recognized in the consolidated statements of operations through November 30, 2005.

Effective December 1, 2005, the Company adopted SFAS No. 123(R), “Share-Based Payment” (“SFAS 123(R)”). SFAS No. 123(R) replaces SFAS No. 123 and supersedes APB No. 25. SFAS 123(R) requires that all stock-based compensation be recognized as an expense in the financial statements and that such costs be measured at the fair value of the award at the date of grant and be recognized as an expense over the requisite service period. This statement was adopted using the modified prospective method, which requires the Company to recognize compensation expense on a prospective basis for all unvested stock options outstanding. Therefore, prior period financial statements have not been restated. Under this method, in addition to reflecting compensation expense for new share-based payment awards, expense is also recognized to reflect the remaining vesting period of awards that had been included in pro-forma disclosures in prior periods. Since all options outstanding as of December 1, 2005 were fully vested and exercisable, there was no compensation expense recognized for options granted prior to the adoption of SFAS 123(R) in the consolidated statement of operations. Prior to adopting SFAS 123(R), the Company presented all tax benefits related to stock-based compensation as an operating cash inflow, which was \$1,357 and \$227 for the years ended November 30, 2005 and 2004, respectively. SFAS 123(R) requires tax benefits related to stock based compensation be presented as an operating activity outflow and finance activity inflow on a prospective basis, which was \$896 for the year ended February 28, 2007. In addition, the Company elected to use the “short cut” method to calculate the historical pool of windfall tax benefits upon adoption of SFAS 123(R), which resulted in no historical pool of windfall tax benefits. The election of the “short cut” method did not have an impact on the Company’s consolidated financial statements.

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The following table illustrates the effect on net income (loss) and net income (loss) per common share as if the Company had measured the compensation cost for stock option programs under SFAS 123 during the years ended November 30, 2005 and 2004.

	Years ended November 30,	
	2005	2004
Net income (loss):		
As reported	\$ (9,591)	\$ 77,200
Stock based compensation expense	(490)	—
Pro-forma	<u>\$ (10,081)</u>	<u>\$ 77,200</u>
Net income (loss) per common share (basic):		
As reported	\$ (0.43)	\$ 3.52
Pro-forma	\$ (0.45)	\$ 3.52
Net income (loss) per common share (diluted):		
As reported	\$ (0.43)	\$ 3.45
Pro-forma	\$ (0.45)	\$ 3.45

The per share weighted average fair value of stock options granted during the years ended February 28, 2007 and November 30, 2005 was \$4.11 and \$2.51, respectively on the date of grant. These options vested immediately, had exercise prices equal to the fair market value of the stock on the date of grant and a contractual term ranging from two to three years. This fair value was determined using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Year ended February 28, 2007	Year ended November 30, 2005
Expected dividend yield	0%	0%
Expected volatility	49.8%	19.4%
Risk-free interest rate	4.7%	4.7%
Expected life (years)	2.0	2.6

The expected dividend yield is based on historical and projected dividend yields. The Company estimates expected volatility based primarily on historical daily price changes of the Company's stock equal to the expected life of the option. The risk free interest rate is based on the U.S. Treasury yield in effect at the time of the grant. The expected option term is the number of years the Company estimates the options will be outstanding prior to exercise based on employment termination behavior.

The Company recognized stock-based compensation expense for awards issued in the following line items in the consolidated statement of operations for the year ended February 28, 2007:

Cost of sales	\$ 21
Selling expense	156
General and administrative expenses	245
Engineering and technical support	10
Stock-based compensation expense before income tax benefit	<u>\$ 432</u>

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Net income from continuing operations and net income was impacted by \$264 (after tax) in stock based compensation expense or \$0.01 per diluted share.

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

	Number of Shares	Weighted Average Exercise Price
Outstanding at November 30, 2003	2,719,864	\$ 11.76
Granted	—	—
Exercised	(131,464)	11.60
Forfeited/expired	(40,700)	13.49
Outstanding at November 30, 2004	2,547,700	11.74
Granted	324,952	13.76
Exercised	(660,500)	11.65
Forfeited/expired	(10,000)	15.00
Outstanding at November 30, 2005	2,202,152	12.04
Forfeited/expired	(5,000)	13.69
Outstanding at February 28, 2006	2,197,152	12.04
Granted	105,000	13.42
Exercised	(485,000)	8.72
Forfeited/expired	(32,500)	14.39
Outstanding and exercisable at February 28, 2007	<u>1,784,652</u>	<u>\$ 12.97</u>

At February 28, 2007, the Company had no unrecognized compensation cost as all stock options were fully vested.

Summarized information about stock options outstanding as of February 28, 2007 is as follows:

Exercise Price Range	Outstanding and Exercisable		
	Number of Shares	Weighted Average Exercise Price of Shares	Weighted Average Life Remaining in Years
\$4.63 – 8.00	417,200	\$ 7.62	0.44
\$8.01 – 13.00	10,000	\$ 12.24	1.42
\$13.01 – 15.00	1,357,452	\$ 14.64	2.24

The aggregate intrinsic value of the total pre-tax intrinsic value (the difference between the company's closing stock price on the last trading day of fiscal 2007 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on February 28, 2007 was \$3,782. This amount changes based on the fair market value of the company's stock. The total intrinsic value of options exercised for the years ended February 28, 2007, November 30, 2005 and 2004 were \$2,519, \$3,570 and \$598, respectively.

u) Accumulated Other Comprehensive Income (Loss)

Other comprehensive loss includes accumulated foreign currency translation gains (losses) of \$241 and \$(939), and unrealized (losses) gains on investment securities classified as available-for-sale of \$(1,561) and \$331 at February 28, 2007 and 2006, respectively.

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During the year ended November 30, 2005, \$1,758 of unrealized losses on available for sale investment securities were transferred into earnings as a result of an other than temporary impairment charge. The currency translation adjustments are not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries and equity investments.

v) New Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 clarifies the accounting for uncertain income tax positions that are recognized in the Company's financial statements in accordance with the provisions of FASB Statement No. 109, "Accounting for Income Taxes". FIN 48 also provides guidance on the derecognition of uncertain positions, financial statement classification, accounting for interest and penalties, accounting for interim periods and adds new disclosure requirements. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact that FIN 48 will have on its financial position and results of operations.

In September 2006, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 requires registrants to use both a balance sheet approach and an income statement approach when evaluating and quantifying the materiality of a misstatement. SAB 108 provides guidance on correcting errors under the dual approach as well as providing transition guidance for correcting errors. The Company adopted the provisions of SAB 108 as of February 28, 2007. The adoption of SAB 108 did not have a material impact on our financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurement. SFAS 157 does not require any new fair value measurements, but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of SFAS 157, but we do not expect the adoption of this pronouncement will have a material impact on our financial position or results of operations.

w) Reclassifications

Certain reclassifications have been made to the consolidated financial statements in order to conform to the current presentation.

x) Allocating Interest Expense to Discontinued Operations

Interest expense of \$3,148 was allocated to discontinued operations for the year ended November 30, 2004. This allocation represented consolidated interest that could not be attributed to other operations of the Company and such allocations were based on the required working capital needs of the Cellular business (Note 2).

y) Issuances of Subsidiary Stock

The Company's accounting policy on the issuances of subsidiary stock is to recognize through earnings the gain on the sale of the shares as long as the sale of the shares is not part of a broader corporate reorganization planned or contemplated by the Company and realization of the gain is assured.

z) Tax interest and penalties

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

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2) Discontinued Operations

a) Sale of Audiovox Malaysia

On November 7, 2005, the Company completed the sale of its majority owned subsidiary, Audiovox Malaysia (“AVM”), to the then current minority interest stockholder. The Company discontinued ownership of AVM due to increased competition from Original Equipment Manufacturers and deteriorating credit quality of local customers. The Company sold its remaining equity in AVM in exchange for a \$550 face-value promissory note (\$404 after discount) payable in 60 equal monthly installments with an effective interest rate of 6.2%. As a result of the sale of AVM, the Company was released from all of its Malaysian liabilities, including bank obligations, and recorded the following loss on the sale for the year ended November 30, 2005:

Purchase Price	\$ 404
Equity (after discount) of AVM at time of sale	(1,418)
Non-cash cumulative translation losses	(1,365)
Income tax benefit	300
Loss on sale of AVM, included in discontinued operations	<u>\$ (2,079)</u>

b) Sale of Cellular Business

On November 1, 2004, the Company completed its sale (the “Sale”) of the Cellular Business (“ACC” or “Cellular”) to UTStarcom, Inc. (“UTSI”) in connection with a definitive asset purchase agreement (“the agreement”), which was signed on June 11, 2004. In accordance with the agreement, the Company’s majority owned subsidiary, ACC, sold selected assets and certain liabilities (excluding certain receivables, inter-company accounts payable, income taxes payable, subordinated debt and certain accrued expenses and other current liabilities), to UTSI. The following summarizes the assets and liabilities, which were sold to UTSI:

Accounts receivable, net	\$ 1,628
Inventory	116,341
Prepaid expenses and other assets	985
Receivables from vendors	3,101
Property, plant and equipment, net	<u>1,759</u>
Total assets sold	123,814
Accounts payable	56,750
Accrued expenses and other liabilities	12,827
Accrued sales incentives	<u>4,639</u>
Total liabilities sold	74,216
Net assets sold	<u>\$ 49,598</u>

As consideration for the sale, the Company received \$165,170 (“Purchase Price”) and an additional \$8,472 pursuant to a net working capital adjustment (“the adjustment”) based on the working capital of ACC at the time of closing. The adjustment was collected during the year ended November 30, 2005.

A portion of the Purchase Price proceeds were utilized for the following payments:

- ACC repaid Toshiba Corporation (“Toshiba”), a former minority interest shareholder of ACC, \$8,162 as payment in full of the outstanding principal and interest of a

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subordinated note. In addition, Audiovox repurchased from Toshiba, its remaining minority interest in ACC for \$5,483. As a result of this purchase ACC released Toshiba from its obligation to continue to supply wireless handsets to ACC and released Toshiba from all claims that ACC or Audiovox have or may have against Toshiba (Note 3).

- Upon the closing, ACC’s Chief Executive Officer’s employment agreement with ACC was terminated and pursuant to his employment agreement and his long-term incentive compensation award he received \$4,000. ACC also purchased certain of his personally held intangibles for \$16,000 in order for ACC to have the ability to convey all of the assets used in connection with the conduct of the Cellular business to UTSI (Note 17).
- Upon the closing, ACC paid \$5,019 to certain employees of ACC and its subsidiaries as a

severance payment and in exchange for which Audiovox received a release from such employees (Note 17).

- Pursuant to the terms of the Agreement, 5% (or \$8,255) of the Purchase Price was placed in escrow by UTSI for 120 days after Closing. The Company collected the full escrow amount during the year ended November 30, 2005.
- The Company's Chairman received \$1,916 upon the closing of the asset sale pursuant to an amendment of a long-term incentive compensation award, which clarified that such payment would be paid pursuant to a sale of the Cellular business pursuant to an asset sale. This payment was recorded in general and administrative expenses on the accompanying consolidated statement of operations for the year ended November 30, 2004 (Note 17).
- Taxes of approximately \$36,311 were paid in connection with the asset sale.
- Acquisition costs for legal, accounting and other of \$4,603 were incurred to effectuate the sale.

The Company also retained and collected certain accounts receivable related to the Cellular business, which approximated \$148,494 as of the closing.

After the closing on November 1, 2004, the following additional agreements became effective:

- The Company agreed to indemnify UTSI for any breach or violation of ACC's and its representations, warranties and covenants contained in the asset purchase agreement and for other matters, subject to certain limitations. Significant indemnification claims by UTSI could have a material adverse effect on the Company's financial condition. The Company is not aware of any such claim(s) for indemnification.
- For a period of five-years after November 1, 2004, the Company entered into a royalty free licensing agreement permitting UTSI to use the Audiovox brand name on certain products. During such period, the Company will not conduct, directly or indirectly, in the Cellular business without the prior written consent of UTSI. The Company has no separate accounting treatment for the royalty-free license agreement with UTSI as this agreement cannot be separated from the sale of net assets to UTSI.
- Certain ACC employee stock options under the 1997 Stock Option Plan and 1999 Stock Compensation Plan were extended for one year from the closing. This extension resulted in a non-cash compensation charge of \$98 due to the remeasurement of stock options in accordance with FIN 44 "Accounting for Certain Transactions involving Stock Compensation".

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- The Company provides certain Information Technology services, after the closing as set forth in a Transition Services Agreement with UTSI. As consideration for the performance of these services, UTSI pays the Company-based on the usage of these services as set forth in the Transition Services Agreement. Such usage services have been included as a reduction to general and administrative expenses in the accompanying statement of operations for all periods presented.
- The Company's credit agreement for domestic bank obligations expired and became due upon the consummation of the sale of ACC's assets to UTSI. As such, the Company utilized proceeds from the sale to repay domestic bank obligations of \$99,266 at November 1, 2004.

As a result of the sale of the Cellular business, the Company recorded a gain of \$67,000 for the year ended November 30, 2004, which was calculated as follows:

Purchase Price	\$ 165,170
Working capital adjustment	8,472
Less: payment to former Cellular employees	25,019
Less: professional fees incurred in conjunction with divestiture	4,603
Less: net assets sold	49,598
Less: non-cash charge for stock options	98
Non-cash cumulative translation gains	914
Gain on purchase of Toshiba minority interest	8,073
Less: estimated taxes	36,311
Gain on sale of Cellular business, included in discontinued operations	<u>\$ 67,000</u>

c) Financial Presentation of Discontinued Operations

The following is a summary of results included within discontinued operations:

	Year Ended February 28, 2007	Three Months Ended February 28, 2006	Years ended November 30,	
			2005	2004
Net sales from discontinued operations	\$ —	\$ —	\$ 3,404	\$ 1,162,863
(Loss) income from operations of discontinued operations before income taxes	\$ (1,163)	\$ (281)	\$ (1,187)	\$ 10,837
(Benefit) provision for income taxes	(407)	(97)	(362)	701
	(756)	(184)	(825)	10,136
(Loss) gain on sale of business, net of tax	—	—	(2,079)	67,000
(Loss) income from discontinued operations, net of tax	\$ (756)	\$ (184)	\$ (2,904)	\$ 77,136

Included in income from discontinued operations are tax (benefits) provisions of \$(407), \$(97), \$(662) and \$37,012 for the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004, respectively. The net change in the total valuation allowance for the years ended November 30, 2005 and 2004 was a decrease of \$144 and \$12,148, respectively. Such change positively impacted the provision for income taxes from discontinued operations during the years indicated.

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3) Issuance of Subsidiary Shares and Transactions with Toshiba

Toshiba had been a minority interest shareholder in the Company's discontinued Cellular operation since 1999. As discussed in Note 2, the Company completed its sale of Cellular to UTStarcom (UTSI) on November 1, 2004. In connection with the sale of Cellular, the Company repurchased the minority interest in Toshiba and was released from all prior agreements on November 1, 2004 as a result of the sale of the Cellular business to UTSI.

Minority interest expense relating to Toshiba's minority share ownership in ACC for the year ended November 30, 2004 was \$2,398 and such expense has been included in discontinued operations in the accompanying statements of operations.

4) Business Acquisitions

Thomson Accessories

On January 29, 2007, the Company acquired Thomson's Americas consumer electronics accessory business as well as rights to the RCA, Recoton, Spikemaster, Ambico and Discwasher brands for consumer electronics accessories. As consideration for Thomson's Americas consumer electronics accessory business, the Company paid the following:

Purchase Price	\$ 50,000
Working Capital Adjustment	7,617
Acquisition related costs	2,459
Severance costs	351
Total Purchase Price	\$ 60,427

In addition, the Company agreed to pay Thomson a 0.75% fee related to future net sales of the RCA brand for five years from the date of acquisition. This fee amounted to \$58 for the year ended February 28, 2007 and has been preliminarily allocated to intangible assets.

The results of operations of this acquisition have been included in the consolidated financial statements from the date of acquisition. The purpose of this acquisition is to enhance the Company's market share in the accessory business, which includes rights to the RCA brand and other brand names.

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

Assets acquired:	
Inventory	\$ 31,664
Prepaid expenses and other current assets	2,312
Tradename	46,735
Total assets acquired	\$ 80,711
Liabilities assumed:	
Accounts payable	\$ 17,489

Accrued expenses and other liabilities	2,795
Total liabilities acquired	<u>\$ 20,284</u>
Cash paid	<u>\$ 60,427</u>

The allocation of the purchase price and liabilities acquired is preliminary.

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Terk

On January 4, 2005, the Company signed an asset purchase agreement to purchase certain assets of Terk Technologies Corp. ("Terk"). The purchase price was subject to a working capital adjustment based on the working capital of Terk at the time of closing, plus contingent debentures with a maximum value of \$9,280 based on the achievement of future revenue targets. The total purchase price, which included a working capital adjustment of \$1,730 and acquisition costs of \$514, approximated \$15,274, as adjusted. No amount has been recorded with respect to the debentures and any amount paid under the debentures to date would be recorded as additional goodwill.

The results of operations of this acquisition have been included in the consolidated financial statements from the date of acquisition. The purpose of this acquisition is to increase the Company's market share for satellite radio products as well as accessories such as antennas for HDTV products.

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

Assets acquired	
Accounts receivable	\$ 10,916
Inventory	9,349
Prepaid expenses and other current assets	293
Property, plant and equipment	1,210
Goodwill	8,798
Customer contract (5 years)	1,104
Tradename	1,999
Total assets acquired	<u>33,669</u>
Liabilities assumed:	
Accounts payable accrued expenses and other liabilities	14,296
Bank obligations	4,099
Total liabilities assumed	<u>18,395</u>
Cash paid	<u>\$ 15,274</u>

The allocation of the purchase price to assets and liabilities acquired was based upon an independent valuation study and is final.

The following unaudited pro-forma financial information for the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004 represents the combined results of the Company's operations as if the Thomson and Terk acquisitions had occurred at December 1, 2003. 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.

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Year Ended February 28, 2007	Three Months Ended	Years ended November 30, 2005 2004
---------------------------------------	--------------------------	---

		February 28, 2006		
		(unaudited)		
Net Sales	\$ 641,223	\$ 149,183	\$ 728,083	\$ 794,190
Net income (loss)	2,803	150	(9,801)	76,141
Net income (loss) per share-diluted	\$ 0.12	\$ 0.01	\$ (0.44)	\$ 3.40

5) Receivables from Vendors

The Company has recorded receivables from vendors in the amount of \$13,935 and \$9,830 as of February 28, 2007 and 2006, respectively. Receivables from vendors represent prepayments on product shipments and product reimbursements.

6) Equity Investment

The Company has a 50% non-controlling ownership interest in Audiovox Specialized Applications, Inc. ("ASA") which acts as a distributor to specialized markets for specialized vehicles, such as RV's and van conversions, of televisions and other automotive sound, security and accessory products. ASA's fiscal year end is November 30, 2006, however, the proportionate results of ASA as of and until February 28, 2007 have been recorded in the consolidated financial statements.

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

	Year Ended February 28, 2007	Three Months Ended February 28, 2006 (unaudited)	Years ended November 30,	
			2005	2004
Net Sales	\$ 742	\$ 184	\$ 1,404	\$ 1,302
Purchases	212	43	573	213
Royalties	656	200	871	2,103

	February 28,	
	2007	2006
Accounts Receivable	\$ 369	\$ 352

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

	February 28,	
	2007	2006
	(unaudited)	
Current assets	\$ 23,409	\$ 24,007
Non-current assets	4,716	4,339
Current liabilities	5,420	4,678
Members' equity	22,705	23,668

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	Year Ended February 28, 2007 (unaudited)	Three Months Ended February 28, 2006 (Unaudited)	Years ended November 30,	
			2005	2004
Net sales	\$ 60,414	\$ 11,421	\$ 49,795	\$ 56,988
Gross profit	17,764	3,709	11,877	14,540
Operating income	4,980	778	4,512	7,257
Net income	5,875	948	4,716	7,304

The Company's share of income from ASA for the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004 was \$2,937, \$474, \$2,358 and \$3,652,

respectively. In addition, the Company received distributions from ASA totaling \$3,419, \$713, \$1,147 and \$4,131 during the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004, respectively.

7) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	February 28,	
	2007	2006
Commissions	\$ 457	\$ 512
Employee compensation	3,104	2,004
Professional fees and accrued settlements	1,951	1,505
Future warranty	5,856	5,314
Freight and duty	1,872	1,722
Other taxes payable	909	378
Royalties, advertising and other	12,415	6,472
	<u>\$ 26,564</u>	<u>\$ 17,907</u>

8) Financing Arrangements

The Company has the following financing arrangements:

	February 28,	
	2007	2006
<u>Bank Obligations</u>		
Domestic bank obligations (a)	\$ —	\$ —
Venezuela bank obligations (b)	—	956
Euro asset-based lending obligation (c)	2,890	4,373
Total bank obligations	<u>\$ 2,890</u>	<u>\$ 5,329</u>
<u>Debt</u>		
Euro term loan agreement (d)	\$ 5,461	\$ 6,282
Other (e)	1,493	1,013
Total debt	<u>\$ 6,954</u>	<u>\$ 7,295</u>

a) Domestic Bank Obligations

At February 28, 2007, the Company has an unsecured credit line to fund the temporary short-term working capital needs of the domestic operations. This line expires on

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August 31, 2007 and allows aggregate borrowings of up to \$25,000 at an interest rate of Prime (or similar designations) plus 1%. As of February 28, 2007 and 2006, no direct amounts are outstanding under this agreement. At February 28, 2007, the Company had \$9,308 in commercial and standby letters of credit outstanding, which reduces the amount available under the unsecured credit line.

b) Venezuela Bank Obligations

In October 2005, Audiovox Venezuela entered into a credit facility borrowing arrangement which allows for principal borrowings up to \$1,000 plus accrued interest. The facility requires minimum monthly interest payments at an annual interest rate of 13% until the expiration of the facility on February 14, 2008. Audiovox Corporation has secured this facility with a \$1,200 standby letter of credit. As of February 28, 2007, no amounts are outstanding under this agreement.

c) Euro Asset-Based Lending Obligation

The Company has a 16,000 Euro accounts receivable factoring arrangement and a 6,000 Euro Asset-Based Lending (“ABL”) (finished goods inventory and non factored accounts receivable) credit facility for the Company’s subsidiary, Audiovox Germany, which expires on October 25, 2007 and is renewable on an annual basis. Selected accounts receivable are purchased from the Company on a non-recourse basis at 85% of face value and payment of the remaining 15% upon receipt from the customer of the balance of the receivable purchased. In respect of the ABL credit facility, selected finished goods are advanced at a 60% rate and non factored accounts receivables are advanced at a 50% rate. The rate of interest is the three month Euribor plus

2.5%, and the Company pays 0.4% of its gross sales as a fee for the accounts receivable factoring arrangement. As of February 28, 2007, the amount of accounts receivable and finished goods available for factoring exceeded the amounts outstanding under this obligation.

d) Euro Term Loan Agreement

On September 2, 2003, Audiovox Germany borrowed 12 million Euros under a new term loan agreement. This agreement was for a 5-year term loan with a financial institution consisting of two tranches. Tranche A is for 9 million Euros and Tranche B is for 3 million Euros. Tranche B has been fully repaid. Payments under Tranche A are due in monthly installments and interest accrues at 2.75% over the Euribor rate. Any amount repaid may not be reborrowed. The term loan becomes immediately due and payable if a change of control occurs without permission of the financial institution. In April 2005, the maturity of the term loan was prolonged to August 30, 2010 with a pre-payment option.

Audiovox Corporation guarantees 3 million Euros of this term loan. The term loan is secured by the pledge of the stock of Audiovox Germany on all brands and trademarks of Audiovox Germany. The term loan requires the maintenance of certain yearly financial covenants that are calculated according to German Accounting Standards. Should any of the financial covenants not be met, the financial institution may charge a higher interest rate on any outstanding borrowings and/or call the loan. The short and long term amounts outstanding under this agreement were \$1,524 and \$3,937 respectively, at February 28, 2007 and \$1,371 and \$4,911, respectively, at February 28, 2006.

e) Other Debt

On August 29, 2003, the Company entered into a call/put option agreement with certain employees of Audiovox Germany, whereby these employees can acquire up to a maximum of

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20% of the Company's stated share capital in Audiovox Germany at a call price equal to the same proportion of the actual price paid by the Company for Audiovox Germany. The put options cannot be exercised until the later of (i) November 30, 2008 or (ii) the full repayment (including interest) of an inter-company loan granted to Audiovox Germany in the amount of 5.3 million Euros. Notwithstanding the lapse of these time periods, the put options become immediately exercisable upon (i) the sale of Audiovox Germany or (ii) the termination of employment or death of the employee. The put price to be paid to the employee upon exercise will be the then net asset value per share of Audiovox Germany. Accordingly, the Company recognizes compensation expense based on 20% of the increase in Audiovox Germany's net assets representing the incremental change of the put price over the call option price. Compensation (benefit) expense for these options amounted to \$353, \$(115), \$408 and \$371 for the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004, respectively.

The following is a maturity table for debt and bank obligations outstanding at February 28, 2007:

	Total Amounts Committed	2008	2009	2010	2011
Bank Obligations	\$ 2,890	\$ 2,890	\$ —	\$ —	\$ —
Debt	6,954	1,524	3,068	1,575	787
Total	\$ 9,844	\$ 4,414	\$ 3,068	\$ 1,575	\$ 787

9) Income Taxes

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

	Years Ended February 28, 2007	Three Months Ended February 28, 2006	Year ended November 30,	
			2005	2004
Domestic Operations	\$ (1,140)	\$ (359)	\$ (20,448)	\$ (1,270)
Foreign Operations	3,298	(1,117)	2,352	2,568
	\$ 2,158	\$ (1,476)	\$ (18,096)	\$ 1,298

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

	Years Ended February 28, 2007	Three Months Ended February 28, 2006	Years ended November 30,	
			2005	2004
Current provision (benefit)				
Federal	(\$2,751)	(\$4,191)	(\$8,599)	(\$1,802)
State	285	77	(542)	(256)
Foreign	326	(688)	836	868
Total current provision (benefit)	<u>(\$2,140)</u>	<u>(\$4,802)</u>	<u>(\$8,305)</u>	<u>(\$1,190)</u>
Deferred provision (benefit)				
Federal	\$ 122	\$ 2,946	(\$3,385)	\$ 1,464
State	(63)	13	306	177
Foreign	547	—	(25)	28
Total deferred provision (benefit)	<u>\$ 606</u>	<u>\$ 2,959</u>	<u>(\$3,104)</u>	<u>\$ 1,669</u>
Total provision (benefit)				
Federal	(\$2,629)	(\$1,245)	(\$11,984)	(\$338)
State	222	90	(236)	(79)
Foreign	873	(688)	811	896
Total provision (benefit)	<u>(\$1,534)</u>	<u>(\$1,843)</u>	<u>(\$11,409)</u>	<u>\$ 479</u>

The effective tax rate before income taxes and minority interest varies from the current statutory federal income tax rate as follows:

	Year Ended February 28, 2007		Three Months Ended February 28, 2006		Years ended November 30,			
					2005		2004	
Tax provision at Federal statutory rates	\$ 755	35.0%	\$ (517)	(35.0)%	\$ (6,333)	(35.0)%	\$ 454	35.0%
Tax exempt interest	(2,146)	(99.4)	(384)	(26.0)	(1,174)	(6.5)	—	—
State income taxes, net of Federal benefit	23	1.1	40	2.8	(352)	(1.9)	(86)	(6.6)
Increase (decrease) in valuation allowance	6	0.3	18	1.2	1,338	7.4	6	0.4
Change in tax reserves	61	2.8	(706)	(47.8)	(1,524)	(8.4)	—	—
Foreign tax credit	—	—	(89)	(6.0)	(2,308)	(12.8)	—	—
Foreign tax rate differential	—	—	(208)	(14.1)	35	0.2	53	4.1
Benefit for prior year refunds	(378)	(17.5)	—	—	—	—	—	—
Permanent differences and other	145	6.7	3	—	(1,091)	(6.0)	52	4.0
Effective tax rate	<u>\$ (1,534)</u>	<u>(71.0)%</u>	<u>\$ (1,843)</u>	<u>(124.9)%</u>	<u>\$ (11,409)</u>	<u>(63.0)%</u>	<u>\$ 479</u>	<u>36.9%</u>

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

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

	February 28,	
	2007	2006
Deferred tax assets:		
Accounts receivable	\$ 380	\$ 228

Inventory	1,075	1,068
Property, plant and equipment	829	740
Accruals and reserves	1,825	1,585
Net operating losses	2,062	2,611
Tax credits	3,092	3,092
Deferred tax assets before valuation allowance	9,263	9,324
Less: valuation allowance	(1,095)	(1,089)
Total deferred tax assets	8,168	8,235
Deferred tax liabilities:		
Intangible assets	(1,697)	(1,150)
Prepaid expenses	(1,079)	(941)
Unrealized gain on investment securities	(1,042)	(2,397)
Total deferred tax liabilities	(3,818)	(4,488)
Net deferred tax asset	\$ 4,350	\$ 3,747

In assessing the realizability of deferred tax assets, Management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Based upon the Company's ability to carry back current year operating losses to prior years, and the projection of future taxable income, the Company has only provided a valuation allowance against certain state net operating loss carryforwards and foreign net operating losses with relatively short carryforward periods.

At February 28, 2007, the Company incurred a net operating loss for federal income tax purposes of approximately \$8,500. A Federal claim for refund will be filed and this net operating loss will be carried back to prior years and fully utilized. The Company has recorded a current income tax receivable attributable to the anticipated carryback claim.

The Company has not provided for U.S. federal and foreign withholding taxes on its foreign subsidiaries undistributed earnings as of February 28, 2007, because such earnings are intended to be indefinitely reinvested overseas. The amount of unrecognized deferred tax liabilities for temporary differences related to investments in undistributed earnings is not practicable to determine at this time.

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10) Capital Structure

The Company's capital structure is as follows:

Security	Par Value	Shares Authorized		Shares Outstanding		Voting Rights per Share	Liquidation Rights
		February 28, 2007	2006	February 28, 2007	2006		
Preferred Stock	\$ 50.00	—	50,000	—	50,000	—	\$50 per share
Series Preferred Stock	\$ 0.01	1,500,000	1,500,000	—	—	—	—
Class A Common Stock	\$ 0.01	60,000,000	60,000,000	20,312,299	20,131,794	One	Ratably with Class B
Class B Common Stock	\$ 0.01	10,000,000	10,000,000	2,260,954	2,260,954	Ten	Ratably with Class A

During the year ended February 28, 2007, the Company repurchased all 50,000 outstanding shares of preferred stock from the original shareholder for \$5 and retired the shares upon repurchase. The \$2,495 difference between the repurchase price and book value of the shares is included in paid in capital in the accompanying consolidated balance sheet at February 28, 2007.

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

As of February 28, 2007, 1,869,953 shares of the Company's Class A common stock are authorized to be repurchased in the open market. As of February 28, 2007 and 2006, 1,693,047 and 1,388,552 shares were repurchased for an aggregate amount of \$16,979 and \$12,832, respectively.

Undistributed earnings from equity investments included in retained earnings amounted to \$6,027 and \$6,508 at February 28, 2007 and 2006, respectively.

11) Other Stock and Retirement Plans

a) Restricted Stock Plan

The Company has restricted stock plans under which key employees and directors may be awarded restricted stock. Awards under the restricted stock plan may be performance-accelerated shares or performance-restricted shares. No performance accelerated shares or performance-restricted shares were granted or outstanding in the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004.

As of February 28, 2007, 1,402,500 shares of the Company's Class A common stock are reserved for issuance under the Company's Restricted and Stock Option Plan. There was no restricted stock outstanding at February 28, 2007.

b) Employee Stock Purchase Plan

In April 2000, the stockholders approved the 2000 Employee Stock Purchase Plan of up to 1,000,000 shares. The stock purchase plan provides eligible employees an opportunity to purchase shares of the Company's Class A common stock through payroll deductions at a minimum of 2% and a maximum of 15% of base salary compensation. Amounts withheld are used to purchase Class A common stock on the open market. The cost to the employee for the shares is equal to 85% of the fair market value of the shares on or about the quarterly purchase date (December 31, March 31, June 30 or September 30). The Company bears the cost of the remaining 15% of the fair market value of the shares as well as any broker fees.

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The Company's employee stock purchase plan is a non-compensatory plan, and the related expense is recorded in general and administrative expenses in the consolidated statement of operations.

c) Profit Sharing Plans/ 401(k) Plan

The Company has established two non-contributory employee profit sharing plans for the benefit of its eligible employees in the United States and Canada. The plans are administered by trustees appointed by the Company. No contributions were made during the year ended February 28, 2007, three months ended February 28, 2006 and the year ended November 30, 2005. A discretionary contribution accrual of \$601 was recorded by the Company for the United States plan for the year ended November 30, 2004. Contributions required by law to be made for eligible employees in Canada were not material for all periods presented.

The Company also has a 401(k) plan for eligible employees. The Company matches a portion of the participant's contributions after three months of service under a predetermined formula based on the participant's contribution level. The Company's contributions were \$486, \$92, \$139 and \$155 for the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004, respectively. Shares of the Company's Common Stock are not an investment option in the Savings Plan and the Company does not use such shares to match participants' contributions.

d) Deferred Compensation Plan

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

The investments, which amounted to \$7,573 and \$6,546 at February 28, 2007 and 2006, respectively have been classified as trading securities (long-term) and are included in investment securities on the accompanying consolidated balance sheets as of February 28, 2007. The corresponding deferred compensation liability is reflected as a long-term liability on the accompanying consolidated balance sheet as of February 28, 2007 and 2006.

12) Lease Obligations

During 1998, the Company entered into a 30-year capital lease for a building with its principal stockholder and current chairman, which was the headquarters of the discontinued Cellular operation. Payments on the capital lease were based upon the construction costs of the building and the then-current interest rates. The effective interest rate on the capital lease obligation is 8%. This lease was refinanced in December 2006, which resulted in a \$161 reduction to the capital lease obligation and corresponding asset, and the lease expires on November 30, 2026. On November 1, 2004 and in connection with the sale of the Cellular business, the Company entered into an agreement to sub-lease the building to UTStarcom for monthly payments of \$46 through October 31, 2009.

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At February 28, 2007, the Company was obligated under non-cancelable capital and operating leases for equipment and warehouse facilities for minimum annual rental payments as follows:

	Capital Lease	Operating Leases
2008	\$ 521	\$ 3,533
2009	522	2,688
2010	521	2,266
2011	521	1,834
2012	535	1,703
Thereafter	9,351	9,250
Total minimum lease payments	11,971	<u>\$ 21,274</u>
Less: minimum sublease income	1,472	
Net	10,499	
Less: amount representing interest	4,758	
Present value of net minimum lease payments	5,741	
Less: current installments included in accrued expenses and other current liabilities	65	
Long-term obligation	<u>\$ 5,676</u>	

Rental expense for the above-mentioned operating lease agreements and other leases on a month-to-month basis approximated \$2,319, \$536, \$2,097 and \$2,475 for the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004, respectively.

The Company leases certain facilities and equipment from its principal stockholder and several officers. At February 28, 2007, minimum annual rental payments on these related party leases, in addition to the capital lease payments, which are included in the above table, are as follows:

2008	\$ 654
2009	673
2010	693
2011	714
2012	735
Thereafter	3,805
Total	<u>\$ 7,274</u>

13) Financial Instruments

a) Off-Balance Sheet Risk

Commercial letters of credit are issued by the Company during the ordinary course of business through major domestic banks as requested by certain suppliers. The Company also issues standby letters of credit principally to secure certain bank obligations and insurance policies. The Company had open commercial letters of credit of \$6,056 and \$13,936 and standby letters of credit of \$3,252 and \$2,035 at February 28, 2007 and 2006, respectively. The terms of these letters of credit are all less than one year. No material loss is anticipated due to nonperformance by the counter parties to these agreements. The fair value of these open

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commercial and standby letters of credit is estimated to be the same as the contract values based on the short-term nature of the fee arrangements with the issuing banks.

At February 28, 2007, the Company had unconditional purchase obligations for inventory commitments of \$73,484. These obligations are not recorded in the consolidated financial statements until commitments are

fulfilled and such obligations are subject to change based on negotiations with manufacturers.

b) Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of trade receivables. The Company's customers are located principally in the United States and Canada and consist of, among others, distributors, mass merchandisers, warehouse clubs and independent retailers. The Company generally grants credit based upon analyses of customers' financial position and previously established buying and payment patterns. For certain customers, the Company establishes collateral rights in accounts receivable and inventory and obtains personal guarantees from certain customers based upon management's credit evaluation.

At February 28, 2007, one customer accounted for 18% of accounts receivable. No single customer accounted for more than 10% of accounts receivable at February 28, 2006. During the year ended February 28, 2007, the three months ended February 28, 2006 and the year ended November 30, 2005, no single customer accounted for more than 10% of net sales. During the year ended November 30, 2004, one customer accounted for 11% of net sales.

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

c) Fair Value

The carrying value of all financial instruments is deemed to approximate fair value because of the short-term nature of these instruments. The estimated fair value of the Company's financial instruments is as follows:

	February 28, 2007		February 28, 2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short-term investments	\$ 140,872	\$ 140,872	\$ 160,799	\$ 160,799
Investment securities (long-term)	13,179	13,179	14,709	14,709
Bank obligations	2,890	2,890	5,329	5,329

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Short-Term Investment/Investment Securities

The carrying amount represents fair value, which is based upon quoted market prices at the reporting date (Note 1).

Bank Obligations

The carrying amount of the Company's foreign debt approximates fair value because the interest rate on the debt is reset every quarter to reflect current market rates.

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Limitations

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

14) Bliss-tel Initial Public Offering

On December 13, 2004, one of the Company's former equity investments, Bliss-tel Public Company Limited ("Bliss-tel"), issued 230,000,000 shares on the SET (Security Exchange of Thailand) for an offering price of 6.20 baht per share. Prior to the issuance of these shares, the Company was a 20% shareholder in Bliss-tel and, subsequent to the offering, the Company owned 30,000,000 shares (or approximately 13%) of Bliss-tel's outstanding stock. In addition, on July 21, 2005, the Company received 9,000,000 warrants ("the warrants") which may be exercised beginning on September 29, 2006, and expire on July 17, 2012. Each warrant is exercisable into one share of Bliss-tel common stock at an exercise price of 8 baht per share. Beginning on September 1, 2005, the Company accounted for the Bliss-tel investment as an available-for-sale security in accordance with FASB Statement No. 115 "Accounting for Certain Investments in Debt and Equity Securities" whereby the unrealized holding gains and losses on Bliss-tel stock and warrants are included as a component of accumulated other comprehensive income (loss) (Note 1(e)). The Company reclassified the Bliss-tel investment to an available-for-sale security from a trading security, on September 1, 2005, as a result of a change in the

Company's strategy regarding selling the Bliss-tel stock as the Company was unable to find a buyer in the short term.

Prior to September 1, 2005 and following Bliss-tel's offering, the Company accounted for this investment as a trading security. Accordingly, the Company recorded a net gain of \$4,971 for the year ended November 30, 2005, which is included in other income on the accompanying statement of operations. This gain represents the initial value of the Bliss-tel warrants and the change in value of the underlying stock and warrant during the period, when the investment was classified as a trading security.

During the year ended February 28, 2007, the Company sold 2,340,600 shares of Bliss-tel stock resulting in a \$178 loss which is included in other income (loss) on the accompanying consolidated statement of operations. As of February 28, 2007 the Company owns 27,659,400 shares and 9,000,000 warrants in Bliss-tel with an aggregate fair value of \$3,755.

15) Financial and Product Information About Foreign and Domestic Operations

Net sales and long-lived assets by location were as follows:

	Net Sales			
	Year Ended	Three Months Ended	Years ended November 30,	
	February 28, 2007	February 28, 2006	2005	2004
United States	\$ 391,154	\$ 88,255	\$ 466,512	\$ 486,780
South America	8,517	2,005	8,224	4,535
Germany	46,291	8,999	52,039	54,832
Other foreign countries	10,728	3,791	12,941	17,506
Total	\$ 456,690	\$ 103,050	\$ 539,716	\$ 563,653

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	Long-Lived Assets	
	As of	As of
	February 28, 2007	February 28, 2006
United States	\$ 118,457	\$ 72,594
South America	359	1,648
Germany	1,612	1,730
Total	\$ 120,428	\$ 75,972

Net sales by product categories for the year ended February 28, 2007, the three months ended February 28, 2006 and the years ended November 30, 2005 and 2004 were as follows:

	Year Ended	Three Months Ended	Years ended November 30,	
	February 28, 2007	February 28, 2006	2005	2004
	Mobile Electronics	\$ 317,355	\$ 70,814	\$ 339,355
Consumer Electronics	139,335	32,236	200,361	160,457
Total net sales	\$ 456,690	\$ 103,050	\$ 539,716	\$ 563,653

16) Related Party Transactions

The Company leases facilities from its principal stockholder (Note 12). In addition, the Company entered into various transactions with Toshiba Corporation in the prior years (Note 2 and 3).

17) Contingencies

The Company is currently, and has in the past been, a party to various routine legal proceedings incident to the ordinary course of business. If management determines, based on the underlying facts and circumstances, that it is probable a loss will result from a litigation contingency and the amount of the loss can be reasonably estimated, the estimated loss is accrued for. The Company believes its outstanding litigation matters disclosed below will

not have a material adverse effect on the Company's financial statements, individually or in the aggregate; however, due to the uncertain outcome of these matters, the Company disclosed these specific matters below:

In November 2004, several purported double derivative, derivative and class actions were filed in the Court of Chancery of the State of Delaware, New Castle County challenging approximately \$27,000 made in payments from the proceeds of the Asset Sale to UTStarcom, Inc. These actions were subsequently consolidated into a single derivative complaint (the "Complaint"), *In re Audiovox Corporation Derivative Litigation*. The Complaint challenges the payment of \$16,000 to Mr. Christopher pursuant to a Personally Held Intangibles Agreement, an additional \$4,000 to Mr. Christopher pursuant to an Agreement and General Release, \$1,916 to Mr. Shalam pursuant to an amendment to his Long-Term Incentive Award, \$5,000 distributed to ACC employees other than Mr. Christopher and the extension of certain options to Mr. Christopher. The Complaint alleges that: (i) the payments should be rescinded on grounds including, *inter alia*, material misrepresentation, breach of fiduciary duty and mistake, (ii) the recipients of the various payments were unjustly enriched, and (iii) the directors of Audiovox breached their fiduciary duties to Audiovox and its shareholders. This matter has been settled in principle for an estimated payment of \$6,750 to the Company (less plaintiffs' legal fees, costs of notice and mailing, etc., all to be determined). The settlement will not become final until a hearing and Court of Chancery approval in May 2007. As this represents a gain contingency, these amounts will not be recorded until received and such amount will be recorded with in discontinued operations when received.

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

During fiscal 2004, an arbitration proceeding was commenced by the Company and several of its subsidiaries against certain Venezuelan employees and two Venezuelan companies ("Respondents") before the American Arbitration Association. The matter was submitted to mediation and settled in fiscal 2005. The agreement provided for a payment (to be made upon satisfaction of certain pre-closing conditions) from the Company to the Respondents of \$1,700 in consideration of which the Company will acquire all of Respondents' ownership. In addition, the Company and Respondents will release all claims. As of February 28, 2006, \$250 was paid to the Respondents and the remaining balance (which includes accrued interest), was included in restricted cash on the accompanying consolidated balance sheet. In April 2006, all closing conditions were satisfied and the remaining balance in restricted cash was paid to the Respondents. This purchase of minority interest was recorded as goodwill on the accompanying consolidated balance sheet in accordance with FASB Statement 141 "Business Combinations" (see Note 1k). As such, this matter has been completed and the Company has full ownership of Audiovox Venezuela.

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

Under the asset purchase agreement for the sale of the Company's Cellular business to UTSI, the Company agreed to indemnify UTSI for any breach or violation by ACC and its representations, warranties and covenants contained in the asset purchase agreement and for other matters, subject to certain limitations. Significant indemnification claims by UTSI could have a material adverse effect on the Company's financial condition and results of operation. The Company is not aware of any such claim(s) for indemnification.

Simultaneous with the acquisition of Code Systems, Inc. (Code) in March 2002, the Company entered into a purchase and supply agreement with a third party. In exchange for entering into this agreement, the Company issued 50 warrants in its subsidiary, Code, which vest immediately. Furthermore, the agreement calls for the issuance of additional warrants based upon the future operating performance of Code. Based upon the contingent nature of the warrants, no recognition was given to the Code warrants as the related contingency was not considered probable and such warrants had not vested at February 28, 2007 or February 28, 2006.

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Audiovox Corporation and Subsidiaries
Notes to Consolidated Financial Statements, continued
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18) Unaudited Quarterly Financial Data

Selected unaudited, quarterly financial data of the Company for the years ended February 28, 2007, the three months ended February 28, 2006 and year ended November 30, 2005 appears below:

	Quarter Ended			
	May 31, 2006	Aug. 31, 2006	Nov. 30, 2006	Feb. 28, 2007
2007				
Net sales	\$ 111,299	\$ 97,424	\$ 151,833	\$ 96,134
Gross profit	20,099	15,754	25,371	18,095
Income (loss) from continuing operations	1,782	(1,633)	3,848	(305)
(Loss) income from discontinued operations	(260)	(322)	6	(180)
Net income (loss)	<u>\$ 1,522</u>	<u>\$ (1,955)</u>	<u>\$ 3,854</u>	<u>\$ (485)</u>
Income (loss) per common share (basic):				
From continuing operations	\$ 0.08	\$ (0.07)	\$ 0.17	\$ (0.01)
From discontinued operations	(0.01)	(0.02)	—	(0.01)
Net income (loss) per common share (basic)	<u>\$ 0.07</u>	<u>(\$0.09)</u>	<u>\$ 0.17</u>	<u>\$ (0.02)</u>
Income (loss) per common share (diluted):				
From continuing operations	\$ 0.08	\$ (0.07)	\$ 0.17	\$ (0.01)
From discontinued operations	(\$0.01)	(0.02)	—	(0.01)
Net income (loss) per common share (diluted)	<u>\$ 0.07</u>	<u>\$ (0.09)</u>	<u>\$ 0.17</u>	<u>\$ (0.02)</u>

	Quarter Ended				
	Feb. 28, 2005	May 31, 2005	Aug. 31, 2005	Nov. 30, 2005	Feb. 28, 2006
2006					
Net sales	\$ 115,980	\$ 144,509	\$ 122,937	\$ 156,290	\$ 103,050
Gross profit	16,071	22,799	12,265	9,704*	15,650
(Loss) income from continuing operations	(552)	5,762	(3,591)	(8,306)	367
Loss from discontinued operations	(653)	(135)	(126)	(1,990)	(184)
Net (loss) income	<u>\$ (1,205)</u>	<u>\$ 5,627</u>	<u>\$ (3,717)</u>	<u>\$ (10,296)</u>	<u>\$ 183</u>
Income (loss) per common share (basic):					
From continuing operations	\$ (0.02)	\$ 0.26	\$ (0.16)	\$ (0.37)	\$ 0.02
From discontinued operations	(0.03)	—	(0.01)	(0.09)	(0.01)
Net (loss) income per common share (basic)	<u>\$ (0.05)</u>	<u>\$ 0.26</u>	<u>\$ (0.17)</u>	<u>\$ (0.46)</u>	<u>\$ 0.01</u>
Income (loss) per common share (diluted):					
From continuing operations	\$ (0.02)	\$ 0.26	\$ (0.16)	\$ (0.37)	\$ 0.02
From discontinued operations	(0.03)	(0.01)	(0.01)	(0.09)	(0.01)
Net (loss) income per common share (diluted)	<u>\$ (0.05)</u>	<u>\$ 0.25</u>	<u>\$ (0.17)</u>	<u>\$ (0.46)</u>	<u>\$ 0.01</u>

* Includes one time inventory writedown (See Note 1(h)).

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Audiovox Corporation and Subsidiaries
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19) Subsequent Event

On March 5, 2007, Audiovox German Holdings GmbH completed the acquisition of OEHLBACH Kabel GmbH, a European market leader in the accessories field, for a total purchase price of approximately \$6,600, in addition to certain earn-out payments. The purpose of this acquisition was to expand our electronic accessory product line to international markets.

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AUDIOVOX CORPORATION AND SUBSIDIARIES
Valuation and Qualifying Accounts
Year ended February 28, 2007, Three Months Ended February 28, 2006
And Years Ended November 30, 2005 and 2004
(In thousands)

Column A	Column B	Column C	Column D		Column E
Description	Balance at Beginning of Year	Gross Amount Charged to Costs and Expenses	Reversals of Previously Established Accruals	Deductions (b)	Balance at End of Year
Year ended November 30, 2004 (a)					
Allowance for doubtful accounts	\$ 5,558	\$ 237	—	\$ (476)	\$ 6,271
Cash discount allowances	677	2,562	—	2,736	503
Accrued sales incentives	14,605	17,012	(3,889)	20,144	7,584
Reserve for warranties and product repair costs	14,695	3,257	—	6,158	11,794
	<u>\$ 35,535</u>	<u>\$ 23,068</u>	<u>\$ (3,889)</u>	<u>\$ 28,562</u>	<u>\$ 26,152</u>
Year ended November 30, 2005 (a)					
Allowance for doubtful accounts	\$ 6,271	\$ 1,105	\$ —	\$ 879	\$ 6,497
Cash discount allowances	503	1,925	—	2,001	427
Accrued sales incentives (c)	7,584	20,609	(2,836)	15,531	9,826
Reserve for warranties and product repair costs	11,794	6,063	—	7,528	10,329
	<u>\$ 26,152</u>	<u>\$ 29,702</u>	<u>(\$2,836)</u>	<u>\$ 25,939</u>	<u>\$ 27,079</u>
Three months ended February 28, 2006					
Allowance for doubtful accounts	\$ 6,497	\$ (595)	—	\$ (234)	\$ 6,136
Cash discount allowances	427	393	—	495	325
Accrued sales incentives	9,826	3,526	(480)	4,360	8,512
Reserve for warranties and product repair costs	10,329	477	—	859	9,947
	<u>\$ 27,079</u>	<u>\$ 3,801</u>	<u>\$ (480)</u>	<u>\$ 5,480</u>	<u>\$ 24,920</u>
Year ended February 28, 2007					
Allowance for doubtful accounts	\$ 6,136	\$ (23)	—	\$ 1,051	\$ 5,062
Cash discount allowances	325	1,483	—	1,543	265
Accrued sales incentives	8,512	14,961	(2,460)	13,603	7,410
Reserve for warranties and product repair costs (c)	9,947	9,752	—	10,113	9,586
	<u>\$ 24,920</u>	<u>\$ 26,173</u>	<u>(\$2,460)</u>	<u>\$ 26,310</u>	<u>\$ 22,323</u>

- (a) The Valuation and Qualification Accounts of the Company's discontinued operations are not included in the above amounts (See Note 2 of the Notes to Consolidated Financial Statements).
- (b) For the allowance for doubtful accounts, cash discount allowances and accrued sales incentives, deductions represent currency effects, chargebacks and payments made or credits issued to customers. For the reserve for warranties and product repair costs, deductions represent currency effects and payments for labor and parts made to service centers and vendors for the repair of units returned under warranty.
- (c) Column C includes \$1,255 and \$1,705 of liabilities acquired during the Terk and Thomson acquisitions, respectively (see Note 4 of the Consolidated Financial Statements).

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "Agreement") is made as of December 20, 2006 (the "Effective Date") by and between Thomson, a French societe anonyme with a registered office at 46 quai Alphonse Le Gallo, 92100 Boulogne-Billancourt, France ("Thomson"), and Audiovox Corporation, a Delaware corporation, with its principal office at 180 Marcus Boulevard, Hauppauge, New York, 11788 ("Purchaser").

RECITALS

WHEREAS, Thomson is engaged, through various Subsidiaries located in Europe, Asia and in North and South America, in the business of manufacturing and selling consumer electronics accessories products worldwide;

WHEREAS, Thomson desires to sell, and Purchaser desires to purchase from Thomson, a portion of Thomson's consumer electronics accessories business that is located in the United States, Canada, China, Hong Kong and Malaysia and is further defined herein;

WHEREAS, immediately prior to the Closing, Thomson intends to transfer or cause to be transferred from Thomson Inc., a Delaware corporation, the Transferred Assets (U.S.) and the Transferred Liabilities (U.S.) to an entity to be formed as a Delaware corporation after the date hereof and prior to the Closing ("U.S. NewCo"), pursuant to an Asset Transfer Agreement (the "Asset Transfer Agreement (U.S.)") among Thomson Inc. and U.S. NewCo in the form set forth as Exhibit A-1 (the "U.S. Restructuring");

WHEREAS, at the Closing, Thomson intends to cause Thomson Multimedia Ltd., a limited liability company organized under the laws of Canada ("Thomson Canada"), to transfer to Audiovox Canada Ltd., a wholly owned Subsidiary of Purchaser, the Transferred Assets (Canada) and the Transferred Liabilities (Canada) pursuant to an Asset Transfer Agreement (the "Asset Transfer Agreement (Canada)") between Thomson Canada and Audiovox Canada Ltd. in the form set forth as Exhibit A-2 (the "Canadian Asset Sale");

WHEREAS, at the Closing, Purchaser intends to hire, through a Subsidiary, certain employees and purchase certain office furniture and office equipment used by such employees from Thomson Industry (Shenzhen) Co. Ltd., a limited liability company organized under the laws of China ("Thomson Shenzhen");

WHEREAS, at the Closing, Purchaser intends to hire, through a Subsidiary, certain employees and purchase certain office furniture and office equipment used by such employees from Thomson Hong Kong Holdings Ltd., a limited liability company organized under the laws of Hong Kong ("Thomson Hong Kong");

WHEREAS, at the Closing, Thomson intends to cause: (a) European Audio Products (HK) Ltd., a limited liability company organized under the laws of Hong Kong ("EAP"), to transfer to a wholly owned Subsidiary of Purchaser the Transferred Assets (EAP) and the Transferred Liabilities (EAP) pursuant to an Asset Transfer Agreement in the form set forth as Exhibit A-3.1, with only those changes that are required under the law of Hong Kong to effect

such transfers (the "Asset Transfer Agreement (EAP)"), between EAP and such wholly owned Subsidiary of Purchaser (the "EAP Asset Sale"); and (b) Thomson Kulim Sdn. Bhd., a company organized under the laws of Malaysia ("Thomson Malaysia"), to transfer to a wholly owned Subsidiary of Purchaser the Transferred Assets (Malaysia) and the Transferred Liabilities (Malaysia) pursuant to an Asset Transfer Agreement in the form set forth as Exhibit A-3.2, with only those changes that are required under the law of Malaysia to effect such transfers (the "Asset Transfer Agreement (Malaysia)"), between Thomson Malaysia and such wholly owned Subsidiary of Purchaser (the "Malaysian Asset Sale");

WHEREAS, at the Closing, Thomson and Purchaser intend to enter into, or cause their Subsidiaries, as applicable, to enter into: (a) the RCA Trademark Assignment Agreement in the form set forth as Exhibit B-1.1; (b) the Recoton Trademark Assignment Agreement in the form set forth as Exhibit B-1.2; (c) the Materials License Agreement in the form set forth as Exhibit B-2; (d) the Trademark Co-Existence Agreement in the form set forth as Exhibit B-3; (e) the Domain Name Assignment Agreement in the form set forth as Exhibit B-4; (f) the Transition Services Agreement in the form set forth as Exhibit C; (g) the ETHC Interest Assignment Agreement in the form set forth as Exhibit D; and (h) the Tora License Termination Agreement in the form set forth as Exhibit E;

WHEREAS, Thomson will beneficially own, directly or indirectly, all of the outstanding shares of capital stock of U.S. NewCo and Thomson beneficially owns, directly or indirectly, 50% of the membership interests of Electronics Trademark

Holding Company, LLC (the "ETHC Interest" and collectively with all of the outstanding shares of capital stock of U.S. NewCo, the "Equity Interests");

WHEREAS, at the Closing, Thomson desires to sell, or, as applicable, to cause its Subsidiaries to sell, to Purchaser (on its own behalf or, as applicable, on behalf of Subsidiaries of Purchaser), and Purchaser desires to purchase, or, as applicable, to cause its Subsidiaries to purchase, from Thomson or, as applicable, from Thomson's Subsidiaries, all of the outstanding shares of capital stock of U.S. NewCo; and

WHEREAS, at the Closing, Thomson desires to sell, or, as applicable, to cause its Subsidiaries to sell, to JAX Asset Corporation, a Delaware corporation and a wholly owned indirect subsidiary of Purchaser, the ETHC Interest.

NOW, THEREFORE, in consideration of the premises and the mutual terms, conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Thomson and Purchaser hereby agree as follows:

ARTICLE I DEFINITIONS AND INTERPRETATION

Section 1.1 Defined Terms. All capitalized terms shall have the meanings set forth opposite such terms in Annex I to this Agreement.

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Section 1.2 Interpretation.

(a) As used in this Agreement, references to the Preamble or to the Recitals, Articles, Sections, Annexes or Exhibits are to the Preamble or a Recital or Section or Article of, or an Annex or Exhibit to, this Agreement unless otherwise indicated.

(b) The various headings and subheadings contained in this Agreement are for reference purposes only and do not limit or otherwise affect any of the provisions of this Agreement.

(c) Whenever the words "include," "includes" or "including" are used in this Agreement, they will be deemed to be followed by the words "without limitation." Any singular term in this Agreement will be deemed to include the plural, and any plural term the singular. All pronouns and variations of pronouns will be deemed to refer to the feminine, masculine or neuter, singular or plural, as the identity of the Person referred to may require.

(d) Where specific language is used to clarify or illustrate by example a general statement contained herein, such specific language shall not be deemed to modify, limit or restrict the construction of the general statement which is being clarified or illustrated.

(e) The Schedules and Exhibits identified in this Agreement, including the Business Disclosure Schedule and the Purchaser Disclosure Schedule, are incorporated herein by reference and made apart of this Agreement.

(f) This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

ARTICLE II PURCHASE AND SALE OF THE EQUITY INTERESTS AND TRANSFERRED ASSETS

Section 2.1 Purchase and Sale; Purchase Price. Subject to the terms and conditions of this Agreement, Purchaser agrees to purchase, or, as applicable, to cause its Subsidiaries to purchase, at the Closing, and Thomson agrees to sell, convey, transfer and assign, or, as applicable, to cause its Subsidiaries to sell, convey, transfer and assign, to Purchaser (on its own behalf or, as applicable, on behalf of Subsidiaries of Purchaser) at the Closing both: (a) the Equity Interests free and clear of any Liens; (b) the Transferred Assets, other than the Transferred Assets (U.S.), pursuant to the Asset Transfer Agreements; and (c) all Intellectual Property transferred to Purchaser or its Affiliates under the Ancillary Agreements in exchange for (i) an aggregate purchase price of U.S.\$50,000,000.00 (Fifty Million United States Dollars), as adjusted pursuant to Section 2.6 (the "Purchase Price"), and (ii) the assumption of the Transferred Liabilities. Purchaser (on its own behalf or, as applicable, on behalf of Subsidiaries of Purchaser) shall pay the Purchase Price by wire transfer of immediately available funds to an account or accounts designated in writing by Thomson at least three (3) Business Days prior to the Closing Date. As requested by Thomson, Purchaser will remit that portion of the Purchase Price

applicable to Thomson Canada, in accordance with the Purchase Price allocation schedule set forth on Schedule B subject to adjustment pursuant to Section 2.6, from a financial institution

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within Canada. Purchaser shall remit such other portions of the Purchase Price, to accounts designated by Thomson, from financial institutions within the United States. The Purchase Price, and any adjustment thereto, shall be payable in U.S. dollars.

Section 2.2 Pre-Closing U.S. Restructuring. Immediately prior to the Closing, Thomson shall effect, or cause to be effected, the U.S. Restructuring pursuant to the Asset Transfer Agreement (U.S.), the terms of which are incorporated by reference herein.

Section 2.3 Closing. The purchase and sale of the Equity Interests and the Transferred Assets and the assumption of the Transferred Liabilities shall take place on January 29, 2007 if each of the conditions set forth in Article VI have been satisfied or waived in writing, unless Thomson and Purchaser mutually agree otherwise (which time is designated as the "Closing").

Section 2.4 Closing Deliveries by Thomson. At the Closing, Thomson shall deliver, or cause to be delivered, to Purchaser (on its own behalf or, as applicable, on behalf of Subsidiaries of Purchaser):

(a) certificates representing all of the outstanding shares of capital stock of U.S. NewCo, duly endorsed in blank for transfer to Purchaser or accompanied by stock powers or other applicable transfer instruments duly executed in blank;

(b) each Ancillary Agreement, duly executed by Thomson or its applicable Subsidiary and all deliveries expressly required by each such agreement;

(c) the certificates required to be delivered pursuant to Section 6.2;

(d) a certificate of good standing of U.S. NewCo;

(e) such resignations of the members of the Boards of Directors of U.S. NewCo as may be requested by Purchaser;

(f) such other certificates, documents and instruments as Purchaser may reasonably request in order to effect the transactions contemplated hereby; and

(g) a certification satisfactory to Purchaser from Thomson Inc., issued pursuant to and in compliance with Treasury Regulation 1.1445-2(b)(2), dated as of the Closing Date, certifying that Thomson Inc. is not a foreign person.

Section 2.5 Closing Deliveries by Purchaser. At the Closing, Purchaser shall deliver, or cause to be delivered, to Thomson (on its own behalf or, as applicable, on behalf of Subsidiaries of Thomson):

(a) the Purchase Price as provided in Section 2.1;

(b) the Advance under the RCA Trademark Assignment Agreement;

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(c) each Ancillary Agreement, duly executed by Purchaser or its applicable Subsidiary;

(d) the certificates required to be delivered pursuant to Section 6.3; and

(e) such other certificates, documents and instruments as Thomson may reasonably request in order to effect the transactions contemplated hereby.

Section 2.6 Purchase Price Adjustment.

(a) Thomson shall deliver to Purchaser, at least three (3) Business Days prior to the expected Closing Date, a statement (the "Estimated Net Working Capital Statement") setting forth a good faith estimate of the Net Working

Capital of the Business as of the Closing Date or, if the Closing is scheduled to occur on January 29, 2007, as of the day before the Closing Date (the "Estimated Net Working Capital"); provided that for purposes of preparing the Estimated Net Working Capital Statement, the following principles shall be applied: (i) the Estimated Net Working Capital Statement will be prepared giving effect to the U.S. Restructuring and Asset Transfers and (ii) no effect shall be given to any adjustments based on interpretations of IFRS, GAAP or other accounting principles or methodologies not previously applied to the Interim Balance Sheet. If the Estimated Net Working Capital Statement is acceptable to Purchaser, the Purchase Price to be paid at Closing shall be increased, dollar for dollar, by the amount by which the Estimated Net Working Capital is greater than the Target Net Working Capital and shall be decreased, dollar for dollar, by the amount by which the Estimated Net Working Capital is less than the Target Net Working Capital.

(b) Thomson shall deliver to Purchaser, at least three (3) Business Days prior to the expected Closing Date, a schedule as of the same date as the Estimated Net Working Capital Statement, setting forth the number of vacation days accrued and the number of vacation days taken since January 1, 2007 for each of the Business Employees other than those Business Employees that request that Thomson pay to such employees the cash value of their accrued vacation in connection with their resignation from Thomson (the "Estimated Vacation Schedule"). The Estimated Vacation Schedule shall set forth for each such employee, the value, based on such employee's base wage, of either (i) the accrued vacation in excess of vacation days taken for such employee expressed as a positive number ("Accrued Vacation") or (ii) the number of vacation days taken in excess of accrued vacation for such employee expressed as a negative number. Notwithstanding the proviso in the first sentence of Section 2.6(g), the Purchase Price shall be increased or decreased, as applicable, on a dollar-for-dollar basis, by the amount that the net aggregate value of the vacation for the Transferred Employees set forth on the Estimated Vacation Schedule (the "Estimated Vacation Accrual") is either a negative number or a positive number, respectively. For each Transferred Employee that has Accrued Vacation, Purchaser shall credit such Accrued Vacation to the Transferred Employee's vacation days under Purchaser's vacation policy.

(c) As promptly as practicable, but in no event later than sixty (60) days following the Closing Date, Thomson, at its cost and expense, shall cause the following to be prepared and delivered to Purchaser (collectively, the "Closing Balance Sheet"): (i) a balance sheet of the Business as of the Closing Date or, if the Closing is scheduled to occur on January

29, 2007, as of the day before the Closing Date, after giving effect to the U.S. Restructuring and the Asset Transfers; (ii) a balance sheet of the Business for each of the following jurisdictions: United States, Canada, and Malaysia (including EAP); and (iii) a statement based on the balance sheets referred to in clause (i) and clause (ii) above which sets forth in detail a calculation of the Net Working Capital of the Business as of the Closing Date or, if the Closing is scheduled to occur on January 29, 2007, as of the day before the Closing Date; provided that for purposes of preparing the Closing Balance Sheet the following principles shall be applied: (A) the Closing Balance Sheet will be prepared giving effect to the U.S. Restructuring and Asset Transfers and (B) no effect shall be given to (x) any transaction occurring between the date of the Closing Balance Sheet and the actual time of Closing on the Closing Date between or among Thomson, any of the Thomson Accessories Entities and/or U.S. NewCo, on the one hand, and Purchaser, on the other hand, or relating to Purchaser's financing of the Business or U.S. NewCo, (y) any purchase accounting or other similar adjustments resulting from the consummation of the purchase and sale of the Equity Interests, the Transferred Assets or any other assets transferred under the Ancillary Agreements, and (z) any adjustments based on interpretations of IFRS, GAAP or other accounting principles or methodologies not previously applied to the Interim Balance Sheet. During and after the preparation of the Closing Balance Sheet, including the Net Working Capital calculation, the Parties shall use reasonable efforts to provide each other and their respective representatives with timely access to the records used in connection with the preparation of the Closing Balance Sheet, including work papers, trial balances and similar materials prepared by each Party or its accountant. The Closing Balance Sheet, including the components of Net Working Capital, shall be calculated in accordance with Thomson's accounting principles consistently applied with the accounting principles used on the Interim Balance Sheet.

(d) As promptly as practicable, but in no event later than sixty (60) days following the Closing Date, Thomson, at its cost and expense, shall cause to be prepared and delivered to Purchaser a schedule setting forth, as of the Closing Date, the number of vacation days accrued and the number of vacation days taken since January 1, 2007 for each of the Transferred Employees other

than those Transferred Employees that request that Thomson pay to such employees the cash value of their accrued vacation in connection with their resignation from Thomson (the "Closing Vacation Schedule"). The Closing Vacation Schedule shall set forth for each such employee, the value, based on such employee's base wage, of either (i) the Accrued Vacation or (ii) the number of vacation days taken in excess of accrued vacation for such employee expressed as a negative number. The amount of the net aggregate value of the vacation for the Transferred Employees set forth on the Closing Vacation Schedule shall be the "Closing Vacation Accrual."

(e) Except as set forth below, the Closing Balance Sheet, the included Net Working Capital calculation and the Closing Vacation Schedule shall be deemed to be and shall be final, binding and conclusive on the Parties upon the earlier of: (i) Purchaser's delivery of a written notice to Thomson of Purchaser's approval of the Closing Balance Sheet, Net Working Capital calculation and Closing Vacation Schedule; (ii) the failure of Purchaser to notify Thomson in writing of a dispute with the Closing Balance Sheet, Net Working Capital calculations or Closing Vacation Schedule within forty five (45) days of the delivery of the same to Purchaser; (iii) the resolution of all disputes, pursuant to Section 2.6(f), by the Parties; and (iv) the resolution of all disputes, pursuant to Section 2.6(f), by the Independent Accounting Firm

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(the earliest date on which any of the foregoing occurs being referred to as the "Final Resolution Date").

(f) Purchaser may dispute any amounts reflected on the Closing Balance Sheet or the Closing Vacation Schedule or in the Net Working Capital calculation by delivery of a written notice to Thomson within forty five (45) days following delivery of the same to Purchaser (the "Closing Dispute Notice"). If Purchaser delivers a Closing Dispute Notice to Thomson, the Parties shall attempt to reconcile the Parties' differences, and any resolution by them as to any disputed amounts shall be executed in writing and shall then be final, binding and conclusive on the Parties. If the Parties are unable to reach a resolution on all disputes within forty five (45) days after the delivery of the Closing Dispute Notice, the Parties shall submit their respective determinations and calculations and the items remaining in dispute for resolution to Ernst & Young LLP or another independent accounting firm of international reputation mutually acceptable to Purchaser and Thomson (the "Independent Accounting Firm"). The Parties shall cause the Independent Accounting Firm to submit a report to Purchaser and Thomson with a determination regarding the remaining disputed items, within forty-five (45) days after submission of the matter, and such report shall be final, binding and conclusive on Purchaser and Thomson. The fees, costs and expenses of the Independent Accounting Firm shall be paid fifty percent (50%) by Purchaser and fifty percent (50%) by Thomson.

(g) The Purchase Price shall be increased or decreased, as applicable, on a dollar-for-dollar basis by (i) the amount by which the actual Net Working Capital as of the Closing Date or, if the Closing is scheduled to occur on January 29, 2007, as of the day before the Closing Date, determined in accordance with Sections 2.6(c), (e) and (f), is greater or less than the Estimated Net Working Capital; provided that no adjustment to the Purchase Price shall be made if such increase or decrease is less than Ten Thousand Dollars (\$10,000) and (ii) the amount by which the Closing Vacation Accrual, determined in accordance with Sections 2.6(d) through 2.6(f), is greater or less than the Estimated Vacation Accrual. Any such adjustment(s) to the Purchase Price shall be referred to as a "Purchase Price Adjustment." If the Purchase Price increases as a result of the Purchase Price Adjustment, Purchaser shall pay any additional amount due to Thomson by wire transfer of immediately available funds within three (3) Business Days of the Final Resolution Date to an account or accounts designated in writing by Thomson. If the Purchase Price declines as a result of the Purchase Price Adjustment, Thomson shall pay such amount to Purchaser by wire transfer of immediately available funds within three (3) Business Days of the Final Resolution Date to an account or accounts designated in writing by Purchaser.

Section 2.7 Purchase Price Allocation. The Purchase Price, as adjusted pursuant to Section 2.6(a), shall be allocated among the ETHC Interest, the Transferred Assets and any other assets acquired under this Agreement or the Ancillary Agreements in accordance with Schedule B, and such allocation shall be adjusted by the Purchase Price Adjustment referenced in Section 2.6(g) in a manner reasonably agreed upon between Thomson and Purchaser within 30 days of the Final Resolution Date. The Parties shall file, or cause to be filed, all Tax Returns (including amended returns and claims for refund) and information reports (including Internal Revenue Services Form 8594) in a manner consistent with such allocation, and shall use their reasonable best efforts to sustain such allocation in any Tax audit or Tax dispute.

ARTICLE III
REPRESENTATIONS AND WARRANTIES
OF THOMSON

Thomson represents and warrants to Purchaser that on and as of the Effective Date and on and as of the Closing, except as set forth on the Business Disclosure Schedule attached as Schedule C (the "Business Disclosure Schedule"):

Section 3.1 Organization, Good Standing and Qualification of Thomson, the Thomson Accessories Entities and U.S. NewCo. Each of Thomson and each Thomson Accessories Entity is, and U.S. NewCo will, as of the Closing, be, duly organized, validly existing and in good standing under the laws of the jurisdiction of its state or territory of incorporation or organization and has, or in the case of U.S. NewCo will, as of the Closing, have, all requisite power and authority to own, operate and lease its properties and assets, to carry on its business as conducted on the Effective Date and as at the Closing and to enter into and perform its obligations under any Transaction Agreement to which it is, or at the Closing will be, a party. The merger of Tora Acquisition Corporation with and into Thomson Inc. was duly consummated prior to the date hereof. Thomson and each Thomson Accessories Entity will be, duly qualified to transact business and in good standing in each jurisdiction in which the ownership or use of the properties owned by it, or the nature of the activities conducted by it, requires such qualification, except where failure to so qualify would not reasonably be expected to have a Business Material Adverse Effect.

Section 3.2 Authorization; Enforceability.

(a) The execution and delivery by Thomson of this Agreement and the performance by Thomson of its obligations hereunder has been duly authorized by all necessary corporate action on the part of Thomson. This Agreement has been duly executed and delivered by Thomson and constitutes a legal, valid and binding agreement of Thomson, enforceable against Thomson in accordance with its terms except as may be limited by the Bankruptcy Exception.

(b) The execution and delivery by U.S. NewCo, RCA Trademark Management and the Thomson Accessories Entities which are parties to any of the Ancillary Agreements and the performance by U.S. NewCo, RCA Trademark Management and such Thomson Accessories Entities of their obligations thereunder have been, or at the time of Closing will be, duly authorized by all necessary corporate or other action on the part of U.S. NewCo, RCA Trademark Management and such Thomson Accessories Entities. At or prior to the Closing, U.S. NewCo, RCA Trademark Management and each Thomson Accessories Entity shall have duly executed and delivered each Ancillary Agreement to which U.S. NewCo, RCA Trademark Management and such Thomson Accessories Entity is, or at the Closing will be, a party, and each Ancillary Agreement shall constitute a legal, valid and binding obligation of U.S. NewCo, RCA Trademark Management or such Thomson Accessories Entity, as applicable, enforceable against such entity in accordance with its terms, except as may be limited by the Bankruptcy Exception.

Section 3.3 Non-Contravention. The execution, delivery and performance by Thomson of this Agreement and the Ancillary Agreements and U.S. NewCo, RCA Trademark Management and each Thomson Accessories Entity of each Ancillary Agreement to which U.S. NewCo, RCA Trademark Management or such Thomson Accessories Entity is a party will not: (a) violate, conflict with or result in the breach of any provision of the Governing Documents of U.S. NewCo, RCA Trademark Management or any Thomson Accessories Entity; (b) assuming all Governmental Authorizations required under any mandatory antitrust notification requirements or under any applicable foreign investment review legislation have been obtained or made, conflict with or violate any Law, Governmental Order or Governmental Authorization applicable to the Business or any of its assets or properties; (c) violate, conflict with, result in a breach of any provision of, require any notice or consent under, constitute a default under, result in the termination of, or in a right of termination or cancellation of, accelerate the performance required by, result in the triggering of any payment or other material obligations pursuant to, or result in being declared void, voidable or without further binding effect, any of the terms, conditions or provisions of any Contract relating to the Business to which U.S. NewCo is, or as a result of the U.S. Restructuring, will be, a party or any Contract which will be transferred, directly or indirectly, to Purchaser or U.S. NewCo, or (d) result in the creation of any Lien on any of the properties which are used in the

Business and will be transferred, directly or indirectly, to Purchaser, except, with respect to clauses (b), (c) and (d), for such conflicts, violations, invalidations, breaches, defaults, terminations, cancellations, accelerations, rights, Liens, failures to obtain any required consent or deliver any required notices or results as would not reasonably be expected to have a Business Material Adverse Effect.

Section 3.4 Governmental Authorizations. No Governmental Order, or authorization, approval, consent of, registration with or filing with any Governmental Authority on the part of Thomson, U.S. NewCo, RCA Trademark Management or any Thomson Accessories Entity is required to be made in connection with the execution of this Agreement or the consummation of the Contemplated Transactions, except (a) those required under any required approvals from a Governmental Antitrust Authority, (b) those that may be required as a result of the nature of the ownership of Purchaser, (c) as may be required in connection with any transfer of any part of the Business or any other action by Purchaser following the Closing, and (d) those set forth on Section 3.4 of the Business Disclosure Schedule.

Section 3.5 Capitalization and Voting Rights.

(a) All of the outstanding shares of capital stock of U.S. NewCo will, as of the Closing, be owned directly by Thomson Inc. All of the outstanding equity interests of the Thomson Accessories Entities are owned, directly or indirectly, by Thomson. Thomson Inc. directly owns a fifty percent (50%) membership interest in Electronics Trademarks Holding Company, LLC.

(b) The outstanding shares of capital stock of U.S. NewCo will, as of the Closing, be (i) duly authorized and validly issued, (ii) fully paid and nonassessable, (iii) issued in accordance with all applicable Laws, and (iv) free and clear of all Liens. The ETHC Interest is free and clear of all Liens and was issued in accordance with all applicable Laws.

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(c) In respect of U.S. NewCo as of the Closing Date and, to Thomson's Knowledge, ETHC there are no (i) outstanding subscriptions, options, calls, warrants or other rights (including conversion or preemptive rights) or agreements for the purchase or acquisition from U.S. NewCo of any shares of its capital stock or from ETHC of any of its membership interests; (ii) outstanding securities, instruments or obligations issued or granted by U.S. NewCo or ETHC that are or may become convertible into or exchangeable for any of U.S. NewCo's or ETHC's respective securities; (iii) Contracts under which U.S. NewCo or ETHC is or may become obligated to sell, issue or otherwise dispose of or redeem, purchase or otherwise acquire any of its securities; (iv) stockholder agreements, voting trusts, proxies or other Contracts that may affect the exercise of voting or any other rights with respect to U.S. NewCo's capital stock or other equity interests or Thomson Inc.'s fifty percent (50%) membership interest in ETHC; (v) contractual or other obligations to register any of U.S. NewCo's outstanding securities or Thomson Inc.'s fifty percent (50%) membership interest in ETHC; or (vi) outstanding or authorized stock appreciation, phantom stock, profit participation or other equity based compensation or like rights.

Section 3.6 U.S. NewCo. U.S. NewCo will not, on or prior to the ATA Closing (as defined in the Asset Transfer Agreement (U.S.)), own or control, directly or indirectly, any interest in any other corporation, joint venture, limited liability company, partnership, association or other business. As of the Closing, U.S. NewCo will have no assets other than the Transferred Assets (U.S.), and no liabilities other than Transferred Liabilities (U.S.), in each case as is set forth in the Asset Transfer Agreement (U.S.).

Section 3.7 Litigation. Except as set forth in Section 3.7 of the Business Disclosure Schedule, there is no material Action relating to the Business pending or, to the Knowledge of Thomson, threatened, against Thomson, U.S. NewCo or any of the Thomson Accessories Entities. There is no injunction, order, judgment or decree imposed upon U.S. NewCo or any of the Thomson Accessories Entities.

Section 3.8 Compliance with Laws.

(a) Since January 1, 2004, the Business has been conducted in compliance with all applicable Laws in all material respects, and no event has occurred, and no condition or circumstance exists that would reasonably be expected to, with or without notice or lapse of time, constitute, or result directly or indirectly in, a default under, a breach or violation of, or a failure to comply with, any such applicable Laws in any material respect; (b) all Governmental Authorizations necessary for the operation of the Business have been received; (c) all such Governmental Authorizations are in full force and

effect; and (d) none of Thomson, U.S. NewCo or any Thomson Accessories Entity is in breach of such Governmental Authorization relating to the Business, and no Action is pending or, to Thomson's Knowledge, threatened to suspend, revoke or terminate any such Governmental Authorization.

Section 3.9 Financial Statements.

(a) Attached to Section 3.9 of the Business Disclosure Schedule are (by each jurisdiction from which Transferred Assets will be transferred hereunder): (i) unaudited statements of operations for the fiscal year ended December 31, 2005 and the nine-month period

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ended September 30, 2006 and (ii) an unaudited balance sheet as of each of (x) December 31, 2005 and (y) September 30, 2006 (the "Interim Balance Sheet"), (collectively, the "Financial Statements").

(b) The financial information (i) presents fairly in all material respects the financial condition of the Business as of the respective dates thereof and the results of operations of the Business for the periods covered thereby and (ii) has been prepared in accordance with IFRS consistently applied.

(c) The only significant assets of Thomson in Chile or Mexico that are primarily used in the Business are Inventory.

(d) All significant machinery (other than office equipment), tools and dies owned by Thomson or its Subsidiaries and used primarily in the Business will be transferred to Purchaser.

Section 3.10 No Other Liabilities. As of the Closing, there are no liabilities of any nature whatsoever that will be transferred to Purchaser or its Subsidiaries in connection with or as a result of the Contemplated Transactions, other than the Transferred Liabilities and those obligations expressly set forth in this Agreement, the Ancillary Agreements, and any other agreements or instruments that may be entered into between the Parties or their respective Affiliates prior to the Closing.

Section 3.11 Absence of Changes. Except as contemplated by this Agreement (including the Business Disclosure Schedule) and the Contemplated Transactions, since the date of the Interim Balance Sheet, (a) the Business has been conducted in the ordinary course consistent with past practice in all material respects and (b) to Thomson's Knowledge, no event has occurred and no action has been taken or failed to be taken which would be reasonably likely to have a Business Material Adverse Effect.

Section 3.12 Listed Agreements.

(a) Section 3.12 of the Business Disclosure Schedule sets forth a list of all Contracts (and Thomson has made available to Purchaser true and complete copies of all such Contracts) as of the Effective Date other than (x) Real Property Leases, (y) Intellectual Property Agreements, (z) Employment Agreements, which primarily relate to the Business and that fall within one of the following categories (collectively, the "Listed Agreements"):

(i) any material Contract for the manufacture or supply of any product or equipment of the Business that has a remaining term of at least 12 months, and is not terminable, without penalty, upon 3 months notice or less;

(ii) any material commercial trade Contract with retailers that has a remaining term of at least 12 months, and is not terminable, without penalty, upon 3 months notice or less;

(iii) any material distribution Contract that has a remaining term of at least 12 months, and is not terminable, without penalty, upon 3 months notice or less;

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(iv) any other material Contract that has a remaining term of at least 12 months, and is not terminable, without penalty, upon 3 months notice or less;

(v) any Contract with respect to the purchase or sale of any business, corporation, partnership, joint venture or other business

organization;

(vi) any Contract with any Governmental Authority;

(vii) any power of attorney, proxy or similar instrument;

(viii) any Contract between U.S. NewCo, on the one hand, and Thomson or any Affiliate of Thomson (excluding U.S. NewCo) on the other hand;

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

(x) any guarantee of any obligation, other than a Transferred Liability, that in connection with or as a result of the Contemplated Transactions would, directly or indirectly, be an obligation of Purchaser; or

(xi) any Contract that prohibits U.S. NewCo from competing with any other Person in the Business or in any geographic area, or that prohibits a Thomson Accessories Entity from competing with any other Person in the Business or in any geographic area that would, as a result of the Contemplated Transactions, become an obligation of Purchaser.

(b) No Thomson Accessories Entity is (and, to Thomson's Knowledge, no other party is) in material breach of or default under any Listed Agreement, and, to Thomson's Knowledge, no event has occurred or condition exists that, with or without notice or lapse of time or both, would result in a material breach or a default under the Listed Agreements.

Section 3.13 Environmental Law.

(a) The Business (i) is being conducted, and has been conducted, within all applicable statute of limitations periods, in compliance with all applicable Environmental Laws in all material respects and (ii) possesses all material Environmental Approvals required under applicable Environmental Laws to operate the Business as currently operated; (b) there are no proceedings (whether adjudicatory, rulemaking, licensing or otherwise) pending or, to Thomson's Knowledge, threatened in law or in equity, or under any administrative or regulatory authority before any Governmental Authority, by, against or affecting the Business or any property owned or leased for use in the Business involving any actual or alleged failure to comply with applicable Environmental Laws or any potential suspension, revocation, revision, limitation, restriction, termination or invalidation of any Environmental Approval; (c) none of Thomson, U.S. NewCo or any Thomson Accessories Entity has received any written notice of any Action before any Governmental Authority or any judgment, decree or order relating to the Business which relates to compliance with any Environmental Law or to investigation or cleanup of any Hazardous Materials at any location; and (d) to Thomson's Knowledge, there are no

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Hazardous Materials at any property owned or leased for use in the Business, which Hazardous Materials violate, or would give rise to material liability, directly or indirectly, to Purchaser or U.S. NewCo or require remediation under, any applicable Environmental Law.

Section 3.14 Personal Property. The Thomson Accessories Entities have, and, as of the Closing Date, U.S. NewCo and Purchaser will have, good and marketable title to all personal property included in the Transferred Assets, in each case free and clear of all Liens (other than Permitted Liens). The personal property referred to above is in good working order (ordinary wear and tear excepted), is free from any material defect and has been maintained in all material respects in the ordinary course of business.

Section 3.15 Intellectual Property.

(a) Section 3.15(a) of the Business Disclosure Schedule contains a true and complete list of the following registrations and applications to the extent owned by Thomson and its Affiliates, specifying, as applicable, registration or application numbers, assignee of record and the relevant jurisdiction (collectively, the "Business Registered Intellectual Property"): (i) registrations and applications to register the RCA Marks in the United States and Canada (including individual registrations and applications that cover both Accessories Products and other goods or services) and (ii) registrations and applications to register the Recoton Marks in the United States and Canada. Section 3.15(a) of the Business Disclosure Schedule also

contains a true and complete list of registrations for the Transferred Domain Names and any other domain names that incorporate a Recoton Mark or one of the trademarks licensed under the Tora Trademark License Agreement, in each case, to the extent owned by Thomson and its Affiliates, specifying, as applicable, the registrant of record and applicable extension (collectively, the "Registered Domain Names"). To Thomson's Knowledge, Section 3.15(a) of the Business Disclosure Schedule also contains a true and complete list of the following registrations and applications to the extent owned by Thomson and its Affiliates, specifying, as applicable, registration or application numbers, assignee of record and the relevant jurisdiction: (i) registrations and applications to register the RCA Marks outside the United States and Canada (including individual registrations and applications that cover both Accessories Products and other goods or services); (ii) registrations and applications to register the Recoton Marks outside the United States and Canada; and (iii) registrations and applications to register the Recoton Marks (Other Fields) worldwide. The RCA Marks consist of all "RCA" trademarks and related logos used in connection with the Business, and there are no other "RCA" trademarks or related logos used now or in the preceding three (3) year period in connection with the Business.

(b) Except as set forth on Sections 3.15(a) and 3.15(b) of the Business Disclosure Schedule, Thomson and its Affiliates exclusively own all right, title and interest in and to the Business Registered Intellectual Property in the United States and Canada, and to Thomson's Knowledge, all right, title and interest in and to all other Business Intellectual Property in the United States and Canada, in each case, free and clear of any Liens other than Permitted Liens. In the United States and Canada only, all Business Registered Intellectual Property listed on Section 3.15(a) of the Business Disclosure Schedule is subsisting, and, to Thomson's Knowledge, is valid and in full force and effect. Except as set forth on Section 3.15(a) of the Business Disclosure Schedule, no Business Intellectual Property is subject to any outstanding decree, order, judgment or settlement in the United States or Canada that has been communicated

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to Thomson that restricts the use thereof in the Business, and no Business Intellectual Property has been adjudged or declared by any Governmental Authority in the United States or Canada to be invalid or unenforceable, in whole or in part, which adjudication or declaration has been communicated to Thomson. Except as set forth on Sections 3.15(a) and 3.15(b) of the Business Disclosure Schedule, all necessary filings have been made and all necessary registration, maintenance and renewal fees have been paid to the relevant authorities and registrars in the United States and Canada in connection with the Business Registered Intellectual Property for the purposes of maintaining such Business Registered Intellectual Property. All necessary maintenance and renewal fees have been paid to the relevant registrars in connection with the Registered Domain Names. Except as set forth in Schedule 3.15(b) of the Business Disclosure Schedule and excluding the Contracts set forth in Schedule 3.15(d) of the Business Disclosure Schedule, neither Thomson, nor any of its Affiliates, has assigned, transferred, granted a license or sublicense that is currently in effect, or granted any Liens, other than Permitted Liens, and has not entered into any Contract to do any of the foregoing, any rights in the RCA Marks, Recoton Marks, or Recoton Marks (Other Fields), or the rights under the Tora Trademark License Agreement to any third party.

(c) Section 3.15(c) of the Business Disclosure Schedule contains a list of each material Contract primarily related to the Business and in effect as of the Effective Date, pursuant to which a third party has licensed software used by a Thomson Accessories Entity in the operation of the Business (the "Software Licenses").

(d) Section 3.15(d) of the Business Disclosure Schedule contains a list of each material Contract in effect as of the Effective Date, pursuant to which:

(i) a third party has licensed to Thomson or its Affiliates any Intellectual Property that is used or held for use exclusively in the Business (excluding Contracts required to be listed in Section 3.15(c) of the Business Disclosure Schedule) (the "In-bound Licenses");

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

(iii) any Intellectual Property has been or is being developed for the benefit of Thomson or any of its Affiliates, which Intellectual Property is primarily used or held for use in the Business, or any development, maintenance or other services are provided with respect to software primarily

used in the operation of the Business (excluding Contracts listed in Section 3.12, 3.15(c) or 3.15(d)(i) of the Business Disclosure Schedule and, together with the Software Licenses, In-bound Licenses and Out-bound Licenses, the "Intellectual Property Agreements").

(e) Neither Thomson nor any of its Affiliates is (and, to Thomson's Knowledge, no other party is) in material breach of or default under any Intellectual Property Agreement, and, to Thomson's Knowledge, no event has occurred or condition exists that, with or without notice or lapse of time or both, would result in a material breach or a default under the Intellectual Property Agreements.

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(f) Except as set forth in Schedule 3.15(f) of the Business Disclosure Schedule, (i) to Thomson's Knowledge, the conduct of the Business as presently conducted does not, in any material respect, infringe, misappropriate, or otherwise violate under applicable Law the Intellectual Property of, or dilute under applicable Law any Mark of, any third party; (ii) no Action is pending against Thomson or any of its Affiliates alleging any of the foregoing; (iii) no Thomson Accessories Entity has received any written charge, complaint, claim, demand or notice within the preceding three (3) years alleging that the conduct of the Business infringes, misappropriates, or otherwise violates under applicable Law the Intellectual Property of, or dilutes under applicable Law any Mark of, any third party (including any claim that a Thomson Accessories Entity must license or refrain from using any Intellectual Property rights of any third party), which charge, complaint, claim, demand or notice has not been resolved by Thomson and the other party; and (iv) no Action is pending or, to Thomson's Knowledge, threatened which challenges the validity, enforceability, use or ownership of any Business Intellectual Property in the United States or Canada.

(g) Thomson and its Affiliates have used and are using reasonable efforts to ensure the confidentiality and secrecy of the material trade secrets and other confidential information primarily used in the Business.

(h) Except as set forth on Section 3.15(h) of the Business Disclosure Schedule, to Thomson's Knowledge, no third party is currently, in any material respect, (i) infringing, misappropriating or otherwise violating under applicable Law any Business Intellectual Property in the United States or Canada or (ii) diluting in the United States or Canada, under applicable Law in such jurisdictions, any Business Intellectual Property, and no Action is pending or threatened by Thomson or any of its Affiliates against a third party alleging any of the foregoing.

Section 3.16 Employee Benefit Plans.

(a) Section 3.16 of the Business Disclosure Schedule sets forth, as of the Effective Date, (i) each "employee benefit plan," as defined in Section 3(3) of ERISA, including all plans of a similar nature in jurisdictions outside of the United States; (ii) each stock option, stock purchase, deferred compensation; and (iii) each other employee benefit plan or arrangement that is currently maintained or otherwise contributed to by the Thomson Accessories Entities (or any other person or entity that, together with a Thomson Accessories Entity, is or was treated as a single employer under Section 414(b), (c), (m) or (o) of the Code (each, an "ERISA Affiliate")), in each case for the benefit of the Business Employees, including any such employees who are employed outside the United States or with respect to which U.S. NewCo or the Purchaser could, directly or indirectly, have any liability (collectively, "Business Benefit Plans"). Copies of the following have been made available to Purchaser: (A) each Business Benefit Plan; (B) the most recent annual report on Form 5500 filed with the Internal Revenue Service with respect to each Business Benefit Plan (if any such report was required by applicable Law); (C) the most recent summary plan description for each Business Benefit Plan for which such a summary plan description is required by applicable Law; (D) the most recent Internal Revenue Service determination, notification or opinion letter received with respect to each applicable Business Benefit Plan; and (E) each trust agreement or annuity contract in effect as of the Effective Date and relating to any Business Benefit Plan.

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(b) Except as set forth in Section 3.16(b) of the Business Disclosure Schedule, none of the Thomson Accessories Entities, U.S. NewCo or any ERISA Affiliate maintains or contributes to, or has maintained or contributed to (or been obligated to contribute to) within the six (6) calendar years preceding the

Closing Date, any multiemployer plan as defined in Section 3(37) or Section 4001(a)(3) of ERISA or Section 414(f) of the Code, any multiple employer plan within the meaning of Section 4063 or Section 4064 of ERISA or Section 413(c) of the Code, any employee benefit plan, fund, program, contract or arrangement that is subject to Section 412 of the Code, Section 302 of ERISA or Title IV of ERISA, or any welfare benefit plan which provides health benefits to an employee after the employee's termination of employment or retirement except as required under Section 4980B of the Code and Sections 601 through 608 of ERISA (or comparable state Law).

(c) Each Business Benefit Plan has been administered in all material respects in compliance with its terms and with applicable Law, including ERISA and the Code and there are no pending investigations, legal proceedings or other claims or suits, or, to the Knowledge of Thomson, threatened claims, suits or proceedings, by a Business Employee in respect of the Business that could reasonably be expected to give rise to any material liability (except claims for benefits payable in the normal operation of the Business Benefit Plans).

(d) Each Business Benefit Plan that is intended to qualify under Section 401(a) of the Code has been the subject of a determination, notification or opinion letter from the Internal Revenue Service to the effect that such plan is qualified and the related trust is exempt from Federal income taxes under Sections 401(a) and 501(a), respectively, of the Code, and, to Thomson's Knowledge, no circumstance or event exists or has occurred that would reasonably be expected to adversely affect any such Business Benefit Plan's qualified status.

(e) No material Actions (other than routine claims for benefits in the ordinary course of business) are pending or, to Thomson's Knowledge, threatened by or with respect to any Business Employee in respect of the Business.

(f) No material liability under Subtitle C or D of Title IV of ERISA has been or is expected to be incurred by any of the Thomson Accessories Entities or its or their ERISA Affiliates with respect to any ongoing, frozen or terminated "single-employer plan", within the meaning of Section 4001(a)(15) of ERISA. No notice of a "reportable event", within the meaning of Section 4043 of ERISA, for which the 30-day reporting requirement has not been waived has been required to be filed by any Thomson Accessories Entity for any "employee pension benefit plan" within the meaning of Section 3(2) of ERISA within the 12-month period ending on the date of this Agreement or will be required to be filed in connection with the Contemplated Transactions.

(g) Except as set forth on Section 3.16(g) of the Business Disclosure Schedule, there has been no amendment to, announcement by Thomson or any Thomson Accessories Entities relating to, or change in employee participation of coverage under, any Business Benefit Plan which would increase materially the expense of maintaining such Business Benefit Plan above the level of the expense incurred therefor for the most recent fiscal year.

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(h) Section 3.16(h) of the Business Disclosure Schedule identifies any Business Benefit Plans pursuant to which the execution or delivery of this Agreement, or the consummation or performance of any of the transactions contemplated herein will (either alone or together with any other event): (i) result in any material payment (including, without limitation, any material bonus, severance, unemployment compensation, forgiveness of indebtedness, or golden parachute payment) becoming due to any Business Employee, (ii) increase any material benefit otherwise payable under any Business Benefit Plan, or (iii) result in the material acceleration of the time of payment, vesting or funding, of any such benefit, in each of cases (i), (ii) and (iii), for which U.S. NewCo or Purchaser would, directly or indirectly, be liable in connection with or as a result of the Contemplated Transactions. Except as set forth in Section 3.16(h) of the Business Disclosure Schedule, no payment or benefit which has been or will be made to any current or former Business Employee in connection with the execution and delivery of the Agreement or the consummation of the transactions contemplated hereby could be characterized as an "excess parachute payment" within the meaning of Section 280G(b)(1) of the Code.

Section 3.17 Labor Agreements and Actions.

(a) Section 3.17(a) of the Business Disclosure Schedule sets forth a list of those employees of the Thomson Accessories Entities that Purchaser directly or indirectly intends to hire in connection with Contemplated Transactions (such employees, the "Business Employees").

(b) Except as set forth in Section 3.17(b) of the Business Disclosure Schedule, (i) none of the Business Employees are represented, as of the date

hereof or as of the Closing Date, by a labor organization for the purposes of collective bargaining with Thomson or any of its Subsidiaries, and to Thomson's Knowledge, there are no activities or proceedings of any labor union or labor organization to organize Business Employees; and (ii) none of the Thomson Accessories Entities is, or has ever been, party to any collective bargaining agreement, contract or other agreement with a labor union or labor organization. There is no material strike, walkout, work stoppage, slowdown or lockout or other material labor dispute involving, pending or, to Thomson's Knowledge, threatened against the Business.

(c) Section 3.17(c) of the Business Disclosure Schedule sets forth a list of all written employment or similar agreements or arrangements between Thomson or any of the Thomson Accessories Entities, on the one hand, and any Business Employee, on the other hand (the "Employment Agreements"). None of Thomson, any of the Thomson Accessories Entities or, to Thomson's Knowledge, any Business Employee is in material breach of any Employment Agreement.

(d) Except as set forth in Section 3.17(d) of the Business Disclosure Schedule, there are no material employment or labor-related (a) lawsuits, (b) administrative charges or (c) other legal actions in respect of the Business pending or, to Thomson's Knowledge, threatened before any court or administrative agency. There are no charges, investigations, administrative proceedings or formal complaints of discrimination (including discrimination based upon sex, age, marital status, race, national origin, sexual preference, disability or veteran status) pending

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or threatened before the Equal Employment Opportunity Commission or any similar federal, state or local agency or court in respect of the Business.

(e) Section 3.17(e) of the Business Disclosure Schedule sets forth a true and complete list of the salary, bonuses, wage and commission of each Business Employee.

Section 3.18 Tax Returns, Payments and Elections.

(a) Except as set forth in Section 3.18(a) of the Business Disclosure Schedule, each Tax Return required to be filed by or with respect to the operations, activities or ownership of the Transferred Assets (the "Transferred Operations"), to the extent required by Law to be filed before the Effective Date (taking into account any applicable extensions) has been filed, and each such Tax Return is true, accurate and complete in all material respects. All Taxes required to have been paid by U.S. NewCo, and all Taxes required to have been paid with respect to any Transferred Operations have been paid in full on a timely basis.

(b) Except as set forth in Section 3.18(b) of the Business Disclosure Schedule, (i) there is no Tax audit or other Tax administrative or judicial proceeding presently pending, or to Thomson's Knowledge, threatened, with respect to the Transferred Operations or, as of the Closing Date, with respect to U.S. NewCo (ii) no Governmental Authority with which any Person conducting Transferred Operations does not file Tax Returns has asserted in writing that such Person is or may be required to pay Taxes to or file Tax Returns with that Governmental Authority, (iii) no Person conducting Transferred Operations has received any notice of deficiency or assessment from any Governmental Authority related to Taxes, and to Thomson's knowledge, no notice of deficiency or assessment has been threatened, and (iv) no agreement or waiver extending the period for assessment or collection of Taxes will have been executed or filed with any Governmental Authority on behalf of U.S. NewCo on or prior to the Closing Date.

(c) Except as set forth in Section 3.18(c) of the Business Disclosure Schedule, U.S. NewCo will not be a party to any Tax allocation, Tax sharing or similar agreement or arrangement on or prior to the Closing Date. On or prior to the Closing Date, U.S. NewCo will not be liable for Taxes of another Person by contract, under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law), or by reason of being a transferee or successor of such Person.

(d) On or prior to the Closing Date, U.S. NewCo will not be a party to any joint venture, partnership or other entity which is treated as a partnership for U.S. federal income tax purposes.

(e) There are no material Liens for Taxes on the Transferred Assets, other than Permitted Liens.

(f) On or prior to the Closing Date, U.S. NewCo will not be the

subject of any entity classification election under U.S. Treasury Regulation Section 301.7701-3.

(g) On or prior to the Closing Date, U.S. NewCo will not have any obligation to make any payment of any amount to any Person which would not be deductible (either as a compensation deduction or, in the case of an entity not currently subject to United States federal

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income tax, in computing earnings and profits for United States federal income tax purposes) by reason of Section 280G, Section 162(m) or Section 404 of the Code.

(h) As of the Closing Date, U.S. NewCo (i) will not be subject to any "closing agreement" described in Code Section 7121 (or any comparable provision of state, local or foreign Tax law) and (ii) has not requested, received or is subject to any Tax ruling, transfer pricing agreements, or similar agreements, in either case that would have continuing effect after the Closing Date.

(i) U.S. NewCo will not be required to recognize for tax purposes in a Tax period ending after the Closing Date any income or gain as a result of (i) using the installment method of accounting, (ii) making or being required to make any change in method of accounting, or (iii) otherwise deferring the recognition of income or accelerating deductions.

(j) Thomson has made available to Purchaser copies of all Tax Returns filed by U.S. NewCo, if applicable, for which the statute of limitation has not expired.

(k) As of the Closing Date, U.S. NewCo will not be and will not have been at any time a United States real property holding corporation as defined in Section 897(c)(2) of the Code.

Section 3.19 Insurance. Thomson or its Subsidiaries maintain policies for fire, flood and casualty, liability and other forms of insurance in such amounts, with such deductibles and against such risks and losses as are reasonable for the conduct of the Business. The insurance policies maintained with respect to the assets of the Business as of the Effective Date are listed in Section 3.19 of the Business Disclosure Schedule (collectively, the "Insurance Policies"). None of Thomson or its Subsidiaries has received notice of cancellation or non-renewal of any Insurance Policy. To Thomson's Knowledge, the activities and operations of the Business have been conducted in a manner so as to conform in all material respects to the applicable provisions of the Insurance Policies.

Section 3.20 Inventory. Except as set forth in Section 3.20 of the Business Disclosure Schedule, (a) the Inventory is in good and merchantable condition in all material respects and consists only of items usable and salable in the ordinary course of business, (b) all of the Inventory is owned by the Thomson Accessories Entities free and clear of any Lien other than Permitted Liens, (c) the Inventory is not damaged, defective, obsolete or excessive (net of reserves for inventory included in the calculation of Net Working Capital), and is reasonably related to the normal demands of the Business in all material respects, and (d) none of the Inventory is on consignment. A list of Inventory, including the location of such Inventory, as of October 29, 2006, is set forth in Section 3.20 of the Disclosure Schedule.

Section 3.21 Suppliers and Customers.

(a) Section 3.21(a) of the Business Disclosure Schedule lists each customer (including distributors) accounting for more than five percent (5%) of the gross revenues of the Business in either of the two most recent fiscal years and the revenues generated from such customers (including distributors).

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(b) Section 3.21(b) of the Business Disclosure Schedule lists all open sales orders, including future sales orders, back orders, purchase orders, including future purchase orders, and carryover orders relating to the Business; each list of orders is as of the date set forth on the face of such list in the Business Disclosure Schedule.

(c) Section 3.21(c) of the Business Disclosure Schedule lists all customer and distributor agreements pursuant to which Thomson is required to

repurchase inventories of Accessories Products that are in original packaging upon termination or expiration of such agreements (the "Buyback Agreements").

(d) Except as set forth in Section 3.21(d) of the Business Disclosure Schedule, none of the top 15 suppliers of the Business based upon payments in the most recent fiscal year and none of the top 15 customers (including distributors) of the Business based upon revenues in the most recent fiscal year has provided written notification or, to Thomson's Knowledge, any other notification, to any of the Thomson Accessories Entities that such supplier or customer intends to terminate its relationship or significantly decrease the rate of buying products or services of the Business. Except as set forth in Section 3.21(d) of the Business Disclosure Schedule, since the Interim Balance Sheet Date, to Thomson's Knowledge, no customer has requested a buyback of Thomson or third party inventory or a stock balancing in respect of the Business. There are no penalties or liquidated damages due or owing with respect to open sales orders or back orders as of the Closing.

Section 3.22 Product Liability; Warranties.

(a) Section 3.22 of the Business Disclosure Schedule sets forth a true and complete list of (i) all Accessories Products manufactured, marketed or sold in the course of the conduct of the Business which products have been recalled or withdrawn (whether voluntarily or otherwise) at any time since January 1, 2004 (for purposes of this Section 3.22, a product shall have been recalled or withdrawn if all or a substantial number of products in the product line were recalled or withdrawn) and (ii) all Actions (whether completed or, to Thomson's Knowledge, pending) at any time since January 1, 2004 seeking the recall or withdrawal of any Accessories Product sold in the course of the conduct of the Business.

(b) Except as set forth in Section 3.22(b) of the Business Disclosure Schedule, no Accessories Products or services have been sold in the course of the conduct of the Business which are subject to a warranty beyond twelve months and which warranty has not yet expired.

(c) Since January 1, 2004, there have not been any statements, citations or written decisions by any Governmental Authority stating that any Accessories Products sold in the course of the conduct of the Business is unsafe or fails to meet any standards, whether mandatory or voluntary, promulgated by any Governmental Authority.

(d) There has been no material liability for replacement, repair or other warranty liability in connection with any Accessories Products manufactured, distributed or sold in the course of the conduct of the Business, in each case for which Purchaser, its Subsidiaries or U.S. NewCo would be liable in excess of the amount, if any, of the Warranty Reserve set forth on the Interim Balance Sheet.

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(e) Except as set forth in Section 3.22(e) of the Business Disclosure Schedule, there has been no material liability arising out of any injury to individuals or property as a result of the ownership, possession, or use of any Accessories Product manufactured, sold, leased, or delivered in the course of the conduct of the Business by any of them since January 1, 2004.

Section 3.23 No Brokers. Thomson is not obligated under any Contract that would result in the obligation of Purchaser or its Affiliates to pay any finder's fee, brokerage or agent's commission in connection with the negotiations leading to this Agreement or the consummation of the purchase and sale of the Equity Interests or the Transferred Assets.

Section 3.24 Disclaimer. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THOMSON MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, RELATING TO THE EQUITY INTERESTS, THE TRANSFERRED ASSETS, THE TRANSFERRED LIABILITIES, THE TRANSFERRED OPERATIONS, THE THOMSON ACCESSORIES ENTITIES, THE BUSINESS OR ANY OTHER MATTER, INCLUDING ANY REPRESENTATION OR WARRANTY AS TO WORKMANSHIP, PROFITABILITY, FUTURE PERFORMANCE, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT OR ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION, DOCUMENTS OR MATERIAL TRANSMITTED, PROVIDED OR MADE AVAILABLE TO PURCHASER OR ITS REPRESENTATIVES IN ANY PHYSICAL OR ONLINE "DATA ROOMS", MANAGEMENT PRESENTATIONS OR IN ANY OTHER FORM IN EXPECTATION OF THE CONTEMPLATED TRANSACTIONS, INCLUDING ANY PROJECTION, FORECAST OR OTHER FORWARD-LOOKING INFORMATION AND ANY INFORMATION CONTAINED IN ANY DESCRIPTIVE MEMORANDUM. ALL OF SUCH ADDITIONAL REPRESENTATIONS AND WARRANTIES ARE HEREBY DISCLAIMED, AND THOMSON EXPRESSLY DISCLAIMS ANY AND ALL LIABILITY RELATING TO OR RESULTING FROM THE USE OF ANY INFORMATION, DOCUMENTS OR MATERIAL DESCRIBED IN THE PREVIOUS SENTENCE, INCLUDING ANY MARKET ANALYSIS AND

FINANCIAL PROJECTIONS THAT MAY BE CONTAINED THEREIN, OR FOR ANY ERRORS THEREIN OR OMISSIONS THEREFROM. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THE PURCHASE AND SALE OF THE BUSINESS IS BEING MADE ON AN "AS IS, WHERE IS" BASIS AND WITHOUT RECOURSE TO THOMSON OR ANY OF ITS SUBSIDIARIES OR REPRESENTATIVES WITH RESPECT TO ANY EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY.

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ARTICLE IV
REPRESENTATIONS AND WARRANTIES
OF THE PURCHASER

Purchaser represents and warrants to Thomson that as of the Effective Date and except as set forth on the Purchaser Disclosure Schedule attached hereto as Schedule D (the "Purchaser Disclosure Schedule"):

Section 4.1 Organization. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of Delaware and has all requisite power and authority to carry on its business as now conducted. Each of Audiovox Canada Ltd. and any other Subsidiary of Purchaser which will be a party to any Ancillary Agreement will, as of the Closing, be duly organized, validly existing and in good standing under the laws of the jurisdiction of its state or territory of incorporation or organization and, as of the Closing, will have all requisite power and authority to own, operate and lease its properties and assets, to carry on its business as of the Effective Date and as at the Closing and to enter into and perform its obligations under any Ancillary Agreement to which it will be a party.

Section 4.2 Authorization; Enforceability. Purchaser and each of its Affiliates have the corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements to which Purchaser or such Affiliate is, or is specified to be, a party and to perform its obligations hereunder and thereunder. The execution and delivery by Purchaser and each of its Affiliates of this Agreement and the Ancillary Agreements to which Purchaser or such Affiliate is, or is specified to be, a party and the performance by Purchaser or such Affiliate of its obligations hereunder and thereunder have been duly authorized by all necessary corporate action on the part of Purchaser or such Affiliate. This Agreement has been duly executed and delivered by Purchaser and constitutes a legal, valid and binding agreement of Purchaser, enforceable against it in accordance with its terms. At or prior to the Closing, Purchaser and each of its Affiliates shall have duly executed and delivered each Ancillary Agreement to which Purchaser or such Affiliate is specified to be a party, and each Ancillary Agreement shall constitute the legal, valid and binding obligation of Purchaser or such Affiliate, enforceable against Purchaser or such Affiliate in accordance with its terms.

Section 4.3 Non-Contravention. The execution, delivery and performance by Purchaser of this Agreement and the Ancillary Agreements and by each of Audiovox Canada Ltd. and any other Subsidiary of Purchaser which will be a party to any Ancillary Agreement of such Ancillary Agreements do not, and, assuming all Governmental Authorizations required have been obtained or made, the consummation of the Contemplated Transactions will not: (a) violate, conflict with or result in the breach of any provision of the Governing Documents of Purchaser or such Subsidiary of Purchaser; (b) assuming all Governmental Authorizations required under any mandatory antitrust notification requirements have been obtained or made, conflict with or violate any Law, Governmental Order or Governmental Authorization applicable to the Purchaser or such Subsidiary of Purchaser or any of their assets or properties; (c) result in the creation of any Lien on any of the properties of Purchaser or such Subsidiary of Purchaser, except, with respect to clauses (b) and (c), for such conflicts, violations, invalidations, breaches, defaults, terminations, cancellations, accelerations, rights, Liens or results as would not

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reasonably be expected to affect Purchaser's or such Subsidiaries' ability to perform their obligations under this Agreement and the Ancillary Agreements.

Section 4.4 Government Consents. Except for all Governmental Authorizations required under any required approvals from a Governmental Antitrust Authority, no Governmental Order or filing with any Governmental Authority on the part of Purchaser or its Affiliates is required to be made in connection with the consummation of the Contemplated Transactions.

Section 4.5 Litigation. There are no Actions pending or, to the Knowledge

of Purchaser, threatened against or affecting Purchaser or its Affiliates (a) challenging or seeking to restrain, delay or prohibit any of the Contemplated Transactions or (b) preventing Purchaser from performing in all material respects its obligations under this Agreement.

Section 4.6 Investment Intent. Purchaser acknowledges that the Equity Interests have not been registered under the Securities Act and that the Equity Interests may not be resold absent such registration or unless an exemption therefrom is available. Purchaser qualifies as an "accredited investor" as such term is defined in Rule 501(a) of the Securities Act. The Equity Interests are being acquired for investment for Purchaser's or its Subsidiaries' own account not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and Purchaser has no present intention of selling, granting any participation in or otherwise distributing the same. The acquisition by Purchaser of the Equity Interests shall constitute confirmation of the representation by Purchaser that it does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Equity Interests.

Section 4.7 Knowledge of Industry and Representation by Advisors.

(a) Purchaser acknowledges that (i) it has knowledge, experience and expertise in business and financial matters and the consumer electronics industry and (ii) it has the capability of understanding and evaluating the risks and merits associated with Purchaser's purchase of the Equity Interests pursuant to this Agreement and Purchaser's participation in the Contemplated Transactions.

(b) Purchaser acknowledges that it has been represented or advised by advisors of its own choice, including financial advisors, tax advisors and legal counsel, that have assisted Purchaser in understanding and evaluating the risks and merits associated with Purchaser's purchase of the Equity Interests pursuant to this Agreement and Purchaser's participation in the Contemplated Transactions.

(c) Purchaser can bear the economic risk of an investment in the Equity Interests and can afford a complete loss of such investment.

Section 4.8 Disclosure of Information. Purchaser acknowledges that: (a) none of Thomson, its Affiliates, any of their respective Representatives or any other Person has made any representation or warranty, express or implied, as to the Equity Interests, Transferred Assets, Business, Transferred Liabilities, the Thomson Accessories Entities or the accuracy or

completeness of any information regarding the Business or the Thomson Accessories Entities furnished or made available to Purchaser and its Representatives, except as expressly set forth in this Agreement; and (b) Purchaser has not relied on any representation or warranty from Thomson or the Thomson Accessories Entities or any other Person in determining to enter into this Agreement, except as expressly set forth in this Agreement; and (c) none of Thomson, any of its Affiliates, or their respective Representatives shall have or be subject to any liability to Purchaser resulting from the distribution to Purchaser, or Purchaser's use of, any such information, including the Descriptive Memorandum dated February 2006 (or any supplement thereto or update thereof); and (d) except as expressly set forth in this Agreement, Thomson makes no representation or warranty, express or implied, relating to the Equity Interests, the Transferred Assets, the Transferred Liabilities, the Transferred Operations, the Thomson Accessories Entities, the Business or any other matter, including any representation or warranty as to workmanship, profitability, future performance, fitness for a particular purpose or non-infringement or any representation or warranty, express or implied, as to the accuracy or completeness of any information, documents or material transmitted, provided or made available to Purchaser or its representatives in any physical or online "data rooms", management presentations or in any other form in expectation of the Contemplated Transactions, including any projection, forecast or other forward-looking information and any information contained in any Descriptive Memorandum.

Section 4.9 Projections. In connection with Purchaser's investigation of the Business, Purchaser has received from Thomson and its Representatives certain projections, forecasts and business plan information. Purchaser acknowledges and agrees that there are uncertainties inherent in attempting to make such projections, forecasts and plans, that Purchaser is familiar with such uncertainties, that there can be no assurances that the projections, forecasts and plans are accurate or that the projections, forecasts and plans will be

realized, that Purchaser is taking full responsibility for making its own evaluation of the adequacy and accuracy of all projections, forecasts and plans so furnished to it, and that Purchaser shall have no claim against any of Thomson, its Affiliates or their respective Representatives with respect thereto. Accordingly, Purchaser acknowledges and confirms that (a) Thomson, its Affiliates and their respective Representatives have made no representations or warranties, express or implied, with respect to, and shall not be liable to Purchaser or any of its Affiliates or Representatives, with respect to any such projections, forecasts or plans, and (b) Purchaser has not relied on any projection, forecast or plan received from Thomson, its Affiliates or any of their respective Representatives or any other Person in determining to enter into this Agreement.

Section 4.10 Sufficient Funds. Purchaser has available, and on the Closing Date will have available, cash or, pursuant to existing credit facilities or commitments, sufficient funds to pay the Purchase Price and the Advance and consummate, or cause the consummation of, all of the Contemplated Transactions.

Section 4.11 No Brokers. None of Purchaser or any of its Subsidiaries is obligated under any Contract that would result in the obligation of Thomson or its Affiliates to pay any finder's fee, brokerage or agent's commission in connection with the negotiations leading to this Agreement or the consummation of the purchase and sale of the Equity Interests or the Transferred Assets.

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ARTICLE V ADDITIONAL AGREEMENTS

Section 5.1 Access and Investigation. Between the Effective Date and the Closing Date and upon reasonable advance notice from Purchaser, Thomson will, and will cause each Thomson Accessories Entity and its Representatives to, afford Purchaser and its Representatives reasonable access during normal business hours to such Thomson Accessories Entities' personnel, properties, Contracts, books and records and other financial, operating and other data and information related to the Business as Purchaser may reasonably request. All information obtained by Purchaser and its Representatives pursuant to this Section 5.1 shall be kept confidential in accordance with the Confidentiality Agreement and Section 5.16. Notwithstanding the foregoing, none of Thomson or any Thomson Accessories Entity shall be required to provide access to any information, property or personnel if (a) such party believes in good faith that such access is subject to any confidentiality obligations or would be reasonably likely to jeopardize such party's attorney-client, work product or similar legal privilege; (b) any applicable Law, in the good faith judgment of such party, may require such party to restrict or prohibit access to any such information, properties or personnel; or (c) such access would unreasonably disrupt the businesses and operations of such party. Prior to the Closing (x) none of Purchaser, its Affiliates or its Representatives shall contact or communicate, directly or indirectly, with any customer of the Business for the purpose of discussing the Business or the Contemplated Transactions without, in each such instance, obtaining the express prior written consent, which shall not be unreasonably withheld, of Thomson and permitting Thomson to fully participate in any and all conferences, telephone conversations and other communications between Purchaser, its Affiliates or Representatives and any such customer and (y) Purchaser shall, and shall cause its Affiliates or Representatives to, promptly provide Thomson with copies of all written and electronic communications between such Persons and any such customer relating to the Business or the Contemplated Transactions.

Section 5.2 Conduct of the Business Prior to Closing.

(a) Except as otherwise expressly contemplated by this Agreement or as set forth in Section 5.2 of the Business Disclosure Schedule, between the Effective Date and the Closing Date, Thomson will, and will cause each Thomson Accessories Entity to, (i) conduct the Business in all material respects in the ordinary course of business, consistent with past practice and in accordance with applicable Law with no less diligence and effort than would be applied in the absence of this Agreement, (ii) continue its advertising and promotional activities, and pricing and purchasing policies, in accordance with past practice, and (iii) use commercially reasonable efforts to (A) preserve intact in all material respects the current business organization of the Thomson Accessories Entities and (B) maintain relations and goodwill with suppliers, customers, landlords and creditors of the Business in the ordinary course of business consistent with past practice.

(b) Except as otherwise contemplated by this Agreement or as set forth in Section 5.2 of the Business Disclosure Schedule, between the Effective Date and the Closing Date, Thomson will not, and will cause the Thomson Accessories

Entities to not, without the prior written consent of Purchaser, which will not be unreasonably withheld or delayed:

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(i) terminate, amend in any material respect, or waive any material rights under any Listed Agreement, Intellectual Property Agreement or material Governmental Authorization to which U.S. NewCo is a party to or, as contemplated by an Asset Transfer Agreement, that will be transferred to Purchaser on or prior to Closing;

(ii) permit U.S. NewCo to enter into any new agreements of the kind described in Section 3.12(a);

(iii) amend or otherwise modify the Governing Documents of U.S. NewCo;

(iv) issue, sell, contract to issue or sell, pledge, dispose of, grant, encumber or authorize the issuance, sale, pledge, disposition, grant or encumbrance of (A) any equity interests of U.S. NewCo (except for shares issued to Thomson Inc. in consideration of the transfer of assets to U.S. NewCo), (B) any options, warrants, convertible securities or other rights of any kind to acquire any equity interest, or any other ownership interest, of U.S. NewCo, or (C) any portion of the assets of U.S. NewCo;

(v) permit U.S. NewCo to acquire by merging or consolidating with, by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire any assets;

(vi) reclassify, combine, split, subdivide, redeem, purchase or otherwise acquire, directly or indirectly, any of the capital stock or other securities of U.S. NewCo;

(vii) adopt or amend in any material respect any Business Benefit Plan or enter into or adopt any collective bargaining agreement with any labor union or similar organization that applies to, or covers, primarily Business Employees, except, in each case, as required by Law;

(viii) enter into or amend in any material respect any Employment Agreement with any Business Employee or permit U.S. NewCo to enter into any Employment Agreement with any person;

(ix) grant any bonus to any Business Employee, except as required by Contracts that have been disclosed to Purchaser in Section 3.16 of Business Disclosure Schedule, or pursuant to and consistent with existing Business Benefit Plans;

(x) grant to any Business Employee any increase in compensation, except in the ordinary course of business consistent with past practice or as may be required under existing agreements, any renewal of an existing agreement or any Business Benefit Plans;

(xi) change any method or principle of accounting that would reasonably be expected to adversely affect the Business except to the extent required by IFRS as advised by Thomson's regular independent accountants;

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

(xiii) permit any of the Insurance Policies to expire, or to be canceled or terminated, unless a comparable insurance policy reasonably acceptable to Purchaser is obtained and put in effect;

(xiv) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Thomson Accessories Entities, or otherwise permit the corporate existence of the Thomson Accessories Entities or the material rights or franchises or any license, permit or authorization under which the Business operates to be suspended, lapsed or revoked;

(xv) incur or commit to any capital expenditures in respect of

U.S. NewCo;

(xvi) permit U.S. NewCo to enter into any transactions with Thomson or any Thomson Accessories Entities, except as expressly permitted under this Agreement or the Ancillary Agreements;

(xvii) permit U.S. NewCo to create, incur, assume or guarantee any Indebtedness;

(xviii) sell, assign, abandon, allow to lapse, transfer, license, or dispose of, in whole or in part, any of the RCA Marks, Recoton Marks, Recoton Marks (Other Fields), Domain Names and the rights under the Tora Trademark License Agreement;

(xix) issue any purchase orders or sales orders, in each case relating to the Business, involving in excess of One Million One Hundred Thousand Dollars (\$1,100,000.00) individually or Eight Million Five Hundred Thousand Dollars (\$8,500,000.00) in the aggregate;

(xx) otherwise conduct the Business outside the ordinary course of business consistent with past practice; or

(xxi) agree to do any of the foregoing.

(c) Notwithstanding any other provision of this Agreement to the contrary, on or prior to the Closing Date, Thomson or any of its Subsidiaries (i) may cause the Thomson Accessories Entities to pay out, distribute or otherwise transfer any cash held or controlled by the Thomson Accessories Entities to Thomson or any Subsidiary of Thomson, (ii) may take such steps as are necessary or appropriate to effect the U.S. Restructuring and the Asset Transfers as contemplated by this Agreement, and (iii) may enter into or extend agreements with customers that require an inventory buyback or marketing program with hard funding; provided that Thomson shall provide notice to any of Pat Lavelle, Michael Stoehr or Tom Malone of Purchaser if Thomson enters into any such agreements that require (x) inventory buybacks in excess of

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Fifty Thousand Dollar (\$50,000) or (y) marketing programs with hard funding in excess of Fifty Thousand Dollar (\$50,000).

Section 5.3 Consents; Approvals.

(a) Thomson and Purchaser shall coordinate and cooperate with one another and shall each use its commercially reasonable efforts to obtain (and shall each refrain from taking any willful action that would impede or delay obtaining) all consents, waivers, approvals, authorizations or orders needed to consummate the Contemplated Transactions; provided that, except as provided in paragraph (b) below, each of Thomson and Purchaser shall pay one half of any payments necessary to obtain consents, waivers, approvals, authorizations or orders of third parties needed to consummate the Contemplated Transactions.

(b) Subject to Section 5.3(c), each Party shall, if required:

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

(ii) take promptly all other actions and do all other things reasonably necessary and proper to avoid, resolve or eliminate each and every impediment under any antitrust Law that may be asserted by any Governmental Antitrust Authority or any other party to the consummation of Purchaser's acquisition of the Equity Interests and the Transferred Assets in accordance with the terms of this Agreement and the Ancillary Agreements.

(c) Notwithstanding anything contained in this Agreement, neither Party nor any of their Affiliates shall be required to:

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

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

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

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

(v) agree to do any of the foregoing.

(d) Except where prohibited by applicable Law, and subject to the Confidentiality Agreement, Thomson and Purchaser shall, and shall cause their Affiliates and their officers to, coordinate with one another in preparing and exchanging such information and shall promptly provide the other (or its counsel) with copies of all filings, presentations and submissions made by such Party or its Affiliates with any Governmental Authority in connection with this

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Agreement or the Contemplated Transactions. Each of Thomson and Purchaser shall timely make, or cause to be made, all necessary filings with Governmental Authorities.

Section 5.4 Notification. Thomson shall give prompt notice to Purchaser, and Purchaser shall give prompt notice to Thomson, of (a) the occurrence or non-occurrence of any event after the Effective Date, the occurrence or non-occurrence of which would cause any representation or warranty made by such Party in this Agreement to be materially untrue or inaccurate, and (b) any failure of Thomson or Purchaser, as the case may be, to materially comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it after the Effective Date, provided that the delivery of, or failure to deliver, any notice pursuant to this Section 5.4 shall not otherwise affect the remedies available hereunder.

Section 5.5 No Negotiation. Following execution of this Agreement and up until the Closing, Thomson will, and will cause its Representatives to, discontinue any negotiations with any Person (other than Purchaser and its Subsidiaries) relating to any sale of any portion of the Transferred Assets or the Equity Interests (other than sales in the ordinary course of business). Except for sales of Excluded Assets, until such time, if any, as this Agreement is terminated pursuant to Article VII or the Closing occurs, Thomson will not, and will instruct its Representatives to not, solicit, initiate or encourage any inquiries or proposals from, or negotiate with, any Person (other than Purchaser) relating to any such transaction involving the sale of the Transferred Assets or the Equity Interests.

Section 5.6 Trademarks, Brand Names, Etc. Except as provided in the Transition Services Agreement, as set forth in the last sentence of this Section 5.6 or as provided in any agreement entered into between Thomson or its Affiliates (other than U.S. NewCo), on the one hand, and Purchaser or its Affiliates, on the other hand, as promptly as reasonably practicable, but no longer than 30 days after the Closing Date, Purchaser shall, and shall cause its Subsidiaries (including U.S. NewCo) to remove or cease the use of the name "Thomson" and any trademarks, trade names, brandmarks, brand names, trade dress or logos incorporating to such name ("Thomson Names") from all product or other packaging, Internet sites, labels, stationery or office forms received in connection with the Contemplated Transactions. Thereafter, except as provided in the Transition Services Agreement or any agreement entered into between Thomson or its Affiliates (other than U.S. NewCo), on the one hand, and Purchaser or its Affiliates, on the other hand, Purchaser shall neither use nor permit or suffer any of its Affiliates to use such name or trademark, trade name, brandmark, brand name, trade dress or logo incorporating such name in connection with U.S. NewCo, the Business or otherwise. Notwithstanding the above, (x) for the 12 month period following the Closing Date, Purchaser may sell inventory (and packaging thereof) containing the "Thomson Names" that was included in the Transferred Assets, and (y) such 12 month period shall be extended for an additional 6 months with respect to any Inventory purchased from Thomson pursuant to Section 5.20.

Section 5.7 Further Action. Except as otherwise provided herein, each of the Parties shall use its reasonable efforts to take, or cause to be taken, all appropriate action, to do or cause to be done all things necessary, proper or advisable under applicable Law, and to execute and deliver such documents and other papers, as may be required to transfer, convey, grant and confirm to and vest in Purchaser good title to the Equity Interests and the Transferred Assets free and clear of all Liens (other than Permitted Liens), purchase options, calls or similar third party

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rights; provided, however, that no Party shall be required to make any additional representations or warranties, or to incur any material out-of-pocket expense or exposure to material legal liability pursuant to this Section 5.7.

Section 5.8 Tax Matters.

(a) Whenever it is necessary for purposes of this Agreement to determine the liability for Taxes of U.S. NewCo for the Pre-Closing Portion of the Straddle Period, the determination shall be made by assuming that such Straddle Period ended at the close of the Closing Date, and by assuming that the taxable year of any pass-through entity owned by U.S. NewCo ended at the close of the Closing Date. In the case of property Taxes, other than Taxes and deductions or allowances which apply ratably to a taxable period, the amount of Taxes allocable to the Pre-Closing Portion of a Straddle Period shall equal the Taxes for the Straddle Period multiplied by a fraction, the numerator of which shall be the number of days in the Straddle Period up to and including the Closing Date, and the denominator of which shall be the total number of days in the Straddle Period.

(b) Thomson shall prepare and timely file, or cause to be prepared and timely filed when due (including extensions), any Tax Return of U.S. NewCo that may be required to be filed for periods ending on or before the Closing Date, excluding any Straddle Period. Any such Tax Return shall be prepared in accordance with past Tax accounting practices used with respect to the Tax Return in question (unless such practices are no longer permissible under applicable Tax law). Any such Tax Return shall reflect the allocation of the Purchase Price among the ETHC Interest, the Transferred Assets and any other assets acquired under this Agreement or the Ancillary Agreements in accordance with Schedule B, as further provided in Section 2.7, in accordance with Code Section 1060 and the Treasury Regulations thereunder (and any similar provisions of state or local law, as appropriate).

(c) Except as provided in Section 5.8(b), Purchaser shall prepare and timely file, or cause to be prepared and timely filed when due (including extensions), any Tax Return of U.S. NewCo for periods ending after the Closing Date, including any Straddle Period. Any Tax Return for a Straddle Period shall be prepared in accordance with past Tax accounting practices used with respect to the Tax Return in question (unless such practices are not permissible under applicable Tax law), and to the extent any items are not covered by past practices (or in the event such past practices are not permissible under applicable Tax law), in accordance with reasonable Tax accounting practices selected by Purchaser with the consent (not to be unreasonably withheld or delayed) of Thomson. Purchaser shall provide Thomson with a copy of such Tax Return for review and comment at least thirty (30) Business Days prior to the filing of such Tax Return (or, if required to be filed within thirty (30) Business Days of Closing, as soon as possible following Closing), accompanied by a statement (a "Straddle Period Statement") setting forth and calculating in reasonable detail the Taxes shown as due on such Tax Return which are allocable to the Pre-Closing Portion of such Straddle Period.

(d) If Thomson disagrees with the manner of preparation of a Tax Return for a Straddle Period, or with the amount of Taxes calculated as allocable to the Pre-Closing Portion of the Straddle Period (as shown on the Straddle Period Statement), within thirty (30) Business Days of the receipt of the Tax Return for the Straddle Period and the Straddle Period Statement

Thomson may provide to Purchaser a notice of such dispute (a "Tax Statement Dispute"). If Thomson does not provide a notice of Tax Statement Dispute within such thirty (30) Business Day period, Thomson shall be deemed to have accepted the Tax Return and the Straddle Period Statement for purposes of Section 5.8(f). If Thomson provides Purchaser with a notice of Tax Statement Dispute, Thomson shall also provide to Purchaser a proposed revision of such Tax Return, a statement setting forth and calculating in reasonable detail the Taxes allocable to the Pre-Closing Portion of the Straddle Period, and a written explanation of the reasons for its adjustment. Thomson and Purchaser shall attempt to resolve their disagreement within five (5) Business Days following Thomson's notification of a Tax Statement Dispute. If Thomson and Purchaser are unable to resolve their differences within fifteen (15) Business Days, each of Thomson and Purchaser shall select a Tax expert from a nationally recognized accounting firm or law firm knowledgeable in the area of the dispute, and such experts shall attempt to resolve the differences. Each Party shall be responsible for the costs and fees of its Tax expert. If Thomson and Purchaser are unable to resolve their differences through their Tax experts, the dispute shall be submitted to an accounting firm, mutually selected by Thomson and Purchaser, whose determination shall be final and binding on the Parties. The fees and expenses

of such accounting firm shall be borne fifty percent (50%) by Thomson and fifty percent (50%) by Purchaser.

(e) Subject to the dispute resolution provisions in this Section 5.8, Thomson shall pay or cause to be paid to Purchaser an amount equal to Taxes of U.S. NewCo attributable to the Pre-Closing Portion of any Straddle Period (collectively, "Pre-Closing Taxes"), except to the extent such Pre-Closing Taxes (i) are payable by Purchaser pursuant to Section 5.10, (ii) are reflected in the reserve for Tax liability shown on the face of the Closing Balance Sheet, or (iii) have been previously paid by U.S. NewCo All such payments shall be made no later than twenty (20) Business Days after Purchaser has provided notice of such Taxes to Thomson.

(f) Neither Purchaser nor U.S. NewCo shall file any amended Tax Return with respect to U.S. NewCo for any period ending on or before the Closing Date or the Straddle Period without the prior written consent of Thomson (not to be unreasonably withheld or delayed), except as required under applicable Law.

(g) Purchaser and Thomson further agree, upon request, to use reasonable efforts to obtain any certificate or other document from any Governmental Authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed; provided that obtaining such certificate or other document may not reasonably be expected to adversely affect Purchaser, U.S. NewCo or Thomson.

(h) Thomson and its Affiliates and Purchaser and its Affiliates shall cooperate fully, as and to the extent reasonably requested by the other Party, in connection with the filing of Tax Returns (including amendments of Tax Returns), the determination of any liabilities for Taxes, and any audit, litigation or other proceeding with respect to Taxes.

Section 5.9 Additional Tax Covenants. The Parties intend the formation of U.S. NewCo. after the date hereof and prior to the Closing, the transfer of the Transferred Assets (U.S.) and the Transferred Liabilities (U.S.) to U.S. NewCo and the sale of the outstanding shares of capital stock of U.S. NewCo contemplated by and pursuant to this Agreement to be

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treated as a sale of assets for U.S. federal income tax purposes, and not as a transaction governed by Section 351 of the Code and similar provisions of state law. The Parties agree to file all relevant Tax Returns (including amended returns and claims for refund) and information reports in a manner consistent with this position, and to use their reasonable best efforts to support and justify such position in any Tax audit or Tax dispute.

Section 5.10 Transfer Taxes. Notwithstanding anything to the contrary in this Agreement, Purchaser shall pay to Thomson the full amount of any transfer, documentary, sales, use, stamp, registration and such other Taxes, and any conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with the consummation of the purchase of the Equity Interests and the Transferred Assets, Thomson shall remit such amount to the applicable taxing authority and Thomson shall reimburse Purchaser for fifty percent (50%) of such amount; provided that, with respect to any goods and services Tax ("GST") incurred in Canada in connection with the consummation of the purchase of the Transferred Assets (Canada), Purchaser shall pay the full amount of such GST to Thomson, and Thomson shall have no obligation to reimburse Purchaser for any amount of such GST.

Section 5.11 Employee Matters.

(a) United States.

(i) Not less than fifteen (15) days before the Closing Date, Purchaser shall offer each of the Business Employees in the United States employed by Thomson on the Closing Date employment by Purchaser or any of its Subsidiaries or U.S. NewCo on the Closing Date (the Business Employees who accept such offer are referred to collectively as the "U.S. Transferred Employees") with base salary, wage and commission which are no less favorable than that provided by the applicable Thomson Accessories Entity on the date of the offer. In addition, if Purchaser terminates the employment of any U.S. Transferred Employee after Closing, Purchaser shall pay to such U.S. Transferred Employee severance benefits under the terms of Purchaser's severance plan as in effect from time-to-time and giving service credit to such employee for his or her years of service at Thomson or its Subsidiaries.

(ii) Purchaser shall, or shall cause its Subsidiaries or U.S. NewCo to, adopt, maintain or otherwise make available employee benefit plans and

employee fringe benefit programs, policies or arrangements (such plans, programs, policies and arrangements, the "Purchaser Plans") to all U.S. Transferred Employees on the same terms generally applicable to Purchaser's existing employees. To the extent permitted by Law, for purposes of all Purchaser Plans under which a U.S. Transferred Employee's eligibility for benefits depends, in whole or in part, on length of service, credit will be given to such U.S. Transferred Employee for service with Thomson and its Subsidiaries (including service with a predecessor employer to the extent such service was credited by Thomson) prior to the Closing; provided that such service credit does not result in duplication of benefits. Thomson shall retain responsibility for and continue to pay all medical, life insurance, disability and other expenses relating to claims for welfare benefits for each U.S. Transferred Employee with respect to claims incurred by such U.S. Transferred Employee or his or her covered dependents on or prior to the last day of the month in which the Closing occurs. Purchaser shall be responsible for all expenses and benefits with respect to claims incurred by U.S. Transferred Employees or their covered dependents on or after

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the first day of the month following the month in which the Closing occurred. For purposes of this Section 5.11(a)(ii), a claim is deemed incurred: (i) in the case of a claim for medical or dental benefits, when the services are performed, the supplies are provided or medication is prescribed, and not when the condition at issue arose; (ii) in the case of life insurance, when the death occurs; (iii) in the case of long-term disability benefits, when the disability occurs; and (iv) in the case of workers compensation benefits, when the event giving rise to the benefits occurs. All vacation, sickness, leave, and personal days accrued by the U.S. Transferred Employees prior to the Closing Date shall be honored by Purchaser, its Subsidiaries and/or U.S. NewCo unless the cash value of such vacation, sickness, leave and personal days is paid to such U.S. Transferred Employer by Thomson.

(iii) Purchaser shall cause, to the extent permitted by applicable Law, the applicable Purchaser Plan to accept eligible rollover distributions (as defined in Section 402(c)(4) of the Code) from U.S. Transferred Employees with respect to any account balances distributed on or as of the Closing Date by the applicable Business Benefit Plans. The distributions and rollovers described herein shall comply with applicable Law, and each Party shall make all filings and take any actions required of such Party under applicable Law in connection therewith.

(iv) With respect to all U.S. Transferred Employees who are "M&A Qualified Beneficiaries" (as defined in Section 54.4980B-9 Q&A-4(a) of the Treasury Regulations), Purchaser shall provide the notice required by Section 4980B(f)(6) of the Code and shall make available to such individuals continuation coverage under a group health plan maintained by Purchaser, as provided by Section 54.4980B-9 Q&A-7 of the Treasury Regulations. With respect to all Business Employees who are not U.S. Transferred Employees, but who are "M&A Qualified Beneficiaries" (as defined in Section 54.4980B-9 Q&A-4(a) of the Treasury Regulations) Thomson shall provide the notice required by Section 4980B(f)(7) of the Code and shall make available to such individuals continuations coverage under a group health plan maintained by Thomson, as provided in Section 54.4980B-9 Q&A-7 of the Treasury Regulations.

(b) Canada

(i) Not less than fifteen (15) days before the Closing Date, Purchaser shall offer, or cause to be offered, to each of the Business Employees in Canada employed by Thomson Canada on the Closing Date employment by Purchaser or any of its Subsidiaries on the Closing Date (the Business Employees who accept such offer are referred to collectively as the "Canada Transferred Employees") with base salary, wage and commission which are no less favorable than that provided by the applicable Thomson Accessories Entity on the date of the offer. In addition, if Purchaser terminates the employment of any Canada Transferred Employee after Closing, Purchaser shall pay to such Canada Transferred Employee severance benefits under the terms of Purchaser's severance plan as in effect from time-to-time and giving service credit to such employee for his or her years of service at Thomson or its Subsidiaries.

(ii) Purchaser shall, or shall cause its Subsidiaries to, adopt, maintain or otherwise make available the Purchaser Plans to all Canada Transferred Employees on the same terms generally applicable to Purchaser's existing employees. To the extent permitted by

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Law, for purposes of all Purchaser Plans under which a Canada Transferred Employee's eligibility for benefits depends, in whole or in part, on length of service, credit will be given to such Canada Transferred Employee for service with Thomson and its Subsidiaries (including service with a predecessor employer to the extent such service was credited by Thomson) prior to the Closing; provided that such service credit does not result in duplication of benefits. Thomson shall retain responsibility for and continue to pay all medical, life insurance, disability and other expenses relating to claims for welfare benefits for each Canada Transferred Employee with respect to claims incurred by such Canada Transferred Employee or his or her covered dependents on or prior to the last day of the month in which the Closing occurs. Purchaser shall be responsible for all expenses and benefits with respect to claims incurred by Canada Transferred Employees or their covered dependents on or after the first day of the month following the month in which the Closing occurred. For purposes of this Section 5.11(b)(ii), a claim is deemed incurred: (i) in the case of a claim for medical or dental benefits, when the services are performed, the supplies are provided or medication is prescribed, and not when the condition at issue arose; (ii) in the case of life insurance, when the death occurs; (iii) in the case of long-term disability benefits, when the disability occurs; and (iv) in the case of workers compensation benefits, when the event giving rise to the benefits occurs. All vacation, sickness, leave, and personal days accrued by the Canada Transferred Employees prior to the Closing Date shall be honored by Purchaser and/or its Subsidiaries unless the cash value of such vacation, sickness, leave and personal days is paid to such Canada Transferred Employee.

(c) Asia

(i) Purchaser shall offer, or cause to be offered, each of the Business Employees employed by Thomson Hong Kong, Thomson Shenzhen and Thomson Malaysia on the Closing Date and set forth on Schedule 3.17(a) of the Business Disclosure Schedule (the Business Employees who accept such offer are referred to collectively as the "Asian Transferred Employees") employment by Purchaser or a Subsidiary thereof on the Closing Date on wage, bonus and other terms and conditions which are no less favorable than those provided by the applicable Thomson Accessories Entity on the date of the offer (the "Current Terms"). If, instead of establishing an entity in any applicable jurisdiction, Purchaser engages any third-party employment service provider in connection with the employment of any Asian Transferred Employee, Purchaser shall execute any agreement or other document necessary to comply with any applicable Law and the provisions of this Section 5.11(c).

(ii) Not less than fifteen (15) days before the Closing Date (or such longer period as may be required under applicable Law or under their contracts of employment set forth on Section 3.17(c) of the Business Disclosure Schedule), Thomson and the Purchaser will jointly inform each of the Asian Transferred Employees in writing of the sale of the business hereby agreed and will issue a joint letter in substantially the form attached as Exhibit F-1, F-2, and F-3 to each Asian Transferred Employee giving notice that his or her employment with Thomson will end and containing an offer by the Purchaser of employment of such employee on terms and conditions no less favorable than the Current Terms.

(iii) With respect to each Business Employee set forth on Schedule G, the Parties agree that they shall cooperate to offer employment to such Business Employee on the terms and conditions set forth on Schedule G with respect to such Business Employee.

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(d) If any Business Employee ceases to be employed by the Thomson Accessories Entities prior to Closing, Thomson shall have no obligation to replace such individual.

(e) Nothing in this Section 5.11 is intended prior to Closing to alter the terms and conditions or character of any existing employment relationship between any Thomson Accessories Entity or Thomson or any of its Affiliates, on the one hand, and any Business Employee, on the other hand.

Section 5.12 Post-Closing Assistance.

(a) Purchaser and Thomson shall cooperate with each other, and shall cause their Representatives to cooperate with each other for a period of 180 days after the Closing to ensure the orderly transition of each of U.S. NewCo, the Transferred Assets and Transferred Liabilities from Thomson to Purchaser and to minimize any disruption to the respective businesses of Thomson and Purchaser that might result from, the Contemplated Transactions.

(b) After the Closing, upon reasonable notice, Purchaser and Thomson shall furnish or cause to be furnished to each other and their Representatives reasonable access, during normal business hours, to such information and assistance relating to U.S. NewCo, the formation of U.S. NewCo, the U.S. Restructuring, the Transferred Operations, Transferred Assets and Transferred Liabilities, the Thomson Accessories Entities and the Business as is reasonably necessary for financial reporting and accounting matters, or the defense or prosecution of any litigation, arbitration or other dispute, or the preparation and filing of any Tax Returns, or complying with such Party's obligations under any audit request, subpoena or other investigative demand or the defense of any Tax audit, claim or assessment, or complying with obligations to provide customers with certain information relating to its account or any dispute related thereto, or complying with such Party's obligations under federal or foreign securities laws. Each Party shall make its Representatives (including, on the part of Purchaser, any Transferred Employees) available to the other Party to provide such reasonably requested information and assistance (including, if the employees that were principally responsible for preparing the financial statements of the Business are not employed by Purchaser, providing to Purchaser's auditors a management representation letter in form and substance reasonably acceptable to Thomson and Purchaser's auditors). Each Party shall reimburse the other for reasonable out-of-pocket costs and expenses incurred in assisting the other pursuant to this Section 5.12. Neither Party shall be required by this Section 5.12(b) to take any action that would unreasonably interfere with the conduct of its business or unreasonably disrupt its normal operations or result in any actual or potential breach of the Law or give rise to any other actual or potential compliance concern.

(c) If Purchaser or its Subsidiaries receive payment on any of the accounts receivable of the Business retained by Thomson, or Thomson or its Subsidiaries receive payment of any of the accounts receivable of the Business not retained by Thomson or otherwise related to the Business after Closing, Purchaser or Thomson, as applicable, shall, or shall cause its Subsidiary, as applicable, as soon as reasonably practicable to: (i) make payment of such funds to the bank account designated by such other Party from time to time and (ii) inform in writing the representative designated by such other Party of the amount and payor of the receivable to be transferred.

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(d) If either Party shall, from time to time, identify any Transferred Asset that was not transferred, or any asset which was not listed as a Transferred Asset but was transferred to Purchaser, each at the time of Closing, the Parties shall use reasonable best efforts to transfer those assets after Closing.

(e) As soon as reasonably practical after the Closing Date, Thomson shall deliver or cause to be delivered to Purchaser all agreements, documents, books, records and files, including records and files stored on computer discs or tapes or any other storage medium (collectively, "Records") in the possession of Thomson primarily relating to the operations of U.S. NewCo and the Transferred Assets; provided, however, that:

(i) Purchaser recognizes that certain Records may relate to Thomson or to Subsidiaries, divisions or assets of Thomson other than U.S. NewCo and the Transferred Assets and that Thomson may retain such Records and shall provide copies of the relevant portions thereof to Purchaser;

(ii) Thomson may retain (and not provide copies of) all Records prepared in connection with the sale of U.S. NewCo and the Transferred Assets, including bids received from other parties and analyses relating to the Business; and

(iii) Thomson may retain any Tax Returns and Purchaser shall be provided with copies of such Tax Returns only to the extent that they relate to separate Tax Returns or separate Tax liability of U.S. NewCo.

Section 5.13 Warranty Returns and Replacements.

(a) No later than 120 days after the Closing Date, (i) Thomson shall reimburse Purchaser for the amount, if any, by which (x) the amount charged by distributors and customers to Purchaser (or its Affiliates) (including as a result of set-offs against amounts due to Purchaser and its Affiliates) for the return or replacement of Accessories Products or Purchaser's replacement cost of such Accessories Products, in each case pursuant to Thomson's warranties for such products, which claims for returns or replacements are made during the period from the Closing Date to the date that is ninety (90) days after the Closing Date (the "Warranty Period") exceeds (y) the Warranty Reserve on the

Closing Balance Sheet or (ii) Purchaser shall reimburse Thomson for the lesser of (1) the amount, if any, by which the Warranty Reserve exceeds the aggregate amount calculated pursuant to Section 5.13(a)(x), and (2) the amount, if any, charged by distributors and customers to Thomson (or its Affiliates)(including as a result of set-offs against amounts due to Thomson and its Affiliates) for the return or replacement of Accessories Products pursuant to Thomson's warranties for such products, which claims are made during the Warranty Period.

(b) No later than 300 days after the Closing Date, Purchaser shall reimburse Thomson for the amount charged by distributors and customers to Thomson (or its Affiliates) (including as a result of set-offs against amounts due to Thomson and its Affiliates) for the return or replacement of Accessories Products or Thomson's replacement cost of such Accessories Products, in each case pursuant to Thomson's warranties for such products, which claims for returns or replacements are made during the period from the date that is the ninety-first day (91st)

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day after the Closing Date to the date that is six (6) months after the Closing Date (the "Post Warranty Period").

(c) Purchaser agrees that returns or replacements for the purposes of stock balancing and returns or replacements for any purposes other than bona fide warranty claims shall not apply to paragraphs (a) and (b) above and agrees not to invite any customer or distributor to engage in such practices, but shall carry on the warranty return policy of the Business in the ordinary course consistent with past practice.

(d) Within fifteen (15) days following the end of the Warranty Period, each Party (the "Reporting Party") shall furnish the other Party with a written report, or an electronic version of such report (each such report, a "Warranty Report"), if available, in a form mutually agreed upon by the Parties, specifying the number of units of each model of Accessories Product for which the Reporting Party and its Affiliates were charged by distributors and/or customers, during the Warranty Period, for the return or replacement thereof, or for which the Reporting Party or any of its Affiliates incurred replacements costs, separated by SKU and the applicable distributor/customer and indicating for each the reason for the return or replacement, the amounts paid to the distributor or customer and the replacement costs incurred.

(e) Within fifteen (15) days following the end of the Post Warranty Period, Thomson shall furnish Purchaser with a written report, or an electronic version of such report, if available, in a form mutually agreed upon by the Parties, specifying the number of units of each model of Accessories Product for which Thomson and its Affiliates were charged by distributors and/or customers, during the Post Warranty Period, for the return or replacement thereof, or for which Thomson or any of its Affiliates incurred replacements costs, separated by SKU and the applicable distributor/customer and indicating for each the reason for the return or replacement, the amounts paid to the distributor or customer and the replacement costs incurred.

(f) Each Party shall keep, and cause its Affiliates to keep, separate, true and accurate records, files and books of account containing all the data reasonably required for the full computation and verification of the amounts paid and the reports provided under this Section 5.13. Each Party shall permit, and shall cause its Affiliates to permit, during usual business hours and upon reasonable advance notice, the other Party or its duly authorized representatives adequately to inspect the same following the Warranty Period or the Post Warranty Period, as the case may be. In the event that such an inspection reveals an underpayment, the other Party shall immediately remit payment in the amount of the underpayment. A Party may dispute any amount or data contained in the Reporting Party's report required to be furnished pursuant to this Section 5.13. In the event of a dispute the Parties shall follow the procedures set forth in Section 2.6(f) with the reference to the phrase "the Closing Balance Sheet or the Closing Vacation Schedule or in the Net Working Capital calculation" deemed to be replaced by a reference to the applicable Warranty Report. All records, files and books required to be maintained under this Section 5.13 shall be retained for at least two (2) years after the end of the Post Warranty Period.

(g) Within fifteen (15) days after each month of the Warranty Period and the Post Warranty Period, each of Purchaser and Thomson, shall, as applicable, deliver to the other an aggregate summary report of the amount charged by distributors and customers to such Party (or

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its Affiliates) (including as a result of set-offs against amounts due to such Party and its Affiliates) for the return or replacement of Accessories Products to such Party or such Party's replacement cost of such Accessories Products in the prior month. Within fifteen (15) days after each month of the Post Warranty Period, Thomson shall deliver to the Purchaser an aggregate summary report of the amount charged by distributors and customers to Thomson (or its Affiliates) (including as a result of set-offs against amounts due to such Party and its Affiliates) for the return or replacement of Accessories Products to Thomson or Thomson's replacement cost of such Accessories Products in the prior month.

Section 5.14 Noncompetition Agreement.

(a) During the period commencing with the Closing Date and ending on the first anniversary of the Closing Date (the "Noncompetition Period"), Thomson shall not and shall cause its Subsidiaries and Affiliates to not engage in any "Competitive Activity" (as such term is defined below) anywhere in North America or South America.

(b) "Competitive Activity" shall mean engaging in the manufacture, marketing, sale or distribution of Accessory Products ("Competing Products"). For the purpose of this Section 5.14 only, the term "Accessory Products" shall mean such term as defined in Exhibit 2 of the RCA Trademark Assignment Agreement.

(c) Notwithstanding the foregoing or any other provision in this Agreement or any other Transaction Agreement to the contrary: (A) the licensing by Thomson or its Affiliates of Intellectual Property to Affiliates or unrelated third parties for the design, manufacture, marketing, sale or distribution of Accessory Products or otherwise shall be deemed to not be a Competitive Activity and shall not otherwise be prohibited or limited in any manner by reason of this Agreement or the other Transaction Agreements; (B) in the event that after the date hereof, any Person or group acquires control of Thomson, such Person's or group's Affiliates shall be deemed not to be Affiliates of Thomson for the purposes of this Section 5.14 and as such the activities of such Person or group and their Affiliates shall be deemed to not be a Competitive Activity and shall not otherwise be prohibited or limited in any manner by reason of this Agreement or the other Transaction Agreements; and (C) the sale of Accessories Products by Thomson in Chile and Mexico, including Thomson acting as a distributor for Purchaser in Chile and Mexico as contemplated hereby shall be deemed to not be a Competitive Activity and shall not otherwise be prohibited or limited in any manner by reason of this Agreement or the other Transaction Agreements.

(d) Notwithstanding the foregoing or any other provision in this Agreement or any other Transaction Agreement to the contrary, the following shall not constitute Competing Products:

- (i) (A) mobile, corded and cordless telephones, VoIP products, any other product that includes telephonic or voice communication technology or features, and any accessories designed or marketed for use in conjunction with mobile, corded and cordless telephones, or VoIP products; (B) wired or wireless headsets; microphones or speakers for use with telephones and VoIP products; keyboards, mice and other human interface products; (C)

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GPS or other navigation products; or (D) home monitoring and security automation products and systems (including sensors and security cameras); (E) personal health products; or (F) appliances and housewares (including refrigerators, microwaves, and dishwashers);

- (ii) cables, connectors and other wired or wireless interconnect products that are (A) specifically designed and marketed for use with (or to retrofit) a specific model or models of any products that are not Competing Products, and which accessories are not marketed as being compatible with other products (provided that, for avoidance of doubt, marketing of compatibility with industry standards and protocols is not precluded); and (B) bundled together or packaged with any product that is not a Competing Product at the time of their retail sale (including remote controls) and replacements, which are not generally marketed to the public;

- (iii) modulators/demodulators, hubs, routers, switches, gateways, or any product that tunes, receives, captures, records, stores, processes, edits, distributes, plays back, renders, projects or displays data or media retrieved over a wired or wireless network (including media streaming products such as IP radios), and other networking products (including the Media Bridge product);
- (iv) any product associated with satellite television reception, including satellite dishes, low noise blocks (LNBS), frequency translation modules (FTMs) and satellite channel routers (SCRs);
- (v) all products (A) sold or distributed to OEMs, network operators or content providers (including remote control products); (B) designed or manufactured for OEMs, network operators or content providers (whether sold or distributed at retail or to OEMs, network operators or content providers) (including remote control products); or (C) developed, produced, sold or marketed by Thomson's business units other than the Business for use in the office or the home office market;
- (vi) all products designed, manufactured, marketed, sold or distributed for the commercial, professional, educational or government markets;
- (vii) any content and any product which has as its primary function the sale or distribution of audio, video, audio/video or other content, whether sold or distributed on physical media or electronically (for example, without limitation, compact disc, video cassette and DVD);
- (viii) any product that is used, sold or distributed in connection with the provision of a service as part of the service provided;

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- (ix) any product that may include functions or apparatus that if such functions or apparatus were sold or distributed separately on a standalone basis would constitute a Competing Product, as long as the marketing of such product is not primarily based on such function or apparatus that would constitute a Competing Product;
- (x) any pre-recorded, recordable or re-writable media;
- (xi) any product based on Gyration's proprietary gyroscope technology; or
- (xii) any set top box.

(e) Notwithstanding the foregoing and for purposes of clarification, the provisions of this Section 5.14 shall not prevent Thomson or any of its Subsidiaries from: (i) beneficially owning up to five percent (5%), on a fully-diluted basis, of the total shares of all classes of stock outstanding of any entity having securities listed on the New York Stock Exchange, the American Stock Exchange or Nasdaq or listed or traded on any non-U.S. stock exchange of quotation service of similar standing, including, without limitation, the Euronext N.V.; and (ii) acquiring any assets used in, or Person engaged in, any Competitive Activity, provided that (A) such Competitive Activity does not represent in the aggregate in excess of ten percent (10%) of the profits derived from such assets or Person, or (B) if such Competitive Activity does represent in excess of ten percent (10%) of the profits derived from such Person or assets, such Person ceases or limits its conduct of the Competitive Activity, including by selling all or any portion of the business or assets relating to the Competitive Activity, within six (6) months of the closing date on which Thomson or its Subsidiary acquired its ownership interest in the Person or assets. Nothing contained herein shall prevent Thomson or any of its Subsidiaries from engaging in any activity other than the Competitive Activities.

(f) It is the understanding of the Parties that the scope of the covenants contained in this Section 5.14, both as to time and area covered, are necessary to protect the rights of Purchaser and the goodwill that is a part of the business to be acquired by Purchaser pursuant to this Agreement. It is the Parties' intention that these covenants be enforced to the greatest extent (but to no greater extent) in time, area and degree of participation as is permitted

by the law of that jurisdiction whose law is found to be applicable to any acts in reach of these covenants. These covenants shall be governed by and construed according to that law (from among those jurisdictions arguably applicable to this Agreement and those in which a breach of this Agreement is alleged to have occurred or to be threatened) which best gives them effect. The prohibitions in this Section 5.14 shall be deemed, and shall be construed as separate and independent agreements between Purchaser, on the one hand, and Thomson on the other. If any such agreement or any part of such agreement is held invalid, void or unenforceable by any court of competent jurisdiction, such invalidity, voidness or unenforceability shall in no way render invalid, void or unenforceable any other part of them or any separate agreement not declared invalid, void or unenforceable; and this Agreement shall in such case be construed as if the invalid, void or unenforceable provisions were omitted.

(g) The Parties agree that the covenants of Thomson not to compete contained in this Section 5.14 may be assigned by Purchaser to any Person to whom may be transferred the

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Business (as acquired by Purchaser under this Agreement) by the sale or transfer of all or substantially all the assets of the Business or otherwise. It is the Parties' intention that these covenants of Thomson shall inure to the benefit of any Person that may succeed to the Business (as acquired by Purchaser under this Agreement) with the same force and effect as if these covenants were made directly with such successor.

Section 5.15 Non-Solicitation of Employees. Except as expressly set forth in Section 5.11, each Party agrees that for a period of twelve (12) months from the date hereof, such Party shall not, either directly or indirectly, attempt to solicit, induce, recruit or encourage any of the other Party's (or its Subsidiaries') employees to leave their employment, or otherwise take away such employees, either for itself or for any other person or entity, provided that neither Party shall be restricted in any general solicitation for employees or public advertising of employment opportunities (including through the use of employment agencies) not specifically directed at the other Party's (or its Subsidiaries') employees, and provided further that no Party shall be restricted in hiring any such person who responds to any such general solicitation or public advertising on his or her own initiative and without solicitation by such Party in contravention of the above restriction.

Section 5.16 Confidentiality.

(a) For the avoidance of doubt, as set forth in Section 9.6, the Parties acknowledge and agree that, up to the Closing, any information provided or exchanged in connection with this Agreement and/or the negotiation of the Contemplated Transactions shall be governed by the Confidentiality Agreement.

(b) Within sixty (60) days after the Closing Date, Purchaser shall certify that it has returned to Thomson, or destroyed, all Evaluation Material (as defined in the Confidentiality Agreement) that does not relate to the Business (the "Non-Business Information"). To the extent that, notwithstanding the foregoing certification, Purchaser or any of its Affiliates retains any Non-Business Information, such Non-Business Information shall be protected as provided in the Confidentiality Agreement up to the Closing and, from and for a period of (2) years after the Closing, Purchaser shall, and shall cause its Affiliates to, (i) treat and hold as confidential all such information and materials and (ii) refrain from using and disclosing such information and materials.

(c) From and for a period of two (2) years after the Closing, Purchaser and Thomson shall, and shall cause their Affiliates to, (i) treat and hold as confidential any proprietary information provided or exchanged in connection with this Agreement and/or the negotiation of the Contemplated Transactions relating to both the Business and any other business or activities of Thomson and/or any of its Affiliates (the "Shared Confidential Information") and (ii) refrain from using and disclosing the Shared Confidential Information except to the extent in connection with its obligations under this Agreement or to the extent reasonably necessary to operate their respective businesses (which disclosures shall be subject to reasonably appropriate restrictions on further use and disclosure). Shared Confidential Information shall not include information which (a) is or becomes generally available to the public other than as a result of a breach of this Agreement by a Party or any of its Affiliates, (b) is or becomes available to a Party or any of its Affiliates on a non-confidential basis from a

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source other than the other Party and its Affiliates, provided that such Party or its Affiliate (as applicable) is not aware that such source is bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the other Party or any of its Affiliates, or (c) is independently developed by a Party or any of its Affiliates without use of any Shared Confidential Information or violation of any obligation hereunder, as evidenced by such Party's or its Affiliates' (as applicable) contemporaneous written records.

(d) From and for a period of two (2) years after the Closing, Thomson shall, and shall cause its Affiliates to, (i) treat and hold as confidential any proprietary information provided or exchanged in connection with this Agreement and/or the negotiation of the Contemplated Transactions relating exclusively to the Business (the "Business Confidential Information") and (ii) refrain from using and disclosing the Business Confidential Information except to the extent in connection with its obligations under this Agreement. Business Confidential Information shall not include information which (a) is or becomes generally available to the public other than as a result of a breach of this Agreement by Thomson or any of its Affiliates, (b) is or becomes available to Thomson or any of its Affiliates on a non-confidential basis from a source other than the Purchaser or any of its Affiliates, provided that Thomson or its Affiliate (as applicable) is not aware that such source is bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the Purchaser or any of its Affiliates, or (c) is independently developed by Thomson or any of its Affiliates without use of any Business Confidential Information or violation of any obligation hereunder, as evidenced by Thomson's or its Affiliates' (as applicable) contemporaneous written records.

(e) The Parties acknowledge and agree that the terms and conditions of this Agreement and the Ancillary Agreements may be disclosed in accordance with subpart (ii) of Section 5.16(f) below in connection with Purchaser's filings with the United States Securities and Exchange Commission. Otherwise and until disclosure of the relevant information is validly made pursuant to this Section 5.16, each Party will not, and will cause its Affiliates not to, at any time, disclose, directly or indirectly, any of the terms or conditions of this Agreement or any Ancillary Agreement unless permitted under Section 5.16(f).

(f) Notwithstanding the foregoing, each Party may disclose the terms and conditions of this Agreement or any Ancillary Agreement, or the confidential information referred to in paragraphs (b), (c) or (d) above: (i) to the extent permitted with the other Party's prior written consent; (ii) to the extent such disclosure is reasonably determined by such Party to be required by applicable Law, regulation, legal process or stock exchange regulation, in which case the disclosing Party shall give the other Party to the extent practicable reasonable advance notice of any such required disclosure and the reasonably opportunity to consult with such Party in advance of the disclosure; (iii) to the extent reasonably necessary in connection with the enforcement of its rights or satisfaction of its obligations hereunder; or (iv) in confidence to legal counsel, accountants and their advisors. Further, either Party may disclose the terms and conditions of this Agreement and/or any Ancillary Agreement, and/or the confidential information referred to in paragraph (c), in confidence to banks, financing sources, bona fide prospective merger or acquisition partners and their advisors.

Section 5.17 Asset Transfer Agreements.

(a) Canada. At the Closing, Thomson Canada and Audiovox Canada Ltd. shall enter into the Asset Transfer Agreement (Canada) in the form attached hereto as Exhibit A-2 (the terms of which are incorporated by reference herein) and cause the transfer of the Transferred Assets (Canada) to, and the assumption of the Transferred Liabilities (Canada) by, Audiovox Canada Ltd.

(b) EAP. At the Closing, European Audio Products (HK) Ltd. and a wholly owned Subsidiary of Purchaser organized under the law of Hong Kong or Malaysia shall enter into the Asset Transfer Agreement (EAP) in the form attached hereto as Exhibit A-3.1 (the terms of which are incorporated by reference herein), with only those changes that are required under the law of Hong Kong or Malaysia to effect such transfers, and cause the transfer of the Transferred Assets (EAP) to, and the assumption of the Transferred Liabilities (EAP) by, such wholly owned Subsidiary of Purchaser.

(c) Malaysia. At the Closing, Thomson Kulim Sdn. Bhd. and a wholly

owned Subsidiary of Purchaser organized under the law of Malaysia shall enter into the Asset Transfer Agreement (Malaysia) in the form attached hereto as Exhibit A-3.2 (the terms of which are incorporated by reference herein), with only those changes that are required under the law of Malaysia to effect such transfers, and cause the transfer of the Transferred Assets (Malaysia) to, and the assumption of the Transferred Liabilities (Malaysia) by, such wholly owned Subsidiary of Purchaser.

(d) Hong Kong and Shenzhen. At the Closing, the office furniture (i.e., desks and chairs) and the personal computers, if any, owned by Thomson and currently used primarily by the Asian Transferred Employees at the offices of Thomson Industry (Shenzhen) Co. Ltd. and Thomson Hong Kong Holdings Ltd. will be transferred to Purchaser pursuant hereto and the parties will enter into appropriate transfer documents, if necessary to effectuate such Transfer. The Parties agree that failure of the Parties to transfer such office equipment at the Closing will not delay the Closing of the other transactions contemplated hereby and, if such failure shall occur, such office equipment will be transferred as soon as practicable after the Closing.

Section 5.18 Accessory Products Filings. The Parties agree to cooperate reasonably with each other to identify the Accessory Products Filings (as defined in the RCA Trademark Assignment Agreement) for inclusion into Exhibit 6 of the RCA Trademark Assignment Agreement prior to the Closing Date. To the extent that there is any good faith disagreement regarding whether a specific registration or application is an Accessory Products Filing, and such disagreement cannot be resolved prior to the Closing Date, the Parties agree to resolve such disagreement as soon as practicable following the Closing Date. Nothing herein shall be construed to prohibit or prevent Purchaser from identifying any registration or application as an Accessory Products Filing at any time after the Closing Date, it being understood that Thomson has the right to disagree as to whether such newly identified registration or application is actually an Accessory Products Filing.

Section 5.19 Open Sales Order Schedule. Within one day after the first Business Day following the Closing Date, Thomson will deliver to Purchaser a list of all open sales orders and

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back orders relating to the Business as of the Closing Date (or, if the Closing Date is not a Business Day, the first Business Day thereafter), in either electronic or written format, identifying each customer, item, pricing, quantity and the location to which the product is being shipped. On the Closing Date, Thomson will deliver to Purchaser a list of all open purchase orders and carryover orders relating to the Business as of the Closing Date, in either electronic or written format, identifying each vendor, address of each vendor, item description, quantity and price.

Section 5.20 Accessories Inventory at Distributors and Manufacturers. Within six (6) months after Closing, Purchaser shall purchase from Thomson all inventories of Accessories Products that are in original packaging and are repurchased by Thomson under the terms of the Buyback Agreements; provided that such repurchases shall not apply as returns or cost of replacements of Accessories Products pursuant to Thomson's warranties pursuant to Section 5.13. Such purchases by Purchaser shall be at the full cost incurred by Thomson for such repurchases.

Section 5.21 Certain Inventory.

(a) With respect to the Canadian finished good inventory of "GE" branded Accessories Products, and pending purchase orders therefor, purchased by Audiovox Canada Ltd. pursuant to the Asset Transfer Agreement (Canada), Purchaser is hereby appointed as Thomson Canada's and its Affiliates' authorized distributor and reseller with respect to such inventory and Purchaser covenants and agrees that it will, and will cause Audiovox Canada Ltd. to, only resell such inventory in the form packaged and provided by Thomson Canada and/or its Affiliates and will not otherwise engage in any use of any "GE" trademark unless separately licensed. Returns and replacements by customers and distributors of the Business's inventory of "GE" branded Accessories Products located in Canada have been taken into account in determining the level of the Warranty Reserve.

(b) With respect to the U.S. and Canadian finished good inventory of "Gyration" branded Accessories Products, and pending purchase orders therefor, pursuant to any of the Asset Transfer Agreements, Purchaser is hereby appointed as Thomson's and its Affiliates' authorized distributor and reseller with respect to such inventory and Purchaser covenants and agrees that it will, and will cause its Affiliates to, only resell such inventory in the form packaged and provided by Thomson and/or its Affiliates and will not otherwise engage in

any use of any "Gyration" trademark unless separately licensed. Returns and replacements by customers and distributors of the Business' inventory of "Gyration" branded Accessories Products located in the U.S. and Canada have been taken into account in determining the level of the Warranty Reserve.

Section 5.22 Distribution Agreements. The Parties shall negotiate in good faith to enter into distribution agreements on or prior to Closing for the territories of Mexico and Chile pursuant to which Thomson shall act as the exclusive authorized distributor of Purchaser for Accessories Products in such territories, and which distribution agreements will permit Thomson to sell its remaining Accessories Products Inventory in Mexico and Chile, as those Inventories are not being transferred.

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Section 5.23 Trademark Filings. Notwithstanding anything to the contrary in any of the Ancillary Agreements:

(a) With respect to any Non-Thomson Filings for which Thomson or its Affiliate has, prior to the date hereof, initiated the process of (i) updating the record ownership to reflect Thomson or its Affiliate as the record owner, and (ii) updating the chain of title with respect to any unreleased security interests (in each case with respect to clauses (i) and (ii) as indicated in Section 3.15(a) of the Business Disclosure Schedule as "in progress" and under Section 3.15(b) of the Business Disclosure Schedule), Thomson shall complete such updates as soon as practicable and at its own cost and expense.

(b) With respect to all other Non-Thomson Filings, at the request of Purchaser at any time on or after the Closing, Thomson shall cooperate with Purchaser and use reasonable efforts to file and record all necessary documents to update the record ownership of such Non-Thomson Filings to reflect Thomson or its Affiliate as the record owner.

(i) With respect to any fees payable to applicable trademark registries or authorities in connection with such filings under this Section 5.23(b): (A) Thomson shall pay all such fees with respect to Mixed Filings (as defined in the RCA Trademark Assignment Agreement); (B) Purchaser shall pay all such fees with respect to Accessory Products Filings (as defined in the RCA Trademark Assignment Agreement); and (C) Purchaser shall pay all such fees with respect to the Recoton Marks and Recoton Marks (Other Fields).

(ii) In the event that Thomson or its Affiliate engages outside legal counsel in connection with such filings under this Section 5.23(b), Purchaser shall reimburse Thomson or its Affiliate for reasonable fees incurred by Thomson or its Affiliate for services rendered by such outside counsel directly in connection with such filings only if such outside counsel has been mutually agreed by the Parties (which agreement shall not be unreasonably withheld or delayed). For the avoidance of any doubt, Purchaser shall not be obligated to pay any fees for any outside counsel engaged by Thomson or its Affiliate, which counsel has not been mutually agreed hereunder.

(iii) With respect to Non-Thomson Filings for the Recoton Marks and the Recoton Marks (Other Fields) under this Section 5.23(b), Purchaser shall have the option, but not the obligation, on its own to file and record all necessary documents to update the record ownership of such Non-Thomson Filings. Thomson agrees to cooperate with Purchaser and agrees to provide all necessary documents to Purchaser in order for Purchaser to file for and complete such filings. Purchaser agrees to bear all costs and expenses for the filings made under this Section 5.23(b)(iii).

(iv) For the avoidance of any doubt, in the event that Purchaser requests Thomson or one of its Affiliates, or Thomson or one of its Affiliates is required, to file recordation of ownership or division or amendment with respect to a Non-Thomson Filing (that is not covered under Section 5.23(a) above) under the RCA Trademark Assignment Agreement, Recoton Trademark Assignment Agreement or Trademark Co-existence Agreement, then any update of ownership by Thomson or one of its Affiliates with respect to such Non-Thomson Filing, and the rights and obligations of the Parties with respect thereto, shall be governed under

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this Section 5.23(b) without the need for Purchaser to separately request an update of record ownership.

(v) For the avoidance of any doubt, in the event that Thomson or its Affiliate files and updates the record ownership of the Non-Thomson Filings on its own accord (and not upon the request of Purchaser), Purchaser shall have no obligation to pay for any costs or expenses associated with such filings. Thomson agrees to use reasonable efforts to notify Purchaser in the event that Thomson or its Affiliate makes any filing under this Section 5.23(b)(v).

(c) For purposes hereof, "Non-Thomson Filings" shall mean any trademark registration or application for registration included in the RCA Marks (as defined in the RCA Trademark Assignment Agreement), Recoton Marks and Recoton Marks (Other Fields) for which Thomson or an Affiliate of Thomson is not the current owner of record.

Section 5.24 Amendment or Waiver of Geise Non-Compete. At the Closing, Thomson shall cause to be amended the Agreement and General Release between Thomson Inc. and Conrad David Geise, or otherwise cause to be waived the non-competition provision of Section 14(b) of such Agreement and General Release, to permit Conrad David Geise to enter into an unrestricted employment relationship with Purchaser in connection with the Contemplated Transactions.

Section 5.25 RCA Filings in the U.S. and Canada. Notwithstanding anything to the contrary in any of the Ancillary Agreements:

(a) With respect to Mixed Filings (as defined in the Trademark Co-Existence Agreement) for the RCA Marks in the U.S. and Canada (the "U.S. & Canadian Mixed Filings"), the Parties agree as follows: (i) the Parties shall reasonably cooperate, prior to and after Closing, in good faith to prepare all necessary documents required to divide or amend, as applicable, the U.S. & Canadian Mixed Filings in order to effect the division of such Mixed Filings in their respective fields, it being understood that Purchaser shall first prepare such documents and neither Party shall unreasonably withhold or delay its consent with respect to such documents or any proposed modifications thereto; and (ii) Thomson shall file such documents with the U.S. Patent and Trademark Office and the Canadian Intellectual Property Office as soon as practicable following the Parties' agreement thereof, but in no event later than forty-five (45) calendar days immediately following the Closing.

(b) To the extent that there is no registration or application for the RCA Marks covering Accessory Products (as defined in the RCA Trademark Assignment Agreement) existing in the U.S. or in Canada (or if the existing registrations and/or applications cover some, but not all of Accessory Products (as defined in the RCA Trademark Assignment Agreement)), Purchaser may file an application to cover such products in the U.S. and/or Canada at anytime on or after the Closing; provided that, with respecting any filing made within thirty (30) days of the Closing Date, Purchaser shall provide notice of its intent to do so (together with a copy of the proposed filing) to Thomson no later than ten (10) Business Days prior to such filing.

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(c) Notwithstanding any other provisions of this Agreement or the Ancillary Agreements, compliance with this Section 5.25 shall not be a condition to Closing of the Contemplated Transactions and the Parties agree that they shall be obligated to consummate the Closing of the Contemplated Transactions as otherwise provided in this Agreement whether the Parties have complied with this Section 5.25 or not.

ARTICLE VI CONDITIONS TO CLOSING

Section 6.1 Conditions to Obligations of Each Party. The respective obligations of each party to effect the Contemplated Transactions shall be subject to the fulfillment on or before the Closing Date of the conditions that no proceeding shall have been commenced by any Governmental Authority against any Party seeking to restrain any material portion of the Contemplated Transactions (it being understood that any trademark assignment or domain name assignment under this Agreement or any Ancillary Agreement is material), and there shall not be in effect any Law or Governmental Order directing that any material portion of the Contemplated Transactions not be consummated or which has the effect of rendering it unlawful to consummate any material portion of the Contemplated Transactions.

Section 6.2 Additional Conditions to Obligations of Purchaser. The obligations of Purchaser to effect the Contemplated Transactions shall be subject to the fulfillment on or before the Closing of each of the following conditions:

(a) Representations and Warranties. (x) As of the Effective Date, the

representations and warranties of Thomson contained in this Agreement not modified by "materiality" or "material adverse effect" shall be true and correct in all material respects and the representations and warranties modified by "materiality" or "material adverse effect" shall be true and correct in all respects and (y) as of the Closing Date (i) those representations and warranties which address matters only as of a particular date shall remain true and correct as of such date; and (ii) the other representations and warranties of Thomson shall be true and correct, with the same force and effect as if made on and as of the Closing Date (without giving effect to any limitation as to "materiality" or "material adverse effect" set forth therein), in the aggregate, except (in each case of (i) and (ii)) where such failure to be so true and correct would not reasonably be expected to have a Business Material Adverse Effect, and Purchaser shall have received a certificate to such effect signed by an executive officer of Thomson.

(b) Agreements and Covenants. Thomson shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date, and Purchaser shall have received a certificate to such effect signed by an executive officer of Thomson.

(c) Absence of Material Adverse Effect. Since the date of the Interim Balance Sheet, except as set forth in the Business Disclosure Schedule, there shall not have occurred a Business Material Adverse Effect.

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(d) Ancillary Agreements. Purchaser shall have received duly executed counterparts by Thomson, RCA Trademark Management, U.S. NewCo or the appropriate Thomson Accessories Entity, as applicable, of each of the Ancillary Agreements, and each of such Ancillary Agreements shall be in full force and effect.

(e) U.S. Restructuring. Thomson Inc. and U.S. NewCo shall have effected the U.S. Restructuring.

(f) Delivery of Equity Interests. Thomson shall have delivered, or caused to be delivered, the Equity Interests to Purchaser.

(g) Liabilities. U.S. NewCo shall not be subject to, or bound by, any liability other than the Transferred Liabilities (U.S.).

Section 6.3 Additional Conditions to Obligations of Thomson. The obligations of Thomson to effect the Contemplated Transactions shall be subject to the fulfillment on or before the Closing of each of the following conditions:

(a) Representations and Warranties. The representations and warranties of Purchaser contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date (except (i) for changes contemplated by this Agreement and (ii) those representations and warranties which address matters only as of a particular date (which shall remain true and correct as of such date)) with the same force and effect as if made on and as of the Closing Date, and Thomson shall have received a certificate to such effect signed by an executive officer of Purchaser.

(b) Agreements and Covenants. Purchaser shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date, and Thomson shall have received a certificate to such effect signed by an executive officer of Purchaser.

(c) Ancillary Agreements. Thomson shall have received duly executed counterparts by Purchaser of each of the Ancillary Agreements, and each of such Ancillary Agreements shall be in full force and effect.

(d) Delivery of Purchase Price and Advance. Purchaser shall have delivered the Purchase Price as provided in Section 2.1 and the Advance.

ARTICLE VII TERMINATION

Section 7.1 Termination.

(a) This Agreement may be terminated at any time prior to the Closing:

(i) By the mutual written consent of Thomson and Purchaser;

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(ii) Upon ten (10) days' prior written notice, by either Thomson, on the one hand, or Purchaser, on the other hand, if the Closing shall not have occurred by February 2, 2007; provided that the right to terminate this Agreement under this Section 7.1(a)(ii) shall not be available to any party that is in material breach of or default under this Agreement or whose failure to fulfill any obligation under this Agreement shall have been the principal cause of, or shall have resulted in, the failure of the Closing to occur on or prior to such date;

(iii) Upon five (5) days' prior written notice, by either Thomson, on the one hand, or Purchaser, on the other hand, in the event that any Governmental Authority shall have issued an order, decree or ruling restraining, enjoining or otherwise prohibiting any of the Contemplated Transactions and such order, decree or ruling shall have become final and non-appealable; or

(iv) By either Party if the other Party has breached any of its representations, warranties or agreements hereunder, such breach would cause any conditions to Closing not to be satisfied, and such breach remains uncured for thirty (30) days after notice thereof has been delivered by the non-breaching Party.

(b) In the event of any termination pursuant to this Section 7.1:

(i) Purchaser shall return or destroy, and shall cause its Affiliates and Representatives to return or destroy, to Thomson all documents and other material received from Thomson or any of its Subsidiaries or any of their respective Representatives relating to the Contemplated Transactions, whether so obtained before or after the execution of this Agreement; and

(ii) All confidential information received by Purchaser, its Affiliates and their respective Representatives shall be treated in accordance with the Confidentiality Agreement, which shall remain in full force and effect notwithstanding the termination of this Agreement.

Section 7.2 Effect of Termination. Each Party's right of termination under Section 7.1 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies. In the event of termination of this Agreement as provided in Section 7.1, this Agreement shall forthwith become void and there shall be no liability on the part of any Party except that (a) this Article VII, and Article IX (Miscellaneous) shall survive any such termination and (b) nothing herein shall be deemed to release any Party from any liability for any breach by such Party of the terms and provisions of this Agreement or to impair the right of any Party to compel specific performance by any other Party of its obligations under this Agreement.

ARTICLE VIII INDEMNIFICATION

Section 8.1 Survival.

(a) The representations and warranties contained in this Agreement shall survive the Closing solely for the purposes of this Article VIII, and such representations and warranties

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shall terminate on the date that is fifteen (15) months after the Closing Date; provided, however, that the representations and warranties contained in Sections 3.1 (Organization, etc.), 3.2 (Authorization; Enforceability), 3.5 (Capitalization and Voting Rights), 3.18 (Tax Returns, Payments and Elections) and 3.23 (No Brokers) shall survive the Closing until thirty days after the expiration of the applicable statute of limitations period(s). Neither Purchaser nor Thomson shall have any liability whatsoever with respect to any such representations and warranties after such termination dates, except as provided in Section 8.1(b). The covenants and agreements (other than the representations and warranties) contained in this Agreement shall survive the Closing and shall continue until all obligations with respect thereto shall have been performed or satisfied or shall have been terminated in accordance with their terms.

(b) Any representation or warranty that would otherwise terminate shall continue to survive in respect of all Losses with respect to which notice is given pursuant to this Agreement prior to the end of the applicable survival period set forth in Section 8.1(a) until the matter is finally resolved.

Section 8.2 Indemnification.

(a) Subject to Section 8.5, after the Closing, Purchaser, its Subsidiaries, U.S. NewCo and their respective Affiliates, officers, directors, employees, agents, successors and assigns shall be indemnified and held harmless by Thomson for any and all liabilities, losses, damages, debts, obligations, claims, costs or expenses, interest, awards, judgments, orders, fines and penalties (including reasonable attorneys' fees and expenses) actually suffered or incurred by them (a "Loss"), to the extent such Losses arise out of or result from or relate to:

(i) the breach or inaccuracy of any representation or warranty made by Thomson contained in this Agreement or in any Ancillary Agreement other than the Transition Services Agreement (without taking into account any "materiality" or "material adverse effect" modifiers therein; provided that this clause will not apply to Section 3.11);

(ii) the breach or non-fulfillment of any covenant or agreement by Thomson contained in this Agreement or in any Ancillary Agreement other than the Transition Services Agreement;

(iii) any Excluded Liabilities;

(iv) the operation of the Business prior to the Closing (other than to the extent included in the Transferred Liabilities);

(v) any claim made under the Bulk Sales Act (Ontario) by a creditor of the Purchaser or any of its Subsidiaries as at the time of Closing who has status to bring such claim as a result of non-compliance with such act in connection with the transfer of the Transferred Assets (Canada); or

(vi) any non-compliance with section 6 of the Retail Sales Tax Act (Ontario) and any equivalent or corresponding provisions contained in any similar legislation.

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(b) Subject to Section 8.5, after the Closing, Thomson, its Subsidiaries and their respective Affiliates, officers, directors, employees, agents, successors and assigns shall be indemnified and held harmless by Purchaser for any and all Losses, to the extent such Losses arise out of or result from or relate to:

(i) the breach or inaccuracy of any representation or warranty made by Purchaser contained in this Agreement or in any Ancillary Agreement other than the Transition Services Agreement (without taking into account any "materiality" or "material adverse effect" modifiers therein);

(ii) the breach or non-fulfillment of any covenant or agreement by Purchaser contained in this Agreement or in any Ancillary Agreement other than the Transition Services Agreement;

(iii) any Transferred Liabilities; or

(iv) the operation of the Business after the Closing to the extent related to the Equity Interests, Transferred Assets or Transferred Liabilities.

(c) Any Party seeking indemnification under this Section 8.2 (an "Indemnified Party") shall as promptly as reasonably practicable give the Party from whom indemnification is being sought (an "Indemnifying Party") notice of any matter which such Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement stating the amount of the Loss, if known, and method of computation thereof, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises, provided that failure to give such notice shall not relieve the Indemnifying Party from liability hereunder except to the extent such failure results in a prejudice to the Indemnifying Party; provided, however, that this provision shall not apply to any notice delivered with respect to a representation or warranty that is delivered after the applicable survival period in Section 8.1(a).

(d) The obligations and liabilities of an Indemnifying Party under this Section 8.2 with respect to Losses arising from claims of any third party which are subject to the indemnification provided for in this Section 8.2 ("Third Party Claims") shall be governed by and contingent upon the following additional terms and conditions: if an Indemnified Party shall receive notice of any Third Party Claim, the Indemnified Party shall give the Indemnifying Party

notice of such Third Party Claim within ten (10) Business Days of the receipt by the Indemnified Party of such notice; provided, however, that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Section 8.2 except to the extent the Indemnifying Party is materially prejudiced by such failure; and provided further, that, if the failure to provide such notice results in any Loss or any monetary detriment to the Indemnifying Party, then any amount which the Indemnifying Party is otherwise obligated to pay the Indemnified Party pursuant to this Agreement shall be reduced by the amount of such detriment. The Indemnifying Party shall be entitled, but not obligated, to assume and control the defense of such Third Party Claim at its expense if it gives notice of its intention to do so to the Indemnified Party within 60 calendar days of the receipt of such notice from the Indemnified Party; provided that the Indemnified Party shall be entitled to retain its own counsel at its expense; and provided,

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further, that if there exists or is reasonably likely to exist a conflict of interest that would make it inappropriate in the reasonable judgment of the Indemnified Party for the same counsel to represent both the Indemnified Party and the Indemnifying Party, then the Indemnified Party shall be entitled to retain its own counsel, reasonably acceptable to Indemnifying Party, at the expense of the Indemnified Party (and any such reasonable attorney's fees and expenses would be considered a Loss to the extent provided by Section 8.2). If the Indemnifying Party does undertake the defense of such Third Party Claim, the Indemnified Party shall be entitled to retain its own counsel (any reasonable fees and expenses of such counsel would be considered a Loss to the extent provided by Section 8.2). If the Indemnifying Party exercises the right to undertake any such defense against any such Third Party Claim as provided above, the Indemnified Party shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably required by the Indemnifying Party. Similarly, if the Indemnified Party, directly or indirectly, is conducting the defense against any such Third Party Claim, the Indemnifying Party shall cooperate with the Indemnified Party in such defense and make available to the Indemnified Party all such witnesses, pertinent records, materials and information in the Indemnifying Party's possession or under the Indemnifying Party's control relating thereto as is reasonably required by the Indemnified Party. Neither the Indemnifying Party nor the Indemnified Party shall settle or compromise any Third Party Claim or consent to the entry of any judgment unless (i) the Indemnifying Party or the Indemnified Party, as the case may be, is given an unconditional written release by the claimant or plaintiff from all liability in respect of such Third Party Claim, (ii) such settlement, compromise or consent to the entry of judgment provides for monetary relief only, and (iii) the terms of the settlement would not result in any material adverse effect on such party's business or the business to be purchased pursuant to this Agreement. No Third Party Claim which is being defended in good faith by the Indemnifying Party in accordance with the terms of this Agreement shall be settled by the Indemnified Party without the prior written consent of the Indemnifying Party. The provisions of Section 8.3, and not this Section 8.2(d), shall apply with respect to Tax Claims.

Section 8.3 Tax Indemnification.

(a) Thomson and its Affiliates shall indemnify Purchaser and its Affiliates (including U.S. NewCo) and hold them harmless from all Losses arising out of or resulting from (i) any liability, obligation or commitment, whether or not accrued, assessed or currently due and payable, for any Taxes of U.S. NewCo for any period ending on or before the Closing Date (including the Pre-Closing Period of any Straddle Period) and (ii) any breach of a representation set forth in Section 3.18 (Tax Returns, Payments and Elections). For the avoidance of doubt, such indemnification shall not be subject to the limitations of Section 8.5.

(b) Notwithstanding the foregoing terms of Section 8.2 to the contrary, in the event that any Governmental Authority informs Thomson or any of its Affiliates, on the one hand, or Purchaser or any of its Affiliates, on the other hand, of any notice of a proposed audit or other dispute concerning an amount of Taxes with respect to which the other Party may incur liability hereunder, the Party so informed shall promptly (and in any case within ten (10) days) notify the other Party of such matter, by facsimile or e-mail, confirmed by regular, first-class mail. Such notice shall contain factual information (to the extent known) describing any asserted

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Tax liability in reasonable detail and shall be accompanied by copies of any notice or other documents received from any Governmental Authority with respect to such matter. If an Indemnified Party has knowledge of an asserted Tax liability with respect to a matter for which it may be indemnified hereunder and such party fails to provide the Indemnifying Party prompt notice of such asserted Tax liability, then the Indemnifying Party shall not be liable to the Indemnified Party to the extent that the Indemnifying Party is actually prejudiced as a result thereof.

(c) Thomson shall control any audits, disputes, administrative, judicial or other proceedings related to Taxes of U.S. NewCo ("Tax Claims") (i) which relate to periods ending on or prior to the Closing Date, (ii) which relate to the Pre-Closing Portion of any Straddle Period provided that Purchaser may, at its own expense, participate in such Tax Claim, or (iii) with respect to which Thomson may reasonably be expected to indemnify Purchaser. Purchaser shall control any other Tax Claims. Subject to the preceding sentence, in the event that an adverse determination may result in each Party having a responsibility for any amount of Tax under this Article VIII, each Party shall be entitled to fully participate in that portion of the proceeding relating to the Taxes for which it may incur liability hereunder. Each Party shall, upon request, promptly provide to the other Party or its designated Affiliate powers of attorney or similar authorizations necessary to permit such other Party, its Affiliates and Representatives to carry out the purposes of this Section 8.3(c). For purposes of this Section 8.3(c), the term "participate" shall include (i) participation in conferences, meetings or Proceedings with any Governmental Authority, the subject matter of which includes an item for which such Party may have liability hereunder, (ii) participation in appearances before any court or tribunal, the subject matter of which includes an item for which a Party may have liability hereunder, and (iii) with respect to matters described in the preceding clauses (i) and (ii), participation in the submission and determination of the content of the documentation, protests, memoranda of fact and law and briefs, and the conduct of oral arguments and presentations.

(d) Neither Purchaser nor Thomson shall agree to settle any Tax liability or compromise any claim with respect to Taxes, which settlement or compromise may materially affect the liability for Taxes hereunder of the other Party, without such other Party's consent, which consent shall not be unreasonably withheld or delayed; provided that use of losses or credits of any period ending on or before the Closing Date (including the Pre-Closing Portion of any Straddle Period) to offset liability for Taxes for any period ending on or before the Closing Date (including the Pre-Closing Portion of any Straddle Period) shall not be considered to materially affect the liability for Taxes of Purchaser.

Section 8.4 Tax Treatment. Any payments under this Article VIII shall be treated by the Parties hereto for Federal, state and local income Tax purposes (whether foreign or domestic) as a purchase price adjustment, except to the extent that a contrary treatment is required by applicable Law.

Section 8.5 Limits on Indemnification.

(a) No amount shall be payable by any Indemnifying Party pursuant to Section 8.2(a)(i) unless the aggregate amount of Losses indemnifiable by such Indemnifying

Party under Section 8.2(a)(i) exceeds an amount equal to Six Hundred and Fifty Thousand Dollars (\$650,000.00) (and then only to the extent of such excess).

(b) Notwithstanding anything to the contrary contained in this Agreement, the maximum amount of aggregate indemnifiable Losses which may be recovered from Thomson pursuant to Section 8.2(a)(i), other than Losses for breaches of the representations under Sections 3.15(a) and (b), shall be an amount equal to Five Million Dollars (\$5,000,000) (the "Indemnification Cap"), provided that Losses for breaches under Sections 3.15(a) and (b) may be recovered up to an additional Ten Million Dollars (\$10,000,000). The Indemnification Cap and the other limitation on liability in the prior sentence shall not apply to any indemnification obligation resulting from fraud.

(c) Notwithstanding anything to the contrary contained in this Agreement, neither Party shall be liable to the other Party for any punitive or exemplary loss or damage arising out of this Agreement; provided, however, that this paragraph (c) shall not be construed to preclude recovery by an Indemnified Party in respect of Losses directly incurred from Third Party Claims or for any consequential damages. The Parties shall mitigate their damages.

(d) The amount of an Indemnifying Party's liability under this Agreement shall be net of any applicable insurance proceeds actually received by, and that actually reduces the overall impact of the Losses upon, such Indemnified Party.

(e) In no event shall an Indemnifying Party be liable for any breach or inaccuracy of a representation or warranty or breach or non-fulfillment of any covenant under this Agreement or any Ancillary Agreement if and to the extent that the Indemnified Party's Losses arising from such breach, inaccuracy, or non-fulfillment were covered by the Purchase Price Adjustment in Section 2.6.

Section 8.6 Indemnification as Exclusive Remedy. Subject to the limitations set forth in this Article VIII, (a) the indemnification provided in Section 8.2(a) shall be Purchaser's exclusive remedy for any breach by Thomson of any representation, warranty or covenant contained herein and (b) the indemnification provided in Section 8.2(b) shall be Thomson's exclusive remedy for any breach by Purchaser of any representation, warranty or covenant contained herein, except in each case with respect to fraud. Notwithstanding the preceding sentence, each of the Parties acknowledges and agrees that the other Party would be damaged irreparably if any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the Parties hereto agrees that the other Party hereto shall be entitled to an injunction to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof (including the indemnification provisions hereof) in any competent court having jurisdiction over the Parties, in addition to any other remedy to which they may be entitled at law or in equity.

ARTICLE IX MISCELLANEOUS

Section 9.1 Entire Agreement. This Agreement (including the Schedules and Exhibits hereto), the Ancillary Agreements and the Confidentiality Agreement and the documents referred

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to herein and therein constitute the entire agreement among the Parties with respect to the subject matter hereof, and no Party shall be liable or bound to any other Party in any manner by any warranties, representations or covenants except as specifically set forth herein or therein.

Section 9.2 Governing Law; Jurisdiction. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York (including Section 5-1401 of the General Obligations Law), without regard to the conflicts of laws provisions thereof that would require the application of the laws of any other jurisdiction.

Section 9.3 Dispute Resolution.

(a) Exclusivity. Any controversy, claim or dispute arising out of or relating to this Agreement or any Ancillary Agreement or the breach or alleged breach thereof which does not involve claims by or against third parties (a "Dispute") shall be resolved exclusively as provided in this Section 9.3. However, nothing in this Section shall preclude either Party from seeking interim or provisional relief concerning the Dispute, including a temporary restraining order, a preliminary injunction or an order of attachment, at any time prior to or during Mediation or Arbitration. Any such interim or provisional relief must be brought in the courts located in New York County, New York State. Each Party irrevocably submits to the exclusive jurisdiction of each such court in any such proceeding and waives any objection it may now or hereafter have to venue or to convenience of forum.

(b) Mediation. If a Dispute arises, the Parties shall first attempt in good faith to resolve it promptly by non-binding mediation in accordance with this paragraph (b) ("Mediation"). A Party may initiate Mediation by providing written notice (a "Dispute Notice") to the other Party setting forth in reasonable detail the nature of the Dispute and the relief sought. The other Party will respond in writing (a "Response") within five (5) business days from the receipt of such Dispute Notice. The Parties shall mutually agree, as soon as practicable after the Response, to an independent third-party mediator, with appropriate experience and expertise, to assist in the Mediation. All matters relating to, and all communications, whether oral, written or electronic, in, any Mediation shall be non-binding and shall be confidential, and such communications in Mediation shall also be treated as compromise and settlement negotiations for purposes of applicable rules of evidence. The costs of Mediation, including fees and expenses of mediators, shall be shared in equal

San Francisco, CA 94105
Fax: 415-268-7522

if to Purchaser: Audiovox Corp.
180 Marcus Boulevard
Hauppauge, New York 11788
Attention: Mike Stoehr,
Senior Vice President/CF0
Fax: 631-231-1370

and a copy (which shall not constitute notice) to: Robert S. Levy, Esq.
Levy, Stopol & Camelo, LLP
1425 Reckson Plaza
Uniondale, NY 11556-1425
Fax: 516-802-7008

Section 9.5 Assignment.

(a) Either Party shall have the right to assign this Agreement and all or any part of such Party's rights, interests or obligations hereunder to any Affiliate of such Party, provided that such Party shall not be relieved of its obligations under this Agreement.

(b) Thomson may assign this Agreement in connection with a merger or reorganization of Thomson with or into another person or the acquisition by such person of all or substantially all of the outstanding capital stock or assets of Thomson; provided that no such assignment shall relieve Thomson (or its successor in the case of a merger) of any of its obligations or liabilities hereunder.

(c) Any attempted or purported assignment of this Agreement which does not comply with this Section 9.5 shall be null and void, have no force or effect, and confer no rights upon any third parties. Subject to compliance with the provisions of this Section 9.5, the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, assigns and transferees.

Section 9.6 Confidentiality. Prior to the Closing, this Agreement is not intended to supersede or replace the Confidentiality Agreement. The Confidentiality Agreement will survive the execution and delivery of this Agreement and remain in full force and effect in accordance with its terms until the Closing and will terminate upon the Closing. Until the Closing, Purchaser will continue to be obligated to perform and comply with its obligations under the Confidentiality Agreement.

Section 9.7 Materiality. As used in this Agreement, the term "material" and the concept of the "material" nature of an effect upon the Business shall be measured relative to the

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Business, taken as a whole, on the Effective Date and the Closing Date. The fact that there have been included in the schedules and may be included elsewhere in this Agreement items which are not "material" within the meaning of the immediately preceding sentence shall not be deemed to be an agreement by Thomson that such items are "material" or to further define the meaning of such terms for purposes of this Agreement.

Section 9.8 Public Announcements. No party to this Agreement shall make, or cause to be made, any press release or public announcement, or otherwise communicate with any news media, in respect of this Agreement or the Contemplated Transactions without the prior written consent of the other Party, and the Parties shall cooperate as to the timing and contents of any such press release or public announcement; provided, that a Party may, without the prior consent of the other Party, make such press release or public announcement as may be required by Law or any listing agreement with a securities exchange if it has used reasonable efforts to consult with the other Party.

Section 9.9 Expenses. Irrespective of whether the Closing is effected, each Party shall pay all costs and expenses that it incurs with respect to the negotiation, execution, delivery and performance of this Agreement and the other documents or agreements contemplated hereby, unless expressly stated otherwise in this Agreement.

Section 9.10 Amendments and Waivers. This Agreement may not be amended, supplemented or modified except by an agreement in writing signed by each of the Parties hereto. No waiver shall be effective unless it is in writing and is

signed by the Party asserted to have granted such waiver.

Section 9.11 Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable shall be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 9.12 No Third Party Beneficiaries. This Agreement is solely for the benefit of Thomson and Purchaser and their permitted assigns, and nothing herein, express or implied, is intended to or shall confer upon any other Persons any rights or remedies hereunder except pursuant to Article VIII.

Section 9.13 Counterparts. This Agreement may be executed in two or more counterparts (by original or facsimile signature), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

THOMSON AUDIOVOX CORPORATION

By: _____ By: _____
Name: Name:
Title: Title:

SIGNATURE PAGE TO PURCHASE AGREEMENT

ANNEX I
DEFINED TERMS

"Accounts Payable" means with respect to the Business, as such terms are used in the Business' accounting systems, trade accounts - current and advances received from customers.

"Accessories Products" shall mean consumer electronics accessories products.

"Accrued Vacation" shall have the meaning set forth in Section 2.6(b).

"Action" shall mean any litigation, suit, proceeding or arbitration by or before any Governmental Authority.

"Advance" shall have the meaning set forth in the RCA Trademark Assignment Agreement.

"Affiliate" shall mean, with respect to any Person, any other Person which directly or indirectly controls, is controlled by, or is under common control with such Person. For the purposes of this definition, "control" (including the terms "controlled by" and "under common control with"), with respect to the relationship between or among two or more Persons, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the affairs or management of a Person, whether through the ownership of voting securities, by agreement or otherwise.

"Agreement" shall have the meaning set forth in the Preamble.

"Ancillary Agreement" shall mean the RCA Trademark Assignment Agreement, Recoton Trademark Assignment Agreement, Domain Name Assignment Agreement, ETHC Interest Assignment Agreement, Tora License Termination Agreement, Materials Agreement, Transition Services Agreement, Trademark Co-Existence Agreement, Asset Transfer Agreement (U.S.), Asset Transfer Agreement (Canada), Asset Transfer Agreement (EAP), and the Asset Transfer Agreement (Malaysia).

"Arbitration" shall have the meaning set forth in Section 9.3(d).

"Asian Transferred Employees" shall have the meaning set forth in Section 5.11(c)(i).

"Asset Transfer Agreement (Canada)" shall have the meaning set forth in Recitals.

"Asset Transfer Agreement (EAP)" shall have the meaning set forth in Recitals.

"Asset Transfer Agreement (Malaysia)" shall have the meaning set forth in Recitals.

"Asset Transfer Agreement (U.S.)" shall have the meaning set forth in Recitals.

"Asset Transfer Agreements" shall mean the Asset Transfer Agreement (Canada), the Asset Transfer Agreement (EAP), the Asset Transfer Agreement (Malaysia) and the Asset Transfer Agreement (U.S.).

"Asset Transfers" shall mean the transfers of assets pursuant to the Canadian Asset Sale, the EAP Asset Sale, and the Malaysian Asset Sale.

"Bankruptcy Exception" means applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar Laws now or hereafter in effect relating to creditors' rights generally.

"Business" shall mean the business of Thomson and its Affiliates of developing, marketing, manufacturing and selling Accessories Products; provided that, for the avoidance of doubt, the following are specifically excluded from the definition of "Business": (a) Thomson's Systems division (Grass Valley; Access, Platforms and Gateways, and Connectivity) that is described in Thomson's Annual Report on pages F-33 through F-39 of the Form 20-F for the fiscal year ended December 31, 2005, as amended (which pages are attached hereto as Exhibit G) and which is not a part of the discontinued AVA business; (b) the after sales businesses which are shared by other Thomson businesses, including field service management, outsourced call center support, technical support, parts sales and fulfillment, warranty claims processing and service contract sales; (c) except for the Transferred Assets (Malaysia) and the Transferred Assets (EAP), all of Thomson's operations, entities and assets relating to the Accessories Products in Asia, including the Dongguan and Batam manufacturing facilities, (d) all of Thomson's operations, entities and assets relating to the Accessories Products in Europe, Mexico and Chile; (e) Accessories Products currently branded with the GE Mark, (f) the business, assets and technology of Gyration, Inc.; (g) the Intellectual Property of Thomson and its Subsidiaries not expressly assigned to Purchaser pursuant to the Ancillary Agreements; and (h) the Excluded Assets.

"Business Benefit Plans" shall have the meaning set forth in Section 3.16(a).

"Business Confidential Information" shall have the meaning set forth in Section 5.16(d).

"Business Day" shall mean any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in Los Angeles, California, New York, New York or Paris, France.

"Business Disclosure Schedule" shall have the meaning set forth in the Preamble of Article III.

"Business Employees" shall have the meaning set forth in Section 3.17(a).

"Business Intellectual Property" shall mean the RCA Marks and Recoton Marks.

"Business Material Adverse Effect" shall mean any change, effect, event, occurrence, state of facts or development that is or is reasonably likely to be materially adverse to the business, properties, assets, liabilities, financial condition or results of operations of the Business taken as a whole. Notwithstanding the foregoing, none of the following changes, effects, events,

occurrences, states of facts or developments shall be deemed (either alone or in combination) to constitute a Business Material Adverse Effect, and none of the following shall be taken into account in determining whether there has been a Business Material Adverse Effect or whether a Business Material Adverse Effect would reasonably be expected to occur: changes, effects, events, occurrences, states of facts or developments (a) relating to or resulting from general market, economic or political conditions in the countries in which the Business is conducted, the global economy or capital or financial markets generally (including any changes arising out of acts of terrorism, war, weather conditions

or other force majeure events), to the extent to which such changes, effects, events, occurrences, states of facts and developments do not affect the Business disproportionately adversely compared to the effect they have generally on the market, (b) relating to or resulting from changes generally in the industry or markets in which the Business operates (including any changes arising out of acts of terrorism, war, weather conditions or other force majeure events), to the extent to which such changes do not affect the Business disproportionately adversely compared to the effect they have generally on the market, (c), resulting from the execution or announcement of this Agreement or the pendency of the Contemplated Transactions, (d) resulting from any actions taken by Purchaser or its Affiliates after the Effective Date and prior to the Closing Date, or (e) resulting from compliance by Thomson, the Business or U.S. NewCo with the terms of this Agreement, or (f) by reason of the fact that Purchaser has decided not to accept the agreements set forth in Schedule F that could otherwise be transferred to Purchaser pursuant to one of the Asset Transfer Agreements as of the Closing but that Purchaser has determined it did not want to include in the Transferred Assets as of the Closing.

"Business Registered Intellectual Property" shall have the meaning set forth in Section 3.15(a).

"Buyback Agreements" shall have the meaning set forth in Section 3.21(c)

"Canada Transferred Employees" shall have the meaning set forth in Section 5.11(b).

"Canadian Asset Sale" shall have the meaning set forth in the Recitals.

"Closing" shall have the meaning set forth in Section 2.3.

"Closing Balance Sheet" shall have the meaning set forth in Section 2.6(c).

"Closing Date" shall mean the date of the Closing.

"Closing Dispute Notice" shall have the meaning set forth in Section 2.6(f).

"Closing Vacation Accrual" shall have the meaning set forth in Section 2.6(d).

"Closing Vacation Schedule" shall have the meaning set forth in Section 2.6(d).

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Competing Products" shall have the meaning set forth in Section 5.14(b).

"Competitive Activity" shall have the meaning set forth in Section 5.14(b).

"Confidentiality Agreement" shall mean the Confidentiality Agreement dated February 10, 2006 between Purchaser and Thomson, as amended from time to time.

"Contemplated Transactions" shall mean the purchase and sale of the Equity Interests and the other transactions expressly required to be performed by this Agreement.

"Contract" shall mean any written contract, lease, license or other agreement that is legally binding.

"Copyrights" shall mean copyrights and all applications, registrations and renewals thereof.

"Current Terms" shall have the meaning set forth in Section 5.11(c)(i).

"Dispute" shall have the meaning set forth in Section 9.3(a).

"Dispute Notice" shall have the meaning set forth in Section 9.3(b).

"Domain Name Assignment Agreement" shall mean the Domain Name Assignment Agreement in substantially the form set forth as Exhibit B-4 hereto.

"EAP" shall have the meaning set forth in the Recitals.

"EAP Asset Sale" shall have the meaning set forth in the Recitals.

"Effective Date" shall have the meaning set forth in the Preamble.

"Employment Agreements" shall have the meaning set forth in Section 3.17(c).

"Environmental Approval" shall mean any permit, license, authorization or approval required under applicable Environmental Law with respect to the Business.

"Environmental Laws" shall mean all Governmental Orders and Laws enacted or otherwise created by any Governmental Authority that govern, regulate or otherwise affect the environment or the generation, handling, and disposal of Hazardous Materials, including, but not limited to, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act, the Federal Comprehensive Environmental Response, Compensation and Liability Act as amended, the Federal Toxic Substances Control Act and their state counterparts.

"Equity Interests" shall have the meaning set forth in the Recitals.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" shall have the meaning set forth in Section 3.16(a).

"Estimated Net Working Capital" shall have the meaning set forth in Section 2.6(a).

"Estimated Net Working Capital Statement" shall have the meaning set forth in Section 2.6(a).

"Estimated Vacation Accrual" shall have the meaning set forth in Section 2.6(b).

"Estimated Vacation Schedule" shall have the meaning set forth in Section 2.6(b).

"ETHC Interest" shall have the meaning set forth in the Recitals.

"ETHC Interest Assignment Agreement" shall mean the Assignment Limited Liability Company Interest of Electronics Trademark Holding Company, LLC in substantially the form set forth as Exhibit D hereto.

"Excluded Assets" shall mean the Excluded Assets (Canada), the Excluded Assets (EAP), the Excluded Assets (Malaysia) and the Excluded Assets (U.S.).

"Excluded Assets (Canada)" shall mean the assets set forth in Section 1.2 and the corresponding Schedule of the Asset Transfer Agreement (Canada).

"Excluded Assets (EAP)" shall mean the assets set forth in Section 1.2 and the corresponding Schedule of the Asset Transfer Agreement (EAP).

"Excluded Assets (Malaysia)" shall mean the assets set forth in Section 1.2 and the corresponding Schedule of the Asset Transfer Agreement (Malaysia).

"Excluded Assets (U.S.)" shall mean the assets set forth in Section 1.2 and the corresponding Schedule of the Asset Transfer Agreement (U.S.).

"Excluded Liabilities" shall mean the Excluded Liabilities (Canada), the Excluded Liabilities (EAP), the Excluded Liabilities (Malaysia) and the Excluded Liabilities (U.S.).

"Excluded Liabilities (Canada)" shall mean the liabilities set forth in Section 1.4 of the Asset Transfer Agreement (Canada).

"Excluded Liabilities (EAP)" shall mean the liabilities set forth in Section 1.4 of the Asset Transfer Agreement (EAP).

"Excluded Liabilities (Malaysia)" shall mean the liabilities set forth in Section 1.4 of the Asset Transfer Agreement (Malaysia).

"Excluded Liabilities (U.S.)" shall mean the liabilities set forth in Section 1.4 of the Asset Transfer Agreement (U.S.).

"Final Resolution Date" shall have the meaning set forth in Section 2.6(e).

"Financial Statements" shall have the meaning set forth in Section 3.9(a).

"GAAP" shall mean generally accepted accounting principles and practices in the US., France or any other country, as applicable.

"Governing Document" shall mean any charter, articles, bylaws, certificate or similar document adopted, filed or registered in connection with the creation, formation, organization or governance of an entity.

"Governmental Antitrust Authority" shall have the meaning set forth in Section 5.3(b)(i).

"Governmental Authority" shall mean any United States Federal, state or local or any foreign governmental, regulatory or administrative authority, agency or commission or any court, tribunal or judicial or arbitral body of any of the foregoing.

"Governmental Authorization" shall mean any consent, license, permit or registration issued or granted by any Governmental Authority or pursuant to any Law; provided that, any consent that may be required by a Governmental Authority as a party to an agreement acting in such Governmental Authority's proprietary capacity rather than its regulatory capacity shall be deemed not to be a Governmental Authorization.

"Governmental Order" shall mean any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"GST" shall have the meaning set forth in Section 5.10.

"Hazardous Materials" shall mean the existence in any form of polychlorinated biphenyls, asbestos or asbestos containing materials, urea formaldehyde foam insulation, oil, gasoline, petroleum, petroleum products or petroleum-derived substances (other than in vehicles operated in the ordinary course of business), pesticides or herbicides, or any other chemical, material or substance regulated under any Environmental Laws as a potential or actual hazard to the environment or human health and safety.

"IFRS" means the International Financial Reporting Standards and interpretations thereof approved by the International Accounting Standards Board, including International Accounting Standards and interpretation thereof.

"In-bound Licenses" shall have the meaning set forth in Section 3.15(d)(i).

"Indebtedness" means all indebtedness for borrowed money or capitalized lease obligations (expressly excluding ordinary course trade payables).

"Indemnification Cap" shall have the meaning set forth in Section 8.5(b).

"Indemnified Party" shall have the meaning set forth in Section 8.2(c).

"Indemnifying Party" shall have the meaning set forth in Section 8.2(c).

"Independent Accounting Firm" shall have the meaning set forth in Section 2.6(f).

"Insurance Policies" shall have the meaning set forth in Section 3.19.

"Intellectual Property" shall mean all Marks, Patents, Copyrights, Mask Work Rights, and Trade Secrets Rights.

"Intellectual Property Agreements" shall have the meaning set forth in Section 3.15(d)(iii).

"Interim Balance Sheet" shall have the meaning set forth in Section 3.9(a).

"Inventory" means all raw material, work-in-process and finished goods inventories of the Business, wherever located.

"Knowledge" shall mean (a) with respect to Purchaser, the actual knowledge (after reasonable inquiry) of the executive officers of Purchaser and (b) with respect to Thomson, the actual knowledge (after reasonable inquiry) of the persons listed on Schedule E.

"Law" shall mean any binding Federal, state, local or foreign statute, law, ordinance, regulation, rule, code, or order.

"Leased Real Property" shall mean all material real property leased or subleased by a Thomson Accessories Entity for use in the Business as of the Effective Date.

"Liens" shall mean all encumbrances, pledges, liens, mortgages, or security interests.

"Listed Agreements" shall have the meaning set forth in Section 3.12(a).

"Loss" shall have the meaning set forth in Section 8.2(a).

"Malaysian Asset Sale" shall have the meaning set forth in the Recitals.

"Marks" shall mean trademarks, service marks, trade names, corporate names, trade dress, logos, and domain names, together with all translations, adaptations, derivations and combinations thereof and including all goodwill associated therewith, and all applications, registrations and renewals thereof.

"Mask Work Rights" shall mean any and all rights in and to mask works arising under any applicable Law, and all applications, registrations and renewals thereof.

"Materials License Agreement" shall mean the Materials License Agreement in substantially the form set forth as Exhibit B-2 hereto.

"Mediation" shall have the meaning set forth in Section 9.3(b).

"Net External Group Accounts Receivable" shall mean with respect to the Business, as such term is used in the Business' accounting systems, (a) trade accounts & notes receivable - gross - current, less (b) sales deductions accruals, price protection accruals, and trade accounts & notes receivable - depreciation - current.

"Net Inventory" shall mean with respect to the Business, as such term is used in the Business' accounting systems, (a) raw material gross, finished goods & components gross, finished goods outsourced gross, less (b) raw material depreciation, finished goods & components depreciation, and finished goods outsourced depreciation.

"Net Working Capital" shall mean (A) Net Inventories, Net External Group Accounts Receivable and Other Current Assets minus (B) Accounts Payable, Warranty Reserve, and Other Current Liabilities; provided that (1) intercompany assets and liabilities and (2) income tax receivables and payables will be excluded from the calculation of Net Working Capital.

"New York Convention" shall have the meaning set forth in Section 9.3(d).

"Non-Business Information" shall have the meaning set forth in Section 5.16(b).

"Noncompetition Period" shall have the meaning set forth in Section 5.14(a).

"Other Current Assets" shall mean with respect to the Business, as such term is used in the Business' accounting systems, prepayments and miscellaneous receivables, including, for avoidance of doubt, the amount set forth under "Other Current Assets - Other" on the balance sheet, but shall not include any asset relating to Business Employee vacation.

"Other Current Liabilities" shall mean with respect to the Business, as such term is used in the Business' accounting systems, accrued liabilities, accrued royalties, accrued coop advertising, and promotion expenses excluding liability for employee payroll in the United States and Canada, including any liability for Business Employee vacation, sickness, leave and personal days.

"Out-bound Licenses" shall have the meaning set forth in Section 3.15(d)(ii).

"Party" shall mean Thomson or Purchaser, as the context requires.

"Patents" shall mean patents and patent applications, whether domestic or foreign, and all divisions, continuations, continuations-in-part, reissues, reexaminations, substitutions, revisions or extensions thereof.

"Permitted Liens" shall mean (a) inchoate Liens imposed for construction work in progress or otherwise incurred in the ordinary course of business, (b) mechanics', workmen's and repairmen's Liens (other than inchoate Liens for work in progress), (c) easements, reservations, covenants, conditions and restrictions of public record, (d) Liens for Taxes not yet due and payable and general and special assessments not yet due and payable or for Taxes that the taxpayer is contesting in good faith through appropriate proceedings, (e) Liens on goods in transit incurred under documentary letters of credit; (f) pledges, deposits, or liens arising under workers' compensation, unemployment insurance, social security, retirement, and similar legislation; (g) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leased statutory obligations, surety and appeal bonds, performance bonds, and other

obligations of a like nature incurred in the ordinary course of business; and (h) rights of way and restrictions (including zoning and land use regulations) imposed by Law.

"Person" shall mean an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Post Warranty Period" has the meaning set forth in Section 5.13(b).

"Pre-Closing Portion" shall mean the portion of a Straddle Period that ends at the close of the Closing Date.

"Pre-Closing Taxes" shall have the meaning set forth in Section 5.8(e).

"Proceeding" shall mean any action, litigation, arbitration, suit, claim, proceeding, or investigation or review of any nature, civil, criminal, regulatory or otherwise, before any Governmental Authority.

"Purchase Price" shall have the meaning set forth in Section 2.1.

"Purchase Price Adjustment" shall have the meaning set forth in Section 2.6(g).

"Purchaser" shall have the meaning set forth in the Preamble.

"Purchaser Disclosure Schedule" shall have the meaning set forth in the Preamble of Article IV.

"Purchaser Plans" shall have the meaning set forth in Section 5.11(a)(ii).

"RCA Marks" shall mean the trademarks set forth in Exhibit 1 of the RCA Trademark Assignment Agreement, solely with respect to Accessories Products.

"RCA Trademark Assignment Agreement" shall mean the Trademark Assignment Agreement in substantially the form set forth as Exhibit B-1.1 hereto.

"Real Property Leases" shall mean the real property lease agreements (i) governing the use of the Leased Real Property or (ii) to which any Thomson Accessories Entity is a party.

"Records" shall have the meaning set forth in Section 5.12(e).

"Recoton Marks" shall mean the trademarks set forth in Exhibit 1 of the Recoton Trademark Assignment Agreement, solely with respect to Accessories Products.

"Recoton Marks (Other Fields)" shall mean the trademarks set forth in Exhibit 1 of the Recoton Trademark Assignment Agreement, solely with respect to goods and services other than Accessories Products.

"Recoton Trademark Assignment Agreement" shall mean the Trademark Assignment Agreement in substantially the form set forth as Exhibit B-1.2 hereto.

"Registered Domain Names" shall have the meaning set forth in Section 3.15(a).

"Reporting Period" shall have the meaning set forth in Section 5.13(d).

"Representative" shall mean, with respect to a particular Person, any director, officer, employee, agent, consultant, advisor, legal counsel, accountant or other representative of that Person.

"Response" shall have the meaning set forth in Section 9.3(b).

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Software Licenses" shall have the meaning set forth in Section 3.15(c).

"Straddle Period" shall mean a taxable year or period that begins before and ends after the Closing Date.

"Straddle Period Statement" shall have the meaning set forth in Section 5.8(c).

"Subsidiary" of any Person shall mean (i) a corporation more than fifty percent (50%) of the combined voting power of the outstanding voting stock of which is owned, directly or indirectly, by such Person or by one of more other Subsidiaries of such Person or by such Person and one or more other Subsidiaries thereof, (ii) a partnership of which such Person, or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, is the general partner and has the power to direct the policies, management and affairs of such partnership, (iii) a limited liability company of which such Person or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, is the managing member and has the power to direct the policies, management and affairs of such company or (iv) any other Person (other than a corporation, partnership or limited liability company) in which such Person, or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"Target Net Working Capital" shall mean Six Million U.S. Dollars (\$6,000,000.00).

"Tax" or "Taxes" shall mean (i) all Federal, state, local, foreign and other net income, estimated, gross income, gross receipts, value-added, sales, use, ad valorem, transfer, franchise, profits, license, lease, service, service use, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, windfall profits, customs, duties or other taxes, fees, assessments or charges of any kind whatsoever, and (ii) any liability for Taxes as a member of a consolidated, combined, unitary group under U.S. Treasury Regulation 1.1502-6, or any similar provision of state, local or foreign law, and (iii), any interest, penalties or additions to tax with respect to amounts referred to in clause (i) or (ii) hereof.

"Tax Claims" shall have the meaning set forth in Section 8.3(c).

"Tax Returns" shall mean all returns and reports (including elections, declarations, disclosures, schedules, statements, estimates and information returns) relating to Taxes required to be filed or actually filed with a Governmental Authority.

"Tax Statement Dispute" shall have the meaning set forth in Section 5.8(d).

"Third Party Claims" shall have the meaning set forth in Section 8.2(d).

"Thomson" shall have the meaning set forth in the Preamble.

"Thomson Accessories Entities" shall mean Thomson Inc., Thomson Canada, EAP, Thomson Hong Kong, Thomson Malaysia and Thomson Shenzhen.

"Thomson Canada" shall have the meaning set forth in the Recitals.

"Thomson Hong Kong" shall have the meaning set forth in the Recitals.

"Thomson Malaysia" shall have the meaning set forth in the Recitals.

"Thomson Names" shall have the meaning set forth in Section 5.6.

"Thomson Shenzhen" shall have the meaning set forth in the Recitals.

"Tora License Termination Agreement" shall mean the Tora License Termination Agreement in substantially the form set forth as Exhibit E hereto.

"Tora Trademark License Agreement" means the Trademark License Agreement, dated July 8, 2003, between Tora Acquisition Corporation and Electronics Trademark Holdings Company LLC.

"Trade Secrets Rights" shall mean any and all rights in and to trade secrets arising under applicable Law.

"Trademark Co-Existence Agreement" shall mean the Trademark Co-Existence Agreement in substantially the form set forth as Exhibit B-3 hereto.

"Transaction Agreements" shall mean this Agreement and the Ancillary Agreements.

"Transferred Assets" shall mean the Transferred Assets (Canada), the Transferred Assets (EAP), the Transferred Assets (Malaysia) and the Transferred Assets (U.S.).

"Transferred Assets (Canada)" shall mean the assets set forth in Section 1.1 and in the corresponding Schedule of, the Asset Transfer Agreement (Canada).

"Transferred Assets (EAP)" shall mean the assets set forth in Section 1.1 and in the corresponding Schedule of, the Asset Transfer Agreement (EAP).

"Transferred Assets (Malaysia)" shall mean the assets set forth in Section 1.1 and in the corresponding Schedule of, the Asset Transfer Agreement (Malaysia).

"Transferred Assets (U.S.)" shall mean the assets set forth in Section 1.1 and in the corresponding Schedule of, the Asset Transfer Agreement (U.S.).

"Transferred Domain Names" shall mean the domain names set forth in Exhibit 1 of the Domain Name Assignment Agreement.

"Transferred Employees" shall mean the U.S. Transferred Employees, Canada Transferred Employees and the Asian Transferred Employees.

"Transferred Liabilities" shall mean the Transferred Liabilities (Canada), the Transferred Liabilities (EAP), the Transferred Liabilities (Malaysia) and the Transferred Liabilities (U.S.).

"Transferred Liabilities (Canada)" shall mean the liabilities set forth in Section 1.3 and in the corresponding Schedule, of the Asset Transfer Agreement (Canada).

"Transferred Liabilities (EAP)" shall mean the liabilities set forth in Section 1.3 and in the corresponding Schedule, of the Asset Transfer Agreement (EAP).

"Transferred Liabilities (Malaysia)" shall mean the liabilities set forth in Section 1.3 and in the corresponding Schedule, of the Asset Transfer Agreement (Malaysia).

"Transferred Liabilities (U.S.)" shall mean the liabilities set forth in Section 1.3 and in the corresponding Schedule of, the Asset Transfer Agreement (U.S.).

"Transferred Operations" shall have the meaning set forth in Section 3.18(a).

"Transition Services Agreement" shall mean the Transition Services Agreement in substantially the form set forth as Exhibit C hereto.

"U.S. & Canadian Mixed Filings" shall have the meaning set forth in Section 5.25(a).

"U.S. NewCo" shall have the meaning set forth in the Recitals.

"U.S. Restructuring" shall have the meaning set forth in the Recitals.

"U.S. Transferred Employees" shall have the meaning set forth in Section 5.11(a)(i).

"Warranty Period" shall have the meaning set forth in Section 5.13(a).

"Warranty Reserve" shall mean the amount set forth on the balance sheet of the Business under Reserves - Warranty.

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PURCHASE AGREEMENT

BETWEEN

THOMSON

AND

AUDIOVOX CORPORATION

DATED AS OF DECEMBER 20, 2006

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THOMSON ACCESSORIES ENTITIES

RETAINED COMPANY NAME	JURISDICTION OF ORGANIZATION	DIRECT SHAREHOLDER(S)
AMERICAS Thomson Inc. Thomson Multimedia Ltd.	Delaware Canada	Thomson S.A. Thomson Inc.
ASIA Thomson Industry (Shenzhen) Co. Ltd. Thomson Hong Kong Holdings Ltd. Thomson Kulim Sdn. Bhd. European Audio Products (HK) Ltd	China Hong Kong Malaysia Hong Kong	Thomson Asia Pacific Investments Pte Ltd. Thomson Asia Pacific Investments Pte Ltd. Thomson Asia Pacific Investments Pte Ltd. Thomson Asia Pacific Investments Pte Ltd.

SCHEDULE B

[Allocation of Purchase Price]

SCHEDULE C

Business Disclosure Schedule

See Tab 3.

SCHEDULE D

PURCHASER DISCLOSURE SCHEDULE

None.

SCHEDULE E

KNOWLEDGE

Al Arras
John Caffrey
Dan Collishaw
Steve Glick
Robert Heath
YY Liew
Jim Mahern
Marie-Cecile Moins
Vint Moore
Frank Scheer
Sharon Vernon
Julian Waldron

SCHEDULE F

RETAINED AGREEMENTS

SCHEDULE G

TERMS OF EMPLOYMENT FOR CERTAIN BUSINESS EMPLOYEES

BUSINESS EMPLOYEE	TERMS AND CONDITIONS OF EMPLOYMENT
Mr. Chai Jin Fook	Mr. Chai's offer of employment by Purchaser will be subject to his agreement that the retrenchment payment (referred to in that certain letter to him of November 16, 2006 from Wayne Pack of Thomson to Mr. Chai (the "Retrenchment Letter")) would be paid, notwithstanding his employment by Purchaser, upon the same terms set forth in the Retrenchment Letter if Mr. Chai continues his service with Purchaser until December 31, 2007; provided that Thomson will be responsible to make any such payment due at such time, directly or indirectly, to Mr. Chai in connection with this Retrenchment.

SUBSIDIARIES OF REGISTRANT

Subsidiaries	Jurisdiction of Incorporation
-----	-----
Audiovox Accessories Corp.	Delaware
Audiovox Communications Corp.	Delaware
Audiovox Electronics Corporation	Delaware
American Radio Corp.	Georgia
Audiovox Holding Corp.	New York
Audiovox Communications Canada Co.	Ontario
Audiovox Venezuela C.A.	Venezuela
Audiovox German Holdings GmbH	Germany
Code Systems, Inc.	Delaware

Exhibit 21

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated May 11, 2007 accompanying the consolidated financial statements and schedule (which includes an explanatory paragraph related to the adoption of Financial Accounting Standards Board Statement No. 123(R), Share-Based Payments on December 1, 2005), and management's assessment of the effectiveness of internal control over financial reporting included in the Annual Report of Audiovox Corporation and subsidiaries on Form 10-K for the year ended February 28, 2007. We hereby consent to the incorporation by reference of said reports in the Registration Statements of Audiovox Corporation on Forms S-8 (File No. 333-138000, effective October 13, 2006; File No. 333-131911, effective February 17, 2006; File No. 333-36762, effective May 11, 2000 and File No. 333-82073, effective July 1, 1999).

GRANT THORNTON LLP

Melville, New York
May 11, 2007

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Patrick M. Lavelle, President and Chief Executive Officer of Audiovox Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Audiovox Corporation (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal

Exhibit 31.1

quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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.

May 14, 2007

/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, Senior Vice President and Chief Financial Officer of Audiovox Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Audiovox Corporation (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal

Exhibit 31.2

quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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.

May 14, 2007

/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 Annual Report of Audiovox Corporation (the "Company") on Form 10-K for the period ended February 28, 2007 (the "Report") as filed with the Securities and Exchange Commission on the date hereof, I, Patrick M. Lavelle, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 14, 2007

/s/ Patrick M. Lavelle

Patrick M. Lavelle
President and Chief Executive Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Audiovox Corporation (the "Company") on Form 10-K for the period ended February 28, 2007 (the "Report") as filed with the Securities and Exchange Commission on the date hereof, I, C. Michael Stoehr, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 14, 2007

/s/ C. Michael Stoehr

C. Michael Stoehr
Senior Vice President and Chief Financial Officer

EXHIBIT 32.2

AUDIOVOX SPECIALIZED APPLICATIONS,
LLC AND SUBSIDIARY
(A Limited Liability Company)

Consolidated Financial Report

11.30.2006

McGladrey & Pullen
Certified Public Accountants

McGladrey & Pullen, LLP is a member firm of RSM International
- -- an affiliation of separate and independent legal entities.

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McGladrey & Pullen
Certified Public Accountants

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members
AUDIOVOX SPECIALIZED APPLICATIONS, LLC AND SUBSIDIARY
Elkhart, Indiana

We have audited the consolidated balance sheets of AUDIOVOX SPECIALIZED APPLICATIONS, LLC AND SUBSIDIARY as of November 30, 2006 and 2005, and the related consolidated statements of income, members' equity, and cash flows for each of the three years in the period ended November 30, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AUDIOVOX SPECIALIZED APPLICATIONS, LLC AND SUBSIDIARY as of November 30, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 2006, in conformity with U.S. generally accepted accounting principles.

McGladrey & Pullen, LLP

/s/ McGladrey & Pullen, LLP

Elkhart, Indiana
March 7, 2007

McGladrey & Pullen, LLP is a member firm of RSM International
- -- an affiliation of separate and independent legal entities.

AUDIOVOX SPECIALIZED APPLICATIONS, LLC AND SUBSIDIARY
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED BALANCE SHEETS
NOVEMBER 30, 2006 AND 2005

	2006	2005
	-----	-----
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,017,540	\$ 1,119,463
Available-for-sale securities	3,570,000	10,250,000
Trade receivables	4,849,471	3,934,525
Inventories	15,018,215	9,112,246
Prepaid expenses	115,530	110,115
	-----	-----
TOTAL CURRENT ASSETS	24,570,756	24,526,349
Leasehold Improvements and Equipment at depreciated cost	1,850,088	1,710,386
Intangible Assets, trademark rights	2,647,623	2,647,623
	-----	-----
	\$29,068,467	\$28,884,358
	=====	=====
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 2,078,898	\$ 1,522,570
Accrued expenses:		
Payroll and related taxes	1,214,604	720,660
Warranty	2,307,000	2,390,000
Other	131,117	105,579
	-----	-----
TOTAL CURRENT LIABILITIES	5,731,619	4,738,809
Commitments and Contingencies		
Members' Equity	23,336,848	24,145,549
	-----	-----
	\$29,068,467	\$28,884,358
	=====	=====

See Notes to Financial Statements.

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AUDIOVOX SPECIALIZED APPLICATIONS, LLC AND SUBSIDIARY
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED NOVEMBER 30, 2006, 2005 AND 2004

	2006	2005	2004
	-----	-----	-----
Net sales	\$57,142,023	\$49,794,847	\$56,988,388
Cost of goods sold	43,814,678	37,917,202	42,448,470
	-----	-----	-----
GROSS PROFIT	13,327,345	11,877,645	14,539,918
Selling, general and administrative expenses	7,824,861	7,365,886	7,283,290
	-----	-----	-----
OPERATING INCOME	5,502,484	4,511,759	7,256,628
	-----	-----	-----
Nonoperating income (expense):			
Investment income	292,623	204,707	48,612
Interest expense	--	(70)	(1,275)
	-----	-----	-----
	292,623	204,637	47,337
	-----	-----	-----
NET INCOME	\$ 5,795,107	\$ 4,716,396	\$ 7,303,965
	=====	=====	=====

See Notes to Financial Statements.

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AUDIOVOX SPECIALIZED APPLICATIONS, LLC AND SUBSIDIARY
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
YEARS ENDED NOVEMBER 30, 2006, 2005 AND 2004

	2006	2005	2004
	-----	-----	-----
Balance, beginning	\$24,145,549	\$21,723,411	\$22,681,594
Net income	5,795,107	4,716,396	7,303,965
Member distributions	(6,603,808)	(2,294,258)	(8,262,148)
	-----	-----	-----
Balance, ending	\$23,336,848	\$24,145,549	\$21,723,411
	=====	=====	=====

AUDIOVOX SPECIALIZED APPLICATIONS, LLC AND SUBSIDIARY
(A LIMITED LIABILITY COMPANY)CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED NOVEMBER 30, 2006, 2005 AND 2004

	2006	2005	2004
	-----	-----	-----
Cash Flows From Operating Activities			
Net income	\$ 5,795,107	\$ 4,716,396	\$ 7,303,965
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	669,795	555,143	582,523
Loss on sale of equipment	25,203	28,967	227,471
Impairment loss on goodwill	--	--	300,000
Change in assets and liabilities:			
Decrease (increase) in:			
Trade receivables	(914,946)	872,117	884,592
Inventories	(5,905,969)	835,546	1,318,763
Prepaid expenses	(5,415)	29,417	(41,580)
Increase (decrease) in:			
Accounts payable	556,328	(53,693)	(279,063)
Accrued expenses	436,482	82,514	338,359
NET CASH PROVIDED BY OPERATING ACTIVITIES	----- 656,585	----- 7,066,407	----- 10,635,030
Cash Flows From Investing Activities			
Proceeds on sale of equipment	3,813	12,111	59,257
Purchase of leasehold improvements and equipment	(838,513)	(529,177)	(1,147,137)
Proceeds from note receivable	--	--	1,000,000
Proceeds from sale of available-for-sale securities	19,529,850	5,435,000	2,013,779
Purchase of available-for-sale securities	(12,849,850)	(10,250,000)	(5,435,000)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	----- 5,845,300	----- (5,332,066)	----- (3,509,101)
Cash Flows From Financing Activities			
Member distributions	(6,603,808)	(2,294,258)	(8,262,148)
(DECREASE) IN CASH AND CASH EQUIVALENTS	----- (101,923)	----- (559,917)	----- (1,136,219)
Cash and cash equivalents, beginning	1,119,463	1,679,380	2,815,599
Cash and cash equivalents, ending	----- \$ 1,017,540	----- \$ 1,119,463	----- \$ 1,679,380

See Notes to Financial Statements.

AUDIOVOX SPECIALIZED APPLICATIONS, LLC AND SUBSIDIARY
(A LIMITED LIABILITY COMPANY)

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS, USE OF ESTIMATES, AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS:

Audiovox Specialized Applications ("ASA") "The Mobile Electronics Company" is an international supplier of mobile electronics in certain niche markets in the Automotive Industry including: Recreational Vehicle, Van/SUV Conversion, Commercial Vehicle, Heavy Duty Truck, Agricultural, Construction, Bus, Limousine, and Marine industries. Its proprietary line of products include: Flexvision LCD Entertainment Systems, including DVD and video cassette players; Voyager Rear Observation and Bus Monitor/PA Systems and radios; Nextgen Modular Chassis Systems; Aquatronics Marine Radios, Speakers, and Housings; Jensen Marine Radios, Speakers and Housings and other Audio/Video Products; and Heavy Duty Systems, Radios and other Audio Products. These products are sold to customers throughout the world, generally on 30-day terms. ASA is headquartered in Elkhart, Indiana and has a public distribution center in California.

USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and CruiseTV, LLC ("CruiseTV") a wholly-owned subsidiary. All significant intercompany accounts have been eliminated in consolidation.

REVENUE RECOGNITION:

The Company recognizes revenue from product sales at the time of passage of title and risk of loss to the customer either at F.O.B. Shipping Point or F.O.B. Destination, based upon terms established with the customer. The Company's selling price is fixed and determined at the time of shipment and collectibility is reasonably assured and not contingent upon the customer's resale of the product. The customers are generally not given rights of return. In the event customers are granted rights of return, the Company estimates and records an allowance for future returns. At November 30, 2006 and 2005, no such allowance was deemed necessary. The product sale is not subject to acceptance or installation by Company or customer personnel.

The Company recognizes shipping costs in selling, general and administrative in the accompanying statements of income. Shipping costs for the years ended November 30, 2006, 2005, and 2004 were approximately \$518,000, \$403,000, and \$387,000, respectively.

The Company recognizes royalty revenue at the time the related product is purchased by Audiovox Corporation ("Audiovox"), a member of ASA. Total royalty revenue under this agreement for the years ended November 30, 2006, 2005, and 2004 was approximately \$649,000, \$871,000, and \$2,103,000, respectively.

AUDIOVOX SPECIALIZED APPLICATIONS, LLC AND SUBSIDIARY
(A LIMITED LIABILITY COMPANY)

NOTES TO FINANCIAL STATEMENTS

SALES INCENTIVES:

The Company offers sales incentives to its customers primarily in the form of co-operative advertising allowances and rebates. The Company accounts for sales incentives in accordance with EITF 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of Vendor's Products)" (EITF 01-9). All significant sales incentives require the customer to purchase the Company's products during a specified period of time. Claims are settled either by the customer claiming a deduction against an outstanding account receivable or by the customer requesting a check. Rebates and co-op advertising allowances offered to customers require that product be purchased during a specified period of time. The amount offered is generally based upon a fixed percentage of sales revenue to the customer. Since the rebate percentage is generally fixed, the Company records the related rebate at the time of sale.

MEMBERS' EQUITY:

In accordance with the generally accepted method of presenting limited liability company financial statements, the accompanying financial statements do not include other corporate assets and liabilities of the members, including their obligation for income taxes on the net income of the limited liability company nor any provision for income tax expense.

It is the Company's intent to distribute funds to members to cover their income tax liabilities. No provision has been made for any material distributions which may be made subsequent to the balance sheet date.

Subsequent to November 30, 2006, the Company paid approximately \$1,660,000 of member distributions.

The LLC operating agreement does not provide for separate classes of ownership. Audiovox and ASA Electronics Corporation share equally in all LLC events and the related member accounts are considered equal on a fair value basis.

CASH AND CASH EQUIVALENTS:

For purposes of the statement of cash flows, the Company considers investments

in various repurchase agreements with its bank, money market accounts and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents amounted to approximately \$888,000 and \$591,000 for the years ended November 30, 2006 and 2005 respectively.

The Company maintains its cash accounts in amounts which, at times, may be in excess of insurance limits provided by the Federal Deposit Insurance Corporation.

AVAILABLE-FOR-SALE SECURITIES:

Available-for-sale securities consist of investments in marketable debt securities. Debt securities consist primarily of obligations of municipalities.

AUDIOVOX SPECIALIZED APPLICATIONS, LLC AND SUBSIDIARY
(A LIMITED LIABILITY COMPANY)

NOTES TO FINANCIAL STATEMENTS

The Company accounts for these investments in accordance with Financial Accounting Standards Board ("FASB") Statement No. 115. Management determines the appropriate classification of securities at the date individual investment securities are acquired and the appropriateness of such classification is reassessed at each balance sheet date. Since the Company neither buys investment securities in anticipation of short-term fluctuation in market prices nor commits to holding debt securities to their maturities, the investments in debt and equity securities have been classified as available-for-sale in accordance with Statement No. 115. Available-for-sale securities are stated at fair value, and unrealized holding gains and losses, if any, are reported as a separate component of members' equity.

The amount classified as current assets on the accompanying balance sheets represents the amount of marketable debt securities expected to be sold during the next year.

A decline in the market value of any available-for-sale security below cost that is deemed other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. The Company considers numerous factors, on a case by case basis, in evaluating whether the decline in market value of an available-for-sale security below cost is other-than-temporary. Such factors include, but are not limited to, (i) the length of time and the extent to which the market value has been less than cost; (ii) the financial condition and the near-term prospects of the issuer or the investment; and (iii) whether the Company's intent to retain the investment for the period of time is sufficient to allow for any anticipated recovery in market value.

TRADE RECEIVABLES:

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Trade receivables in the accompanying balance sheets at November 30, 2006 and 2005 are stated net of an allowance for doubtful accounts of approximately \$50,000 and \$76,000 respectively. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. Generally, a trade receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days.

INVENTORIES:

The Company values its inventory at the lower of the actual cost to purchase (primarily on a weighted moving average basis) and/or the current estimated market value of the inventory less expected costs to sell the inventory. The Company regularly reviews inventory quantities on-hand and records a provision for excess and obsolete inventory based primarily from selling prices, indications from customers based upon current price negotiations and purchase orders. The Company's industry is characterized by rapid technological change and frequent new product introductions that could result in an increase in the amount of obsolete inventory quantities on-hand.

DEPRECIATION:

Depreciation of leasehold improvements is computed over the lesser of the underlying lease term or the estimated useful lives and equipment is computed principally by the straight-line method over the following estimated useful lives:

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AUDIOVOX SPECIALIZED APPLICATIONS, LLC AND SUBSIDIARY
(A LIMITED LIABILITY COMPANY)

NOTES TO FINANCIAL STATEMENTS

	Years

Leasehold improvements	5
Machinery and equipment	5-10
Tooling and molding	3
Transportation equipment	5
Office furniture and fixtures	10
Computer equipment	3-5
Booth displays	7

WARRANTIES:

The Company provides a limited warranty primarily for a period of up to three years for its products. The Company's standard warranties require the Company, the original equipment manufacturer or its dealers to repair or replace defective products during such warranty periods at no cost to the consumer. The Company estimates the costs that may be incurred under its basic limited warranty and records a liability in the amount of such costs at the time product revenue is recognized. The related expense is recorded as cost of goods sold in the accompanying statements of income. Factors that affect the Company's warranty liability include the number of units sold, historical and anticipated rates of warranty claims, the historical lag time between product sales and product claims, and cost per claim. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. The Company utilizes historical trends and analytical tools to assist in determining the appropriate loss reserve levels.

Changes in the Company's warranty liability during the years ended November 30, 2006, 2005, and 2004 are as follows:

	2006	2005	2004
	-----	-----	-----
Balance, beginning	\$ 2,390,000	\$ 2,182,000	\$ 2,016,000
Accruals for products sold	1,671,385	1,627,396	1,850,430
Payments made	(1,754,385)	(1,419,396)	(1,684,430)
	-----	-----	-----
Balance, ending	\$ 2,307,000	\$ 2,390,000	\$ 2,182,000
	=====	=====	=====

INCOME TAXES:

The members have elected to be taxed for federal and state income tax purposes as a limited liability company under the provisions of the respective income tax codes. Under these provisions, the members report net income of the Company on their corporate income tax returns.

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AUDIOVOX SPECIALIZED APPLICATIONS, LLC AND SUBSIDIARY
(A LIMITED LIABILITY COMPANY)

NOTES TO FINANCIAL STATEMENTS

ADVERTISING COSTS:

The Company expenses the cost of advertising (including trade shows), as incurred. Advertising costs in the accompanying statements of income were approximately \$576,000, \$819,000, and \$535,000, for the years ended November 30,

2006, 2005, and 2004 respectively.

LONG-LIVED ASSETS, GOODWILL AND OTHER INTANGIBLE ASSETS:

In July 2001, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 141, Business Combinations, and SFAS No. 142. SFAS No. 141 requires that the purchase method of accounting be used for all future business combinations and specifies criteria intangible assets acquired in a business combination must meet to be recognized and reported apart from goodwill.

SFAS No. 142, Goodwill and Other Intangible Assets, requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually or more frequently if an event occurs or circumstances change that could more likely than not reduce the fair value of a reporting unit below its carrying amount.

As a result of adopting the provisions of SFAS No. 142, the Company did not record amortization expense relating to its goodwill or its trademark rights. For intangible assets with indefinite lives, including goodwill, the Company performed its annual impairment test, which resulted in a \$300,000 impairment adjustment to goodwill during the year ended November 30, 2004 (See Note 8). This resulted in the Company having no goodwill at November 2006 and 2005. There was no impairment on the trademark rights for the years ended November 30, 2006, 2005 and 2004.

In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the Company reviews its long-lived assets periodically to determine potential impairment by comparing the carrying value of the long-lived assets with the estimated future net undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future net cash flows be less than the carrying value, the Company would recognize an impairment loss at that date. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the long-lived assets. There was no impairments of long-lived assets for the years ended November 30, 2006, 2005 and 2004.

NEW ACCOUNTING PRONOUNCEMENTS:

In July 2006, the FASB issued Interpretation No. 48. "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 clarifies the accounting for uncertain income tax positions that are recognized in the Company's financial statements in accordance with the provisions of FASB Statement No. 109, "Accounting for Income Taxes". FIN 48 also provides guidance on the derecognition of uncertain positions, financial statement classification, accounting for interest and penalties, accounting for interim periods and adds new disclosure requirements. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact that FIN 48 will have on its financial position and results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". This statement clarifies the definition of fair value, establishes a framework for measuring fair value and expands the disclosures on fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact that this statement will have on its financial position or

AUDIOVOX SPECIALIZED APPLICATIONS, LLC AND SUBSIDIARY
(A LIMITED LIABILITY COMPANY)

NOTES TO FINANCIAL STATEMENTS

results of operations.

NOTE 2. AVAILABLE-FOR-SALE SECURITIES

The following is a summary of the Company's investment securities as of November 30, 2006 and 2005:

2006			
COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
-----	-----	-----	-----

GOVERNMENT BONDS	\$3,570,000	\$--	\$--	\$3,570,000
	=====	===	===	=====

2005

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government bonds	\$10,250,000	\$--	\$--	\$10,250,000
	=====	===	===	=====

The cost and fair value of debt securities by contractual maturities as of November 30, 2006 are as follows:

	Cost	Fair Value
Due after three years	\$3,570,000	\$3,570,000
	=====	=====

Expected maturities may differ from contractual maturities because the issuers of certain debt securities have the right to prepay their obligations without penalty.

A summary of proceeds from the sale of available-for-sale securities and investment earnings for the years ended November 30, 2006, 2005, and 2004 is as follows:

	2006	2005	2004
Proceeds from the sale of available-for-sale securities	\$19,529,850	\$5,435,000	\$2,013,779
Realized (losses) on sale of marketable securities	--	--	(\$2,056)
Interest earned	292,623	204,707	50,668
Dividends	--	--	--
	\$ 292,623	\$ 204,707	\$ 48,612
	=====	=====	=====

NOTE 3. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

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AUDIOVOX SPECIALIZED APPLICATIONS, LLC AND SUBSIDIARY (A LIMITED LIABILITY COMPANY)

NOTES TO FINANCIAL STATEMENTS

The cost of leasehold improvements and equipment and the related accumulated depreciation at November 30, 2006 and 2005 are as follows:

	2006	2005
Leasehold improvements	\$ 798,267	\$ 528,741
Machinery and equipment	978,244	951,677
Tooling and molding	754,954	545,713
Transportation equipment	342,155	342,155
Office furniture and fixtures	359,377	311,173
Computer equipment	761,106	717,357
Booth displays	226,307	159,064
Construction in progress	74,290	36,664
	4,294,700	3,592,544
Less accumulated depreciation	2,444,612	1,882,158
	\$1,850,088	\$1,710,386
	=====	=====

NOTE 4. PLEDGED ASSETS AND NOTES PAYABLE

The terms of a loan agreement with a bank permit the Company to borrow a maximum of \$17,000,000, subject to a borrowing base determined by eligible accounts receivable and inventories as defined by the agreement. At November 30, 2006 no amount was outstanding under this agreement. Borrowings under the agreement bear

interest at prime minus 1.25% or LIBOR plus an applicable margin, at the Company's option, are collateralized by accounts receivable, inventories, and equipment, and are due on demand. The Company also has a standby letter of credit of \$1,134,485 which reduces the available borrowings on the line of credit.

NOTE 5. MAJOR VENDORS

For the years ended November 30, 2006, 2005, and 2004, the Company purchased approximately 56% of its products for resale from five vendors, four of which were the same in all three years.

NOTE 6. TRANSACTIONS WITH RELATED PARTIES AND LEASE COMMITMENTS

The Company is affiliated with various entities through common ownership by Audiovox. Transactions with Audiovox for the years ended November 30, 2006, 2005, and 2004 are approximately as follows:

	2006	2005	2004
	-----	-----	-----
Net product sales	\$ 210,000	\$ 573,000	\$ 638,000
Royalty revenue	649,000	871,000	2,103,000
Purchases	1,248,000	1,404,000	1,302,000

The Company has a royalty agreement with Audiovox whereby the Company earns a 3% royalty on the member's purchases of certain mobile video product from a third party. The related revenue has been included in net sales on the income statement.

At November 30, 2006 and 2005, amounts included in trade receivables and accounts payable resulting

AUDIOVOX SPECIALIZED APPLICATIONS, LLC AND SUBSIDIARY
(A LIMITED LIABILITY COMPANY)

NOTES TO FINANCIAL STATEMENTS

from the above transactions are as follows:

	2006	2005
	-----	-----
Trade receivables	\$108,136	\$262,039
Accounts payable	541,559	138,821

On August 13, 2003, the Company acquired certain assets from Audiovox. The aggregate purchase price was \$3,600,000, of which approximately \$596,000 and \$3,004,000 were allocated to working capital and trademark rights respectively. In May 2004, the Company completed its final allocation of the aggregate purchase price and increased working capital by approximately \$356,000 with a corresponding decrease to the trademark rights. Audiovox has sublicensed its rights in relation to the trademark to the Company and cannot terminate these rights under the terms of the acquisition agreement. The Company has accounted for the trademark rights as an indefinite lived intangible asset which is subject to the provision of SFAS 142 as described in Note 1.

At November 30, 2006, the Company leases warehouse, manufacturing, and office facilities from Irions Investments, LLC, an entity related through common ownership, for approximately \$39,000 per month, plus the payment of property taxes, normal maintenance, and insurance on the property under an agreement which expires September 2009, with one five-year option to extend, at the Company's discretion.

The Company leases certain equipment from unrelated parties under agreements that require monthly payments totaling approximately \$1,500 and expire through July 2009.

The total rental expense included in the income statements for the years ended November 30, 2006, 2005, and 2004 is approximately \$507,000, \$576,000, and \$505,000, respectively, of which approximately \$476,000, \$521,000, and \$368,000, respectively was paid to Irions Investments, LLC.

The total approximate minimum rental commitment at November 30, 2006 under the leases is due as follows:

	Related Party	Other	Total
	-----	-----	-----
During the year ending November 30,			
2007	\$ 482,000	\$18,000	\$ 500,000
2008	497,000	11,000	508,000
2009	426,000	9,000	435,000
	-----	-----	-----
	\$1,405,000	\$38,000	\$1,443,000
	=====	=====	=====

NOTE 7. EMPLOYEE BENEFIT PLANS

The Company has profit-sharing and 401(k) plans for the benefit of all eligible employees. The Company's contributions are discretionary and are limited to amounts deductible for federal income tax purposes. Discretionary contributions were approximately \$290,000, \$204,000, and \$270,000, for the years ended November 30, 2006, 2005, and 2004, respectively.

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The Company also maintains a discretionary employee bonus plan for the benefit of its key executive and operating officers. The Company has paid or accrued bonuses of approximately \$1,386,000, \$884,000, and \$1,163,000, during the years ended November 30, 2006, 2005, and 2004, respectively.

The Company has a health plan for its employees, which is self-insured for medical and pharmaceutical claims up to \$35,000 per participant and approximately \$400,000 annually in aggregate. The excess loss portion of the employees' coverage has been reinsured with a commercial carrier. The total amount of net claims and insurance premiums for the years ended November 30, 2006, 2005, and 2004 were approximately \$125,000, \$696,000, and \$458,000, respectively.

NOTE 8. GOODWILL IMPAIRMENT

During the year ended November 30, 2004, the Company determined that goodwill relating to the Company's acquisition of Datron Corporation was impaired due to certain advances in technology during the year ended November 30, 2004. The balance of \$300,000 was recorded as a charge against net income classified in selling, general and administrative expenses.

NOTE 9. LITIGATION

The Company has pending legal proceedings. These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the Company. In the opinion of management the ultimate disposition of such proceedings are not expected to have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

NOTE 10. CASH FLOWS INFORMATION

Supplemental information relative to the statements of cash flows for the years ended November 30, 2006, 2005, and 2004 is as follows:

	2006	2005	2004
	----	----	-----
Supplemental disclosures of cash flows information:			
Cash payments for interest	--	\$70	\$ 1,275
	===	===	=====
Supplemental schedule of noncash investing and financing activities:			
Valuation of trademark rights adjustment	--	--	\$356,260
	===	===	=====

Consent of Independent Registered Public Accounting Firm

We have issued our report, dated March 7, 2007, on the consolidated financial statements of Audiovox Specialized Applications, LLC for the year ended November 30, 2006 which is included in the Annual Report of Audiovox Corporation and subsidiaries on Form 10-K for the year ended February 28, 2007. We hereby consent to the incorporation by reference of our report in the Registration Statements of Audiovox Corporation on Forms S-8 (Registration Nos. 333-36762 and 333-82073).

/s/ MCGLADREY & PULLEN, LLP
MCGLADREY & PULLEN, LLP

Elkhart, Indiana
May 11, 2007

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M`%`PS!"0P%"00&"4%"`,\$108`0(`D1%1A76)>8U]@2\$Q06%R\$Q45:6
MU=89.\$%VDC)3<7.CL[:XT2)A@9\$C)"8HH;\$*)2X.0069J].F@HMO?M(/:O"CW!R%ZS-- M[!][5X4>X.0069J].F@HMO?
M(/:O"CW!R%ZS--[!][5X4>X.0069J].F@HMMO?M(/:O"CW!R%ZS--[!][5X4>X.0069J].F@HMO?M(/:O"CW!R%ZS--[!]
M!][5X4>X.0069J].F@HMO?M(/:O"CW!R%ZS--[!][5X4>X.0069J].F@HMO? MM(/:O"CW!R%ZS--[!]
[5X4>X.0069J].F@HMO?M(/:O"CW!R%ZS--[!][5
MX4>X.0069JY#M=;=8K8<#S=ZP0;S5:J,IN%QKRH/:634=%1R8I]24CP]WF"+ M%"@`HXMVY==W-GX.0069IO?
M(/:O"CW!R%ZS-9L!:"XC&7`!,8%I@3 MS+TR3:\SNZ'DTNVWD,58`F<-06@V]=+UM\$N:OM5F6-ZREXEXLO%YEX]+.
M9>J]QO?M(/:O"CW!R%ZS--[!][5X4>X.0069KMO#:-X9,5)4>+\WHGC(O8 MLNK-
1"WD0G>Z\$%;QG9B<96%Z3D=VMM`56JI%`T8H86\$Y`K`SJ7\$D.JDBHA\
ME6T>OATG:K84+,>@I*)R`K4D`3'RI1NG8.G!.DM=3\KG&\$T<;E]L12>C`"1 MG,V)GX.0069IO?M(/:O"CW!R%ZS-
36Z/Z_DR_AWFPHJ:S64GBY!GI&, MC-M[HJ*E&Q2)CP^+51L@22\$JC&0[;\$Y\5JK*10R2\$3R1FPZ5N%Z5V4T2D&C
M#W=0S[CM!E22\$N)6G=)42=&RE:^W`?)>727,BO-J(ZNR2KM6"-J*U%QX\$ MT1"<:TJ-Y)2)%\$TH.-
#+GQ;)W9-\$0[W[2#VKPH]PLS3>_>0> MU>%N#D+UF:ZSFVDV)K;ZCC2<;*9.1
MMJV1ZP"&MM^/%AW(R&JN@(@,W3BYOHD(ZFHGT-9`YR1)H=B-\$V9<;&-
CLRW7VB:8TAF1\$F!6,64CCJ=YQ8(-8V@AJ2242%(U>R**=SZ,%2@A M@HW!P>Y\$NKN[4W-
2[FKU=S5WUKW8S>_>0>U>%N#D+UF;;W[2#VKPH]PL MS7N;;UL=LLK3X<+O%64U1.9L?
R2,VW@PG]%SM&C25R1Y0C&2"+4DMMM5P"+ M!?
Q5*5:M9VD4PBJ@Z4ID@3=#A\$R`%Y]Q[0%1IMV:GBO2,?)LJ`66^!D5[
M!1])"@S+6I&`^A.U)*46:ZDYIFD*218`_189L/%,CX^Y%5!<%M4HZ2#-TJ'J
M^U/+B>4W;9)N]GJPF]^T@]J*/<(7K,TWOVD`M7A1[@Y"]9FNQ)FT M;PZA]\WQO(HI37.IEECO91`VM M7N.ISQ6;UH-
2;F6D<_=:6J0MH[ARY5-Y]"++M#IY@90P@T`_*%V M#D2J!&P)DPU0BRF\$H#J1,.UZ)8IQA@5%NJ8MS>MZWSKK>N;]
M77WOVD`M7A1[@Y"]9FF]^T@]J*/<(7K,U(D:YGXX2[(Q.)X^D2B^_C]N1M MQ5"57BF]]IB9,;?@&??"^L59"
(15GB)+#H0VM7NSMOC`X;OPU=^D(N94P?*G M]H!BT2>.5D?
%WXNKKXPH06BYLCVJU8QE!TK3'0WNB5"CV]T&&L6!&HY`DL4.X+31;)K=DWUN]_9A=[!][5X4>X.0069IO?M(/:
MO"CW!R%ZS-8*,J]+A;+1YG)S2DQQ@F!`84,RJSK7=#TR,\$>C'(>0E&+(0D(MJ9>K%0BP3/DY\I@Z(U%PT*7)G;ATT]?
>\$G*R:.-9)P;2C\$]#R!7,623FD=3 MRV0%&899QJY68,>K]?!3&V;DYADG"?WVN+HQUQDRBA M>`8#-!%QY3>MS?
MN;ZWUWU+?M;WOVD`M7A1[@Y"]9FF]^T@]J*/<(7K,U M(N2V8L`XE7199-
2@^TNZ:9`38HC7Q/B&591HY)-7;J6MIB4NC1H.JB6Y75W) MKQ83ECP"]>HFJUR;4>B8=
[SV\$S,+M9E\$[#8`/#P47G*\$S@`"X+;=54!X.0069KQ*CM7*\$&"9TR5=[MD1EPSC<^"D93"
[7ICS`"UQFS(PSK`8YYC\$FVL1L5=3K=+=1HHCNQ(:2*MF6 ML,;##+UT`J-:/JSL49209-[!E*,HO?`I>L,
(0K\C)0*`XT%!2)W9(LBQ6 M="559)()T&Z6>%>L66H9Y1\$2[:4]K-B>?NM+5+N;UOGV]4,;W[2#VKPH]P<
MA>LS3>_>0>U>%N#D+UF[:MM%,2D*?W`COLR.JI4GM"3(MA=T7*\$;R83C]" MEZ;FTBN^XR4):5L8!/:2D)PHPS-
0*.NXZMGU`LBE0[E2A#7GF5M,4Y\$ M@R0X.0069IO?M(/:O"CW!R%ZS- M>-
MVL&"UC`=\FJ,M+R\$T&)#L(3^Z#KCAV9T^G1!D@_`%:-X1>]B\$K,(JMGT^ M0G0C&
[\$@FGIYI5+HPJ<=DY15RC@9#SR!C@\. MN1;*S=;K@D/%X.0069J2(+S-QLR54 MD)*A&32#]-N6!
(MR;1*IJ,Y"A0]"LRK[Y:T?.ZU054@@"1"5W%&SW13S9,#A
M.MN*+?.%G(B)0EQ>T:T.A+OFG3046WOVD`M7A1[@Y"]9FF]^T@]J*/<(7K,U>G3046WOVD`M7A1[
M@Y"]9FF]^T@]J*/<(7K,U>G3046WOVD`M7A1[@Y"]9FF]^T@]J*/<(7K
M,U>G3046WOVD`M7A1[@Y"]9FF]^T@]J*/<(7K,U>G3046WOVD`M7A1[@Y" M]9FN*I^T?
\U/&S`BWNKK+.ZAG^0EWZI>K7S%_)I^L!_>V:"`L79C4IZA!ERC
ME8*V:213=MIRU)4U5K%1++G:BG2:>+=\$SIDV:+C&AFH;VG0----`TTTT#3330 M----`TTTT#3330----!7K*
[AMY88[2WCN[5130T.5F>>];(ZVCWBVG1\$1J[(>2H%1;5KE)]?SK5@W6G%45LFS201) MMY9#2#:@M;!]7?
^6;]O[,W&6[N_2<993J[G5G5V_G6F_85N26%"(%U!RJ/1 MTZX_LS^6IZ.8N/G!D]P
MD5WPHJ8*G"1B6V;L9BB&1Q;"E.3@3F9C(=I`N&R48VN>+W&[6WG1**J^D% MHD72WW+?:R9`R(I6-
MQV!T,@O&XO8=(A(=@1:S>=I;:->F[=>F[W_]U/ M1)^CC?*2W*XS&VYV6XSK=MN[[WN\;MU^N0>Q07I1E-ZR+&TZ-
R)D:YNE8 M8AN*\$Z+2RA',88YVX.RCAT:9@>SA5V[^EK]55G4BED-T(<;A%\$E*(;&4E\ MN"Y2O1^A%/MV!TZ"67+K6&;
(R;LW5QS5=K6D4TNK,C8&/-L+KF+I[^2%>AF MW\$QH;N:N->TQ::MLH\$25(RR2;
[=QSD4V]GLY`ZJ/0Y56<66,%Y0.&3RLO)AI M004KF?"TB,.*&X!:X;@FZYQ/+64N?.76MX[USQ^6OZD5C&@NX<1#&-
RDV8E40Q\$8J4\$K^2Y M+EV(SPR8]0GD63U]/=#X2I%=208,%0>ZJIO*\SK>! M##>65E[]V)-DV)32,=J#?:-%
(DH@\$FXGX2\$H M/VHA>3,B4F?6K)ZG'(&2NS*8`NK"=?(:XC9#8?1/C,*;E-[QXC%!"ZPJ*KG
M>1F"+DA';+!6#Q@G(#8J65#9XHG7SGK=[WKJ[OM-])?%Y^5I?]2X?5X7` MNW'6\;JWQEUO/GZ;)!%Q1([FXYFI=)`>3\
(++F7E9ZBM]:+1[XXG&_<0*(@1M M@ERZT:6FJ8L\$3Q]+S!Q=V@K3+QN3+L*;2.5S`V=&R08)\2&X@),7X^960K6 MR"?
A[+,L)`3C!MA@BIT/*):.BSF61!W4VQP4`\$-?/&\$D/:-*85RF`H;C` MR`CC(A>Q4,9P[8UYKC-3`)&..Y26G9.S06L%GPGH**?
LE)14HOHUF]^F^M:EUX]=?WY[2ZF[C.K,I?//&7]KEO/>L;9
M_%KGVGBG/)8S;*4VZ`H)]_063(K^RZA#)=S&&.Q5@TWT`OC_AG).*#1V5
M:NKUZK:XQU1DY0..!9J<3R9Q("I1('M#WZ&RD3;&APQ1"ZW[,@R[Q?H67
MN&.*\$ZUUBF211Q2ABS\$D1,IU\$Y`+IJQ08Z4E]WL-V.LZIM[P(ZV076FE;2:
MT,B&+E60\$.QOM)6XMXN8OS,T)3=@N7"#B'D#F7/15275&/8A=&/:2=*9&Q&J
MN]*/@VX[YU;68N`94BO4L=KP=4X*Z/AY99Y[UEGCE9+ MX\R;F4MUN;QLFE@8?
V.5S([R03G"N92,+EHRXWS\$1G"Q< ML4D9,&JF)*\US=-"DG?/>NI/7^>M:O'.K=3CANY2S"Y8[N,MF\]RXZL`=
M^JW4K>L=_FEREZR+L7#Q1CEFBLSP"*F;(G\$W9QM);068KI"FA2SB6^7)C M'R+("T<0XQ1&39?Q]G60I>8,S
M2&Q(9GMGS(84T:7(J!DJ6@^F\$/(=QRVG+48/TFODB;>"10X_;K#3+&R
M60BQP]>7;R67#J;.&*V:LIR)CTR(TC=>`@=*SQS/7(9:<HLQ&(9>,UV`J4
MGPXCSFV[V(VE(++CQ9R>3WL%\$Z>N**J,8PLLXU:U;Q\$ZUJF`#V\$V:TW3>Q
M`+S.0D5%69@QLYT7&YQQZSO6_1K?U3+PWG?P[>+=:EQUC,O'
MG=RMEXNO3EOUS4Q+/Y878G;WO8FR^#5FS`F6IZAQI-KGC:G0S<[+C+*)U+J2 M;1*.KU7('WE,%JHED[P2^@J8:

[;0.M3*V7Y)L/&\$\>2K3D*03G--.T"CYN M'H'R3?YF6IF"FP.S7*Z:N(0@?8[2<4UO!>*F@DH12[M2R;9-7N3KFR>MU_?
T?F;QWGF_?Z8;<=J%(!QT.)IQ@FE7N&\62.<076 MJ(AE>7G.U5I+54U,,6IB`E*@A%1(?K9[;.;L%)>3@\$EZ-
Y4;28&N))9='2U M:<_EWQ+QKF=AGZ_??76FK9C/VLPLSRDW,K9KC?CEJ9:U9J:FO*?FMNQ);V4 M`QW-
2;V\$V5\$BU^2*EABKD&T&TNM1SKK,2&E!L&M6#GLP7:U+WH79[G482K8VP71#;WJW5=&\$-
@)ZJ25_+XF;))>QOPEGK#TT_F<)2+M(-C''))MNC08B@M1&A*\$X1<\$Y37&)=P"5Y9(3#Y-J*Z'. \$07K!ZLH-
F%!GJ,6!*C90'PV\$5RCN,JA20TU! MD/-/%;3K7&F>L6&RJ5J=3^ *\$";IUXE;@E%)(*I6^H>'NK+O4]I_3G_IO
M'6KK65[E]=2/OI;?`L2SKWCX.,*SN6*-N1<.,<.)S^`B49N M6MY<\$W^%
(;&]HJ_Z[J22%2130ZH@JR0\+%HJWRXI!8)G%,8J82CN>:6QI46.
M[I>D5`F1`\$>DTS]M(Y&=@ZTRG*M)!*/L]2SJ%1DEG)2B^#':PY1B)644\$\$\$) MK33\$PW(K-J&6N%2Y)PD3:-OATTW?
CCXD[FN??`^EPQN]^5WECEJY6R7#+S MFIOCN=3N23J2--NS=V3H&SUEA[/Q\$EOQQ:CPQ7Q2@8C'@39.HB*Q'3!1WF
MI&<);[^OJH*2SI.?:P79*HS`BH-6TZG,Y[K#QPL?'M!W)::G;4DQFI-2=0T MTTT4TTTT#3330----
`TTTT#7S%_I)A!>V:AFOF+^33]8#^]LT%'MG)]4MB M_?&>/YBI=TTVG5%H4^O#FO` MG0----`TTTT#3330----
`TTTT#3330----!Q=7*T!" MJB\$["HL9"\$H+?_P`_SI++QJZU9;\SUGZ=?..FEE0;?)F2)1VD\$:0?#L;S MDOX_J*
(JXO,F.Q#`TE+4<,V?G#C7D6I22A*#@E2;IDUIN9K*LE1/&A\$U%5LG
M,@ZUDH%RDCC@L5R^;3MIYD%)8F*+;A=^X_JRK*=F?`TJKSOQ^F=G.-H+V&C* MCMT%HD?
<).Z4FRZX*E@90=QU"EE%(65V0"C;K8FJC7JM\$8`AG:59L+;,\$10 M-
W@[1V(CM1E/R/FZ4&)*014AJR7(!"5GB1*&1U00Y;4I+2T]^AN^EL0P(X\$-U ME`EMOJJ2>I460*_L]L.G,AQXWUJ#&N;
(1BJXA'J'!"Y;E,*X2R_6\=<37/'&_O=WOCKKFS[9 MA^+,MY9^4;.;N/.N-236.KO>7-O%U-:RG[M?
G\4REV7;*.C,C]MPIF9\$\$\$% MR3-#9D@%1+S^UC^68QYM00C1T0"=Z.2OJTWFE&@I@L4&FY#"8AG4@V7HFU-5
M&U+&)VTT?DWOQ"<5X,="363M"V)DN^HK::@\$KA&0,?+,=#!(8LCS2IJ*IS% M^]^-
P0_>?/E&^RJJL02MC#+\$W45%N<0.R-QXFZNQ7<:\X(E.*DKNI1A-56C MPIOT\$,?QR<-KKA\$'=CF;AOC+
MDSJF0;%AMFM*8%E-) MYA*#=A,2MI8/ZYMG_AJ:N*YSX\1NM".QUN1[N,8E&[S"LZG?++!G1RK1L MQ8H!C5-
K\$N1>P7Z8IU.L]T\$R*7M3+!;T'I-X M_P/[NN[W_%WW<3[=->/XO_+/_`">74_)QKV/C<=&\\Y?JTOM/:YY8)1
M,U^N6,&P_32UDILXXC/IR)"K[BB15H/,-('<,J,=HPJ]975E&ZT\$909!J(I
MM4'K6.Y"\$=:X7'10PX]73AS)\$MJCE@_W+@FA,]9J,'EA!>7 MPWQC4EQI.0[##+6V,6A`HU5`I,X&,D`XVK"XOP30&@),
(P)%BNYG`<9XYT M(T83+EE1"[Z*7-"U\>]GYB\$_%M"+<)-S77//VFK^MY68YS* M6Y;QG[3C=_>SF6-
Z[QQWCK>IW/:01\$V0V2+DVFV1^*SK3**W`]C!N'8I<\$?.MT;:%N.5=16N]C2FQDS`Z56E\$6-#Z74X%^^CK3<7
M7N]FD@3P\$DE2QBY/<8[R;XK026NHD#?]/*3#48H4J.N;4EFHY&57RS&9'KL> MX-AK?
M=9D>*+D5V8WSPHA\O>0;ZD[W*;(T#+!CT&5S51QA[>]6AP:/@+AX: M%=HIK'Z/3-7XE9(H;QL,)YX MA1FG/M)
(4B1V.9ZI#X.R6K)I!%BR09.H*6:AACGA!F`E'[E-TW*96AX?ZXW M[3',*7<-AF(F05C>+CMK<.+1IKC+T?,4D7:/OY?
JO\M[U]/MO6O+NV2G M#;VG+G6=E]D5M)%%MM)MI":0EI=@,,U(D=N"0DTU M)H53DH-IS4D`%CI:I8U:FA%%&-
N\$[K_=6W9G]A0QL^I76XPB1S\$9I@_:(N/, M-08R6Y%)BU]X0"-EC"/R,0B3]41%:&`)172BJY2HIQSKBA%"R7=26N)5J&I
M#F/Z%U[\$K'-RH+X:RW\$K3/-N29A;T^OI!N+G04AT3"UEAJN!&?ZLGE3P!4=> M!762UE4'P1Q%-
+*FOFH%8)M563>1)U3,&R)XU M8;&RR(-U,R-H(4'41'-)?(M-OEWD4#+6\$SUJ<'>7+E!1C0AB[GMZSGXUU[? M.];VQ,?
Q/X]?3XZ[AK>_/=DN^IJ[DF^_73MC[M8,HI#+-64'XVHGNC&A/8V MNN1(Z8\$904U(3D>^T_0\$]-
>2FR',>E4^01\$"*LMI:PDMI0;;B-G&027`%AU M7@`%/5R,U,XYQQ>R7BQJK4;49XJ.@K&Z>;R>>4?/638S.R>]I(%9Q^)^94=
M\$?.9'4<5`+T<9#,QS+;T9S_CUY.Y?HWU\XS0\$VT=6MNS,\0X\>]D1E0:T6 MXZH[9471ZT#:
<,X;""2TX3:YQE"Q">+PRZ,VE`->+PH'DACJZLCGUQM%CAFY M+4RY@<4>_P!](V*N/:4UW-
9:YFLDO(BX\$QM.2F_Z&43U?_7)-9;-F_?B=;G7SWW]C/\2S+PR MDMUK>64ZEWU-S=U-2^GEO?
#5IBAM!\FODV+FDUDB(HXE`Y&,USH^7"[F^% M**W\$UX^S2D[&!L1JV12,A5=J.0AB+-.%_P=,N//
MN2,N\$5W`XKM=960RAY11C`I`C4M(TPX]0Q/ MQ)\$3YACMMOTLW39@TD47"HU12H2A4GORDW&B1DF:-
QQAIY`NZFJ<,-AUE" M)(FY\$=5*%00+\$LX_GOZ9=?,YYO?%U)Z?"XYWRU>\L;/KLW)W.,;X:_X[AM?5
MK=:S)TVBDL1/(N0BR79;94(EQ-R(PRQPD%CD6ZY5N5996L00X*O,/Z,E\=-2
MDM(1HVMG5(HE(1EH.020AVR[2QE<:%Q,N+?7HYM3\DF6W)^^>;K;L7.@B"]-L M-'<)H38CAXI!5B+6S0-
RF;9:_+SL,RT3B)<,-43P*!@OB@V3LQ'T>%6J`+/9242,J@#C+ZBG M.XT*5*7`+K^GMZZD]? M=W_0F.?[[-V-GU6\3.V^,
[QU/KTW.U7<8\K)?>%,EY'R8!8:>Z+("(N-A
M,6,89`QX;`*B)!9(WK3R[NEJ0E*26V\$OUM)U="0IMNSP&SP"@%35]JAK4TV
MMO#D\$1+PZC.R)HK3[YJA]8IK#!=.\$U'GXF!33M`5>/5J?(H4R%CX.G\$RPM#Z MM)+Y@88-
%2:89CQ02*->QFVXO7^BZ+<38\$AJ/W5%%/EC1D(7+I9;U=7U7:RY1,;SICEUS-V(094XGVT[[A%
M08Y>J\$F1XN;+"3'HT&:3E=7'E)EIOH*;<;"BBEXW-)#FK7QCA);C;DQ12G*39)XXH[VER
M1KY36FE(Z@"KK9,+P5Q1:3>1PBGHYQCFE53VDHN`6'[?(3"EIL\$LVU,GE#E M)L2DFG+EY5(-
MS>L*CBF%`)JRV+>MM%DY?6E%,HNI(*K_>V\$JG%= M=76L4+*):E:QE MF.,O;][S3333133330----
`TTTT#3330-?,7FGZP][9KZ:^8
MOY-/U@[VS04>V.;B7\$!N#NY;2T90/3: `64ANW+:@7+WB%4^]>73)5)12XXMMM#:J>%]G
ME*#FJ`&A`PRHX:J<>Y#G*MZPNQY\<+FSV87:<719Y82SYYP1>T[C;09SL5%V+3@95"?AUE#B@SIF4
M^ZT-E"%HZ6L;E1`19`+*7CK,(IX_\$14CV;VNH.Z-E");-1DGB#MWJ2E\$N]&K1`);#;50P"Z\$G@
M1,54@@@B1S2=RLX'FV4?#"#;54V\$LD\$-QVE;<4+`2QQ60D]S)5P`IS*PK4T"
M?;ZLFJ8=X5E;RP9P,HH!DU\$;P2!SG"LE'D\$9F?BQ\$[6VH`B`/!"=-F/*817R-MMQ[3@SLD1]4I<K?
Z6I%4(4TY2REU2MH8*#&.]&`K-MPZ3]](I@7RP,;=YD_%!SPK)1Y!&9GXL1.UMIPK)1Y!&9GXL1.UMKCZ13`O
ME@8V<[S]^*?2*8%L#&SG>9/Q30<^*R4>01F9^+\$3M;:<*R4>01F9^+\$3M; M:X^D4P+Y8&-G.AR?BFGTBF!?
+`QLYWF34T"/"LE'D\$9F?BQ\$[6VG"LE'D\$9 MF?BQ\$[6VN/I%,"^6!C9SO,GXH](I@7RP,;=YD_%!SPK)1Y!&9GXL1.UMI
MPK)1Y!&9GXL1.UMKCZ13`OE@8V<[S]^*?2*8%L#&SG>9/Q30<^*R4>01F9 M^+\$3M;:
<*R4>01F9^+\$3M;:X^D4P+Y8&-G.AR?BFGTBF!+`QLYWF34T"/" MLE'D\$9F?BQ\$[6VG"LE'D\$9F?
BQ\$[6VN/I%,"^6!C9SO,GXH](I@7RP,;=Y MD_%!SPK)1Y!&9GXL1.UMIPK)1Y!&9GXL1.UMKCZ13`OE@8V<[S]^*?
2*8% M^L#&SG>9/Q30<^*R4>01F9^+\$3M;:<*R4>01F9^+\$3M;:X^D4P+Y8&-G.AR? MBFGTBF!+`QLYWF34T"/"LE'D\$9F?
BQ\$[6VG"LE'D\$9F?BQ\$[6VN/I%,"^6 M!C9SO,GXIK`F=I[LYR;D1&>9S01F9^+\$3M;:<*R4>01F9^+\$3M; M:
[C:#X,\$Z67;LL>2=HE:T#N.2FTBM:*VTI6Z@=3"@2^MM*TK=2S=K;2M* MUW-VFNK}
(K@5RP<:=]D_%=!^N%9*/((S,_%B)VMM.%9*/((S,_%B)VMM%9*/((S,_%B)

MVMM.%9*!((S,%B)VMM9/Q33Z13`OE@8V<[S]^*:#GA62CR`M"/S/Q8B=K;3A62CR"/S/Q8B=K;7`TBF!?!+`QLYWF3\4T^D4P+Y8&-G.R?BF M@YX5DH\@C,S\6(G:VTX5DH\@C,S\6(G:VUQ)(I@7RP,;:=YD_%-/I%,^A!C M9SO,GXIH.>%9*!((S,%B)VMM.%9*!((S,%B)VMM9/Q33Z M13`OE@8V<[S]^*:#GA62CR"/S/Q8B=K;3A62CR"/S/Q8B=K;7`TBF!?!+`QLY MWF3\4T^D4P+Y8&-G.R? BF@YX5DH\@C,S\6(G:VTX5DH\@C,S\6(G:VUQ)(I M@7RP,;:=YD_%-/I%,^A!C9SO,GXIH.>%9*!((S,%B)VMM.%9*!((S,%B) MVMM9/Q33Z13`OE@8V<[S]^*:#GA62CR"/S/Q8B=K;3A62CR`M"/S/Q8B=K;7`TBF!?!+`QLYWF3\4T^D4P+Y8&-G.R? BF@YX5DH\@C,S\6(G: MVTX5DH\@C,S\6(G:VUQ)(I@7RP,;:=YD_%-/I%,^A!C9SO,GXIH.>%9*!((MS,%B)VMM.%9*!((S,%B)VMM9/Q33Z13`OE@8V<[S]^*:# M.QWE6,9:0(>./<_0BYW8QG_X_FJ>E00"PR"X\$F- U=@(SL)\$S<635)QJJD1 MY+:Q@%\$73\$TF<*C'+BQ0?&-I:\$IFC*5S M#8QIS)-N(O'SS0G6,AE5- \8<)>QA5"1SAJB>*F02@IBT.PP(7&L"NNN"O MI;LY%_)I!L!>V:"CVSD^J6Q?OC/^Q4NZ;:,3ZL%^^,\?S%2[HH/G"GUX< MU_N5B%_`4Q:03JBT*?7AS7^Y6(7)3%J].@:BZ;"L:GXDD=F-+(KL5*#+<"M?(2&D)IY:(KC1)XI5<132(F`F%!;"5R0HB=5& (EC)M6J9HGERPXF@5^HZ^ M**7;=>:2O-,DIML"HJL2. MN1\$540D.5L_*1`T6!O"N#7-\$ZQLX\$MWP%;L;][8="H+[- C%04X=DMOUBEV MK;C7TL6-VKNAN@DHH97G M!;A?S(O/W/_%IZ"RFY;ZQ?VG]- RWUB_M/Z:K7P3(7_R+S)S_->G!;A M?S(O/W/_6GH+*;EOK%_?:?TTW+?6+^T_IJM?!,A?S(O/W/_%IZ<\$R%_P`S M(O/W/_6GH+*;EOK%_?:?TTW+?6+^T_IJM?!,A?S(O/W/_6GIP3(7_R+S)3_M`%_Y2GH+*;EOK%_?:?TUAQ@`P(I@P- 4\$`_,0888:AH00005EP@@@H@GB^55XRT[K`!VI#K&G:CFIC3\$YLLTJ(2.AG7Z^%AK,0F9*WD!W);IB%B(_DF/@V(RD*L@ M!7JUV^837\$CH6.C,R0R-46F707,1(-T%.CBNF&J%.JT>3O!S:&0`C9;=" MFU0BE`_]1%N=8@3@HY`.5`_`\$`\$=29*OHK#- M7G-4&+*4#1XIAE!#)DV;H0 M=C9`134XK M9NV%2!\$N7)EK:UM`!#MK6FNSP3(7_R+S)S_->@CT^9^8T(U:WL)\$D:AA MJVT4C4^3C.,&UX*\$EW@A9R&H]?Z&.OE4Z^0P*EEE2R"FCFS@Y.P(0V/6_U MZ7C`VB=\$IHY%Y2HB-8(*8#(*TLR>? N?^M/01I8^Y0^FZ M-W.^3D=-!J-6B6FJ<)>8^N=4(%XMI0\$RXC[&)&CJQFV_OE]ITR0^K=W5E@I>ZP M/^W];&]M!\$;VA@*5L27Z\$F_VP4!6@V9HY5'8`6_LA)ZE(23/,@);.4%0*VSP MYS)L0.M/3C=XQDBQ312H*:% [S@F00^9D7G[G_K3TX)D+_F9%Y^Y_ZT]!QB0 M<^T`RJFM8S0\$DX`6L?HK9%Q4J)?0RJU47J0- M6)X8U4HUJ*%`"^\8;N0SZ_ZW20,);G:O<;U5;#Z@R2?#O^O?#?#=-ZY+0MY M`!O]6[!_P`\$^!A&[WWKP6[OGJ]>9"_YF1>? N?^M/3@F0M7T@2+7`_GJ?N MM/0>:5^O4!K&+)\$Y0;EP@J8P-IL`FCXRR!Y40C??>`\$&8\$<4\$14K-\$D<,". M^49%28ODIG2`H1&_%&.).(M:RIK@-L* M0T@H4/*C,=8":8,7HCD3RNF,;2CM`S(%H)*7V4\$L%L#KJH;C#%7"40E2\$T M- 0HK!G@U,0XY Y`&#^=-@UB@(;-"O&R..=(O-&11;AQQ1A!A!+A;[KZPM M`&QIV=-&+CI? +U@2`PHP=\$@J*B<7UIH27+B`?H15`D2TVVDPPC/U/%36E<9;Y M!3#;@5XA`7N.*=MOA)L:ZH;1-RWUB_M/Z;;EOK%_?:? TUK.<^S#CM0<2X[V; MDMG(P%Y:4S9^PF!F-.DA1\C%CXE;CB0WX?EMXOJ+DE/9N!)52[7^;EM.[-; MYQ/%NOON\HHX/Y`-4M?1HS4R):(I;,"R8CRV9R>CUY+942^VRI]W2Q\$F21MJ MU62-+QC5WBECVDVT99L`*I]!B! <(96KPVN;EOK%_?:?TTW+?6+^T_IK4Z@Q#;B M&ID4B0,3C[M3BU]^_TAG/F:+ [SP(P0@Y>YK1_+K89P1:4S%\$8U:4`LJ933G#CN,7"WAA%3!9F2U*3(-IE./C">#IBL`B M")2H8#;)>ITV,6,V`VN)XQ0(HU&M3S#Z/U+UMH/0ED`!RH%;JW6VT&H6E<6 MH5;JV7TMH)W/==Q=W.[W- =P+2[EOK%_?:?TTW+?6+^T_IJM5,3H6KZ`9%Y^I_MZT](<\$R%_P`S(O/W/_6GH+*;EOK%_?:?TTW+?6+^T_IJM?!,A? \S(O/W/_6GI MP3(7_R+S)S_->@LIN6^L7]I_33M?5;)&0-U?AK92K7`-[GIT%EMRWUB_M/Z;;EOK%_?:?TU1*06/A/\$ MJ>45Y4EPA&:2?4;TQ;[NJS\$QX12<3?+ MBD56X(>U),I0ZI8H>#B""_Z`X\$84_O&Y;ZQ?VG]-RWUB_M/Z:U:..G&72 MC<:87S@L`&@1#^A66Z\$K>:45K)_\% MM&DJVVTM0\$D0=118%&N.WF\$L,J&2.AMEW+? 6+^T_IKHJ2DFHY`JJQ%,2TP MF:45)24#(9)/3R!\$`0T<.GCI^L3)E`P0A@R;BA%RX`=XPPE@=EUU-8@&R MS9:H`CJ.\$AP;T^K6R^EV!TP(K8+:9)*C?Q<\$;HKIL,F+;HYV\$E MI7+DKJI)=0#3KKP+I4DO9DX1S,M--QRW#(8/DE0 MQ1\$\$6%)T3!U!(-!P@+;0AAR9>X2R_O5NX%0G!M(L*WIM>^466?/#0=S;(+X1;3[3%=JPRX>?KIM1;5:HI5+32-AP4N MI+J(GJ&[*^N]9;6GHK>#6FYY_2+97TZU5I^*6/4;(1+&-V1?&"V(K8NYD(MIY:"6%8)/YBI=TT`SA3Z:._W*Q`_ MA*8M7HU1:%/KPYK`_*Q`_A*8M7IT%;K:>FM*?IK2GHW-W_)T_SIJ.I<;2 MX^8R?;7:X#\$,.9<:JTFMRV3VR.] (L7S),2Q&,)I^3B<9?JO;9%7G8R/!%5J`NU1:A`Y6<+2[^\>14F]>N#F%1`H,%<4.I=2=+!+* MEQ;K=-!K086SRES@^6*GM(<8BF%!T1C(-[&V8S7026I(*O^7W^V7HUSJRO M&BJ2J2@K3"M`R]:JDS)0`-,2DYBE4Q*!#*@6?P_QB><#"OI=D!VM=R.)SH\$/ M1ZG@LE!5D!;!6!V@I.MDGSX*XI^IREQ,5!S#M`"1K3!8B71RX9<*^ZZ M& (XQDF^A1<8EB1).IQ2@]!FE8=-)C4D>1HX;L?6+0I:V;.&P,UUA111#5CO:Y\$TF)8Y@// MQ? C3)"E,>4U@&;N6:14O);>TOO2P,5;;SGA\$&1TK/09G@IRCR]\S/PXB=DG3@IRCR]\S/PXB=DG6&WPVD`LIA1[_9"]6> MF^&T@]E,*/?[(7JST&9X*_V005GIOAM(/93"CW^R%ZL]!F>"G*/+WS,#B)V2="G*/+WS,#B)V2=8 M;? #:0>RF%O]D+U9Z;X;2#V4PH]_LA>K/09G@IRCR]\S/PXB=DG3@IRCR]\S M/PXB=DG6&WPVD`LIA1[_&005GIOAM(/93"CW^R%ZL]!F>"G*/+WS,#B)V2 M="G*/+WS,#B)V2=8;? #:0>RF%O]D+U9Z;X;2#V4PH]_LA>K/09G@IRCR] MS/PXB=DG3@IRCR]\S/PXB=DG6\$N4]H]92M;FMA;2GIK5_Y"4_1_P#+3TUA MRGV_9J^`\$KGLOOFR/(H8N%,QKZ4OT29%4FE*^@L&*R!X\$4<@#QD@.(UEJA MR0BU+"%(3*F!)&5`S)12(- AN=VX@PFYZ06X8Y:RX]WYMT&T2N4E]R MN-0PY1T1(VWV!>\$J^D>Q!.*E0KA1`P0ZBBVU%&#`!^>*)99=7UI15EG- 2F MEK\$99BIEQ?)5THAVZ0I>.:+A^R2USZZTRNIC0A%>PX0%QCICB,A#(-CRE,MRC.0@1#66`&JB\$H)*T!RW(-VA% [(RO+H6&4VR4@J:BH.)1<.-R,S(A#/U M,@U!B5A%(V4RS96[DTS5&6)4UIP/UQ)@(),RND2-3A`Y9"A_-/T]#3PGI^A M_9"]6?GK`?70>=8N`RS!=4":6;>9)(XOJ0JRYE]0.8KN!V.I7&W;^70[G# MBLJN5>`+]))X2DJ&`B0G%RR^9GX<1.R3K#;X;2#V M4PH]_LA>K/3?#:0>RF%O]D+U9Z#,%4>7OF9^\$3LDZ<%4>7OF9^\$3LD MZPV^&T@]E,*/?[(7JSTWPD`LIA1[_9"]6>@S/!3E'E[YF?AQ\$].G!3E'E[MYF?AQ\$].L-OAM(/93"CW^R%ZL]!H! [*84>_V005GH,SP4Y1Y>^9GX<1.R M3IP4Y1Y>^9GX<1.R3K#;X;2#V4PH]_LA>K/3?#:0>RF%O`9"]6>@S/!3E' ME[YF? AQ\$].G!3E'E[YF?AQ\$].L-OAM(/93"CW^R%ZL]!H![*84>_V005 MGH,SP4Y1Y>^9GX<1.R3IP4Y1Y>^9GX<1.R3K#;X;2#V4PH]_LA>K/3?#:0>R MF%O]D+U9Z#,%4>7OF9^\$3LDZ<%4>7OF9^\$3LDZPV^&T@]E,*/?[(7J MSTWPD`LIA1[_9"]6>@S/!3E'E[YF? AQ\$].G!3E'E[YF?AQ\$].L-OAM(/9 M3"CW^R%ZL]!H![*84>_PID+U9Z#,%4>7OF9^\$3LDZ5Q3E"M-SA[YF_X M6XBT_K_G3\$JE?X:PVA&T@]E,*/?[(7JSTWPD`LIA1[_&005GH.R;P]?1P M4- 0S@RU4K!P!"P]%)PS4:C%A@[PA2PMQ](\$`Q<(7\$`\$\$#O`NK4&ZP02VMFY? M?2M? 2.R,AY(M\$M;LUSDRJ#6V6F?)FTV(DJ>H#2ZA>JM6*L3675;J2[H3>VJ MUOA5+J,9JF^"5-F^_P`X;2#V4PH]_LA>K/3?

#:0>RF%'OJD+U9Z"+8CV;; MGADTNFVYM)-HHY[G"G%G@,M3Q%\$SDR02:8,F`JH).4"VWM9Y*D0FK/3?
M#:0>RF%'OJD+U9Z#6WFJ5VI>+6+;[F2,W#D9E7)S-(H5I2.87E&"5-8<9HH
M\$TY5<)&,SFSW)/PWTT,4=1&:C6?;R>Y<&J"96RI5660)Z0(1VD\CIHN0 MCD-*,*NMRMQN.14;;LRG`E53
M1"9LK>9"L7+Z!66IJ?VC]?2T)Z_!PVO05GYJ-WTUS0_M'Z>:C4PHI3^Y_9
M"-HXLJ!"^7X6YUIKEJN2_M9LBW@W328:OK+,.@?#5F)Z\$N&1BH1Y2U+?AV"" M[5I%0[+3A`L\$X2-
R@MEQ2YQ8,6&@+1+L\$#LF20KE6G(Y-H/M-7WOV<4US1M/MW)%DNMCI2@HJ-RC>;*4H6O;;9&
(W"#SD6B&GD0D1)%2DH,H0NH:2PN^&T M@]E,*/?[(7JSTWPVDLIA1[_`&005GH(T8FS(9<6JB@NQI/LQ;!-5R54U776
M=%&I#>7E@A4V&?O*K2ZFX5%UA9#&4`0E`S_P!D
M+U9Z;X;2#V4PH]_LA>K/09G@IRCR]S/PXB=DG3@IRCR]S/PXB=DG6&WPVD M'LIA1[_9"]6>F^&T@]E,*/?
[(7JST&9X*_V005GIOAM(93"CW^R%ZL]!%B7\$SJC+/C&T5R9`S5-JBQ MC3F2"4+2W9#EH#
<\$)OC#@08TAW17\$S6F+C"E:8>HMCK1:@14"ISN2&N,BF M-G`OY-/U@[V56KI`Y+CY^8X4R!2(.3"EN-.9%6M=#SAD-
<,C*OG#FBK:X M+VUV[.6+6%_!+D^].O-B"CW&;3%@5@=EXFT47FGZP"J]9H*%;3ZI,%^^,M^?
S%2[HLY/JEL7[XSQ_5+NF@^<*?7AS7^Y6(7)3%J].J+0I]>`?E8A?
MPE,6KTZ#0#MAX,F5R/-95BL`U\$)!Q"4D13=-,+&1T9DRL59"ISB-<);C>-ME<"5E`M09Q.;>MO>\$9@&61-VB%2Y^P`-
(-E6+4\$D5"+9!`TB-VVIKLA+@@:0I:6JL>"\$LB(6!!H2+VC%#@P1DQ8N M%7/!+Z*A`P.XO=/N-RN3"Q>@M^6V,
[O)"EH+K2%M M)+19":JJ4ER;(DPS`QJVQ@U`#0!1@^6W&2.KS+)H:X<2S3 MN@=:+)
[9==URB`XR9Y7)NU&250*P\$7VS_P`D1Q7N2\$95-7]Y@:. M"M:#V[^A]
[+400R!YZ]T5'+B_`Q=RVP6\$X@XK7O:PN8+7;@ MH(MEMA^&#B1RF<=N>R+/FO0=7A+"<0.2_--=&Q:
<)83B!R7YIKOF+7:X8.) M*9QVY[(L^.]&#B1RF<=N>R+/FO0=7A+"<0.2_--=&Q:<)83B!R7YIKOF+7:
MX8.)*9QVY[(L^.]&#B1RF<=N>R+/FO0=7A+"<0.2_--=&Q:<)83B!R7YIK MOF+7:X8.)*9QVY[(K^:]?
B[.7\$2S<[K]W'.W=W:T[J;XJINTIZ:TW793T?; MH/APEA.(?)FFN^8M.\$L)Q`Y+TUWS%K*WY8XKA@>%9&0"&6I9:)4Q?;
<96 M`=[O[GN!:_7.B@?<7]W9W-W==S=W5NY6O=4W8;G:4X(X)Q(-HD+)Z\$?SZ. MF;*<R`U!^8KQ="C:#W(1-
&;+5;C@/K3B<:V?%*I*&C)Q40<AIG"P;,@0JB# MAA)_6\$X@4AJ"(10"+4C9#1B^9000O#0ZJ@;,:1I0,4@JCFU!):Z<9-
#7WA#1^1)MGJIM;,\3Y20_%BA< M8D0Y\$C0,%I:5"!-1H?6DQS`BN.X.@*XGEPO#6#QU,3")-35D!?:D%]D[3]F
MSK2F5KL)NI+18^+<,YJ(!(%-0VRUX.((#?1D^L:\$7(I2.E+11/3R8`5MH8 M1Y_*W/]K/W/V^AK[=-&
M)B+RF=//2MU/AVZ*O;/3TW?^+1/13:^BF@Z_"6\$X@G)S'2G]GN_#NBK\G_`K_`6?D_W^CA_2N8>
(U*;M%UB=N!W<)/ON1K1+P:A6F+MP6P^N]WAU:MR^T*ME]!+K=VEG^YJ#4S2[R MT1=W-
2]MW<7#TKXU;E0;;Z5LJ+^12[AS6[=VG"YQ[FMW"3Q][F@#-;O+1 M%W,S6"1?&`!8+3"!U8(%"ZR?#+
<)83B!R7YIKOF+3A+"<0.2_--=&Q:U;,:#8(&6\$;S<M>+F:N+46R^XW"WHZ0WBMN\$:1%-
G'G(9HH7.A'2XG3)96B9]*1&^O`!468NG9%P<5)A@<^X*4C-L4DF9><\$>N.I6^21"JIAN7:@% M5JPO:JJC%
[[V7;;1E%_!+:%T^R@PU+OBZ9LQ:FTW@AJN^PZ/+5)@7;[BM%4; M%];4[%A6M.A<AN2]]-S_`+`NM=RE/MKKCA,7A0.
M3/GN[G`RC\$]/O#YK?^57^S_`^>FJ;MJQL750,\$-8V@>)"^&4D\$A*2?8X< MED]P[TO5*!GDH10]^!-JB\$4DT%:,D-Q)J3;*9?
>X"C`VF!K;^L%M)JE8(M52PFN`THMI(DM3F%M.B-V9#]8Q^15=06U%7>S9=[93E%"#70JNX7^&<,D#
MQM.!4QE,EX.&5N"!^A_`E[ZTW:0#DQ_C\$M]^*^;AZKBI7`!?:LTKDO?3SU@+ M):E/76)JH3^AM?&+S4IZ:U]%^>>OFU3-
I;5#9V,1&7VDZ^2AHV^K@6][RD M-2O4#?5U+RBYG`=_T[<=&][J+JLHJ1G^WW^A:H2@5@07ENVO^"-U*VU?
MSRK2ZE;:FK#;H;EU+J5MK;7=-^YN5I6M*[OFW*^?S;N@PY)R17VE,;<<)A M%V-
MY)^68SD`I+O12R5:M,I=E+\$YL)ZX@*)%55T8"\$6FRN%;BY4]<=M"3S M:VA:X@>:IM9%_)]A!:_>V:_B=AN;<16
M_P`V&_`[NST_E@>GSU_[VSTU^VN@H_LY/JEL7[XSQ_5+NFFSD^J6Q?OC/' MAQ4NZ:#YPI]>`?E8A?
PE,6KTZHM"GUXT_0X#*B5-M9)L0YTOC#*:DG,10@YY2U?C.F%`1HH9@%SK,CU^\$81#`O`0Z%`=-4*0#
MMS7H/&2A44%X]YV_Q,6%BN.!RSU)!2]ALP4O(=-Q2US92Q`7G4J5KX
M*5:~JVKJ0"]?R^A^>@J]ZLI74.S3AW#4.NKW>8LK(SG`C]j%BFIQ?ASP M[5>8"@"J5D=M.(K%SW:A>)AJ2DHF2@JH7,G2-
5`Z\$3,@@F1;+I;+):[9: M!`B`D`%&:V6RD,U&0A[QE(J7;*D%D%.21KU(0T8/%P4@H`2%N##&1C05MU3
M0@]X@E;PH23KL[7].T#Y!7V4?EM40W`%"CF:3R?]B&H("I;X65,K8=-,*X%
M&H@]D)*@VC\$W=6^R1G`W5&QM`N05H@AI\$PXC"XGCHC[Q;%2!R@[O[^AK M!`H,X1U88G45\$`#2-
=>ZAGB,EW"BBQZ*1NN8`J<9\$CZZY)N,W5BRW9]MDM) M3'=Q&0EDBTT%49ZVZ&*7,*.\$YE*)Y3FJ6XSTMHKT/((@)I%)4
M[70RW3S M6C)M2"*@KT.K2 MMBF`;MMHHHMC0DW&K%5B0BEB\$@KQSEBFTXZ3[R@`8-3-XQH,XF`WEPK2]*F
M+A;K;+*4J-6O>_[-6OY-L9YTQD1E%8W5%VIR,WPF-)A*7XT[MGDELN: #Q1^,4^GD7*(F7).69AL@^62Y4A22#-
BP33T1S%BJN!-4; H^;U\$ MA3:L0YV96MYM*HAM)/26L%9>D5HJ*\$;ZPG7BD+4T-B2ID9LOB!6TPF/O\$U]&+A`[:
(L2ID>S0Z*WTK6Y0O: M,0H;X=0:07KWNTZMWHMJ.GWF"HI9^6\$-E;1O/6S[BBKUH886(\$L2Z\$1-
IK"91[0>!K6?X`*7XS,XQ(J;D!A]YGEHP05+RC@4 M6&CJ*?8XP:!"V^A6B[(@2T)9\$M\$LEY@S+
TIV%8&^+^>U:R3=*38R;@`" MQ@(`HD2_`L:R`[GV1LH>M4"1-GM)5#G@:\$(/OU*3DP[26D%:!,2ZAH.QQ M>LOQ=D(>-
AC,0%`5O)EA:RP<@_EAQ+ZN.?M\$%N\$'+J#,@@DF%TT4&XN"&";
M5&/@CAF1A.^B`!4IGGVBGJ1`4VIM08B1C;P])ZFARCAW4WM%;2;! M<(6\$++J?ZQ0R4@:&(Z).(042P`0N:2>V%!J%D3:!
Y;>Y M8^M""&+6Z&L>`%02LL*N(L(H?A]B\$CW?V0MVE;M!Y5*V4&SV(JA=<5<9(Y>JQ:.*;4S33"4X0V^UDVY4)W\$E-
0+V!FK[Z@V# M-2]P5XMUU8Y0L6,?W>WL;V0N5*JTJ4;C?=-]Z4F;07*HXJA-9UT-W-EQ#18,U
MWJ)9%7_#]93,%0B2E>1.!DQAA"H]H?HSN%,4)I0VH*\$QYB\$2)\$L.=G3F>
M.6Y4H4%#@;S!DR9,CS(&"`7!#%\$`&%OL"!LO\$SOMLMNNH\$WIG.T'(B6F(J
M5#,4D4M&34Y&2R(=-L_O!%+2)"=-3"!>@B+?2:6(D"143Q)/1B@`XAA5/"10@&8,&`0|^*J8T0`DG!\$X.;,UC
MZ@7>3<8)BWL\$<;B7`T(14=-;R67&-J:ZMJ:DE%B22CIQ0L M8`U,^,7)\$RY<<4R.%8\$)=;JS.#\$H=FWQB!
(VURI5!VO:TE81C3+M")E.MPJ:2+4]TJ)*3B[M86/AFU03QE,TL#(4BH:4`"HH:%W*^6+H]W4;^3G4@TE M(AK&`%L-
XLWTYG-59G_&F4Z1:G(R"WRU2X""[S-M3-+K\$FN3M+"\$T2Q-0 M'=>J&R:D8(@DSB@I@!L@L2L7#H[L]-
Z*6([C[.K0=2D3:D)*WX>AOL(X9 M:QUM*(#3L0W714*)YLW0-M^RJ,2*AA#J09*PV1J:SRI\$2645`D+&Z*S9E/< M;?
32@BX@1RBIRX@K\$8PX(DF\$YN.4^1`!JA,%6TE%/+;DA#%RXA-(4\$] M?&HZ5P7G]QH9FP],3RAM9!F21>QKYL[0J>!&
[;92T,FO)RRZ9LA%OK!VZVM M1[6XKQJ&E\$+@[2HZJNA"4&!Q"/LHGLHK*0XY`VEFTA/GD=33Q_%N*FW[%D?
M+J.C`#]4MRH"VO2JZ#9I5O,3UI71^W!1T48L53`B.HDZK!D+T)LMRWP\MPX&#GP4`LD%3420`5"B,`"#BPL"
(52D%043HY*EGR-7!6+JLZ`R=\$=-(%0" M;=4`"8;B.?S+YM3%ANB;>O"Q!-9FP%!2;C^T[&:JL9-C@KW,V03\$`MIG<+E
M6UF9P&Q;"Z>47V+Y9)478MA592JWSEY(T0.J8P8^Z3-D/AE,SB2;*X.3 MC_2:>.*J(XIHH*`B4.T&NOJ\$9J,7W M`=1A78,
[FLUHV25L*LO/[Y&XEF\$IQ>1H_#&L*,JPR7%8R14\$B5OM+TLU*IO'&&H9 M:J:Q7`R+KR:ZSRPBF*O`IX5CW6+

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MA:)0T*,H:D0Z22,8L3ZWB2Z0!K>ER)7<6"AU10!MW3HNLBK0!C,JH:PBVW M-1*JKLPDS[5E\$466F.%(%)VJ-
MSQ05@`A4RDOX[OAW2@[0-U0.7D4RX2VE2`
M.Y"7T36&WL]*_2FSYUT^B:PV]GI7Z0DV?.N@E=7Q:PT<9*0\$US,R,'\$0DM*
M;J\$YBJF=0K0Z(S9(^D\$Y\$033*:8;8(QL4M*0J'.G5-,5%1!/&QKA@@@,O M;C=AA.? =RG2-H4H!;EDHIIWG3]QJ\$?HFL-
O9Z5^D)-GSKI]\$UAM[2OTA]L^=!.1;#C#M85 MQSA*)XD4E<>0BDC!KGLEH! =KEEWP(B8\$#M*%T8\$'I>C6EK60>-#4
M91Q%,<0X)EP!.,605\$%5#@N/[3P\$BG17"&JU+ J6OH10!VP<6.\7V7%K@!44 MP*5HA7'W-H(6MB@`BA*801VRJ;HV-
F"CU3*(SH.,S'TRTT"-H'FY5Y-M(S0T M7L&#'\$WV9,JMM:N#LM,")T3N4:D1[KK!#!480'O<%?'T"6S2XN\ANGSGMVDM
M!?,;,\$#%#IQIJEL(QV"H,1:=SD:JJ)I%N#V]P%(@)Q'QRUP=A-5"-6KJE<&1 M70U%,3*"AU22J;0F2N*Z'=C7A1@2TH1R_?
#9V@D,2;)/2ZI/^\)9R,&"TRD M,RY((+J;C\4BH1%UKZ6M->16^5";*8BV\$!V\$F!,P,1H7VF'[Z%]A^P0V:-]ME]E8[R&W+ [+
[*_!^IGI7>52A<^X'9D^*21XHBD]T:QOEB,<7QZWCER;4_)9AF
MG"B+B\1.7#6):T1(G3Y,R%)G41V8\$**3'27J6P,B58:S7/D8V3'27QS8:HW6 M:17A)2F38Q)6#2S:2V%'1*+IAN@A@)9L1-
")CV7W\$[P_&M.7&"7&MJ3<#S\$QS=K^:RIN=S>\$<;3V8L1.!H.,E<)6E@*JW5]33KS'8H(9RHY
M<>T+W#>V;&.+2*CDFHKY%-8D;,>%FB;:ROR;-Y0R;H%8!0T8+(CD@!S5'0{
M':&!0[QJ'V6!=WWNRVVGJK,\$XN"LM#!E3,BT,""8`
MP0[*>FE@=EMM*UKN4]=!#MLR1'MW6);5V>T_5=,B#7I",KXDMN.4L^:\$I0 M\$&PEQ';B=83K2\HK'3NZGVR'P
M&XTXV=<.@BA=BS(<^>H.S'5,'&DT"LN(M3 M^ZT0&VX!XE9!JMEIE1? M6\$C2H6VBGD)MX(!N0RV[3E*5-
H']%#B676SB/8(71W.O1N4*GC)5TA,K7OM4=-,(ZFPV'4NIRX8_4N M*5,"U.&3`M3>[K'0Y5X#<=<.:9?
3KR\ZX=-.W&G&SF7TZ.O.N'01,[MD!LO MWXS";\$=#>-J.C\$GI=1M'HV2:O'T<*^&4`&59%![S(JWW%AT8+O:T[%`&!"
MTL(">2(AEK,,"\$0%N+6VVRVE,KKK MJTMI2F[6M?36NOKY*(LX0G'IFMCX3JNW';C3C9S+Z=>7G7#IP&XTXVQH--
LM<,UCAFK0S:VT!(0K3-MCUPSOLM,6)),G8->9-) M>J9:+=,2V^AZAE*75W=7X%_)I^L!>V:UCI<\$M>&
<^,;3#=-TTN@1P8TYDEC M=LMSU,5'J[">,#7F!+3QIS"(&5\$*T'*8!+@%PMG'O
MY/U@/[V504>VQ!9203#109+D)=4P\$XT"[D]H10V'MSB+.M
M7,6*+60%A#K,+*+;YD3"L8!4"Q%.R4ZHN58V:T&K\$>+;.\0C1J'I"VSD@B`A MQ615#*FYC#TD*3'P3?
H?NEN)MC(MBZ/Q8]6FDY+JN8@LFQ;U&TVW_08-5R
M*%#D4U,Y&3T5N>!Q4FMQ'E]3(*KK%DA*:2@6GISHH)6<)X..G6\;DA08Q,1 M6+IH8J"H6MEM-E+N#%";
(O8.:YB8!H)&36/J;?9);>T.7&^07DJT,=U!D=M"\$:@66Y=)W@U2Z6(2)>[O-4.GRIA2+T3BYNQ**3[Y\N5=CCT)WGVSM0%%
M[AS7+S'E-5(QEQ)4K[Y]CVIRTWE\DJAN8,CH,C0"AW\$51!)J82PRIT[W=A M6A(^.)I>JB7*6*IN??
*1GER4<<>FP^QCH'DWSRY5V./0G>?;.TFV>7*NQ MQZ\$[S]9VGE(SRY*..38>?8QTI&>7)1QQZ;#S[&.@XMC;/&S={C*
["W=]/M, M04LQS106\N/98!:=>#=<\$+9:(6V^VEU,QY2,\N2CCCTV'GV,=/*1GER4<<> MFP^QCH*S.?9R09Z*-
%IUJ>S_6UZPJ7)EG\$/LX%`HXD)\$E<,(FWI2ZEYAS\$%1 M.))@<0XC*28:*J20?[A03394Z"]'YJ[9Q96HUNZQ-H2YXK-
BUW%-1:++R& M>AI<+VTK4\$HI%B,X)VIRMA<>MQNP^VTEOKQ@>^%16#R?7P&E00*1GER4<<<
M>FP^QCIY2,\N2CCCTV'GV,=!6EG8;:1%I.,%1.;2*-7^@53K\$!:1Y\$V?[,6 M5UY-
@`LH!%\$%ZO\1<@&V[5TN5'5CAD.APX0FW0EX-;0C!RAG6IMA<-ML>\ML7I*BG"7@?2D7R\$:[&A>;RD7P&7QRGU7BE"?
8QUQ61!\^G%#"OZXA0 M3P"Z<,V)&=;[C-:FKUFA"8UBQ:K2X(*C0>T"PC=<:[FP:AN^EEK*21GC3
MT8H8XT_1FN^QCIY2,\N2CCCTV'GV,=!4&F5#D(JYK+6.\QAV_Z0L4R"QMR M+R%2DPJ]?
YG2RWT":=H2^6ZU%Q1MW05)5::0A&C9*N]5UUJ0&"GA3DR<3LDHT
MHFVQU+>%K\$1LDW>='HT=GHHM^Y+2:V6AU3""Z9EZ7,ER-0[+++BU@->[[:+ M"4N[FFY)GE(SRY*..38>?
8QTI&>7)1QQZ;#S[&.@YNC?/:ZE:797XY74KZ M:784/2M*_H7,[7YI&V>-*;E,KL<*4Z*4PG>=*4W?[J9G:YI&>7)1QQZ;#
MS[&.GE(SRY*..38>?8QTI#R;YY3?/+E78X]"=Y]L[3RD9Y< ME""IL/L8Z>4C/+DHXX]-AY]C'0)OGERKL<>A.\V=IY-
\N5=CCT)WGVSM/*1GER4<<>FP^QCIY2,\N2CCCTV'GV,=\F^>7*NQQZ\$[S]9VGDWSRY5V.
M/0G>?;.TI&>7)1QQZ;#S[&.GE(SRY*..38>?8QTI#R;YY3 M?/+E78X]"=Y]L[3RD9Y4C/+DHXX]-AY]C'0)OGERKL<>A.
M^V=IY-\N5=CCT)WGVSM/*1GER4<<>FP^QCIY2,\N2CCCTV'GV,=\F^>7
M*NQQZ\$[S]9VGDWSRY5V./0G>?;.TI&>7)1QQZ;#S[&.GE(SRY*..38>?8Q MT#R;YY3?/+E78X]"=Y]L[3RD9Y4C/+DHXX
M]-AY]C'0)OGERKL<>A.\V=IY-\N5=CCT)WGVSM/*1GER4<<>FP^QCIY2
M,\N2CCCTV'GV,=\F^>7*NQQZ\$[S]9VGDWSRY5V./0G>?;.TI&>7)1QQZ;# MS[&.GE(SRY*..38>?
8QTI#R;YY3?/+E78X]"=Y]L[3RD9Y< ME""IL/L8Z>4C/+DHXX]-AY]C'0)OGERKL<>A.\V=IY-\N5=CCT)WGV
MM/*1GER4<<>FP^QCIY2,\N2CCCTV'GV,=\F^>7*NQQZ\$[S]9VGDWSRY5V.
M/0G>?;.TI&>7)1QQZ;#S[&.GE(SRY*..38>?8QTI#R;YY3 M?/+E78X]"=Y]L[3RD9Y4C/+DHXX]-AY]C'0)OGERKL<>A.
M^V=IY-\N5=CCT)WGVSM/*1GER4<<>FP^QCIY2,\N2CCCTV'GV,=\F^>7
M*NQQZ\$[S]9VGDWSRY5V./0G>?;.TI&>7)1QQZ;#S[&.GE(SRY*..38>?8Q MT#R;YY3?/+E78X]"=Y]L[3RD9Y4C/+DHXX
M]-AY]C'00HEMJ?F_GOC;=-LMQI)Q8UC3F3-W08_A! =A! =&-!C#BY1'51UB; M)
<#7@3@%Q8(H6+ED&\@*";*9^V'P2VSD7^FGZP']9K6,EN6?G!GQC;.-L M21H&)8KC3F3'-?FE8A?
PE,6KTZ!HHH*43'D80,#V#H6 M;[L@HX-(!SRK."*7(O[S3.-:%HJL2/2(UCQIW)Y(FHHL23\$!N-\$O'[\698<
MRFH)I=8CI&:C@=\$=;+*29#. <+N)DL?E^X12VZAD0VN M(Z*>E'9Y.-
=TAHP):^D_DE+16L"TE*PJX,J%#E/.AWK76NR!5\$N]EYM-TV MLML0<:)N0!WTT^MI!<@";J(GJ=Y\$=5*^!#G;P["
(UE)*F#%H-G=CWINKOB
MO/<>3'7>.,SXP6X@5&*U'DHM);3&02\$66S+B,.'@B)1T4H&*%:HOS*CI)F/*.:,\S7A4D1[WNUNPNR5;P_M`X,CM-
H9L(1(<4K<8)B"E?>]4/D!2BJGU-IATJ<&G_AR1HQ39E]!3+ SJ> MUAXDF>'BTXU.?EU@_C<1F?'-/+K!_&Y%O:
(S/CF@@SAR1HQ39E] M!3+ SJ>TXX=3VG#DC3BFS+Z'F7G4]J<-+K!_&Y%O.(S/CFGEU@_C=3VIS\NL^;D6\XC,^.:>76
M#^R+>><1F?'!IG#DC3BFS+Z'F7G4]IPY(TXILR^@IEYU:/G/RZP?QN1;SB,
MSXYIY=8/XW(MYQ&9)=3VG#DC3BFS+Z'F7G4]J<-+K!_M&Y%O.(S/CFO%K&66-
R&]64P3\PI_ .XI)O,^VPR[IOCB<,781!&47%4L%5(
M5,2A"Y5>3A"H2@9`\$4*WC6%+1*EA^X#P#DC3BFS+Z'F7G4]IPY(TXILR^@I MEYU:/G/RZP?
QN1;SB,SXYIY=8/XW(MYQ&9)=3VG#DC3 MBFS+Z'F7G4]J<-+K!_&Y%O.(S/CFGEU@_C=3VIS\NL^;D6\XC,^.:>76#^R+>
<1F?'!IG#DC3BFS M+Z'F7G4]IPY(TXILR^@IEYU:/G/RZP?
QN1;SB,SXYIY=8/XW(MYQ&9)=3VG#DC3BFS+Z'F7G4]J<-+K!_&Y%O.(S/CFO'MW*['!TK[-
M&TDS#EZI&CC2&LZK#3M;Z>5!5UME-E_D+ \$T<5'2BT5O;CM1AA3R6*:%S MUYQ*%M4\$Z"\$>

<.2.*;OH*9>=3VG#DC3BFS+Z"F7G4]J<-+K!&Y%O.(MS/CFGEU@_C=3VISINL'M;D6XC,^:~>76#^R+>
<1F?'!IG#DC3BFS+Z"F7G4]JPY(TXILR^@IEYU/M:G/RZP?QN1;SB,SXYIY-8/XW(MYQ&9\=3VG#DC3BFS+
MZ"F7G4]J<-+K!&Y%O.(S/CFGEU@_C=3V)?4V.D=LEXR^Y9@CH)N,5JN)Y:5.>+;6E)#:R.=75<
M0BD):J94E0X&GD#%Y9.3RXYTZ;-86*#@B#BV65]&5GV"S98N;!EV,*@FBX!D&MM[-.'-]0C<-
@X5;@Q5NT2RZH8EM:VWG6TNMK7N:TW:5T\$).2.*;OH*9>=3MVG#DC3BFS+Z"F7G4]J<-+K!&Y%O.
(S/CFGEU@_C=3VISINL';D6XC,^:~>76#^R+><1F?'!IG#MDC3BFS+Z"F7G4]JPY(TXILR^@IEYU/:G/RZP?
QN1;SB,SXYIY-8/XW(MYQ&9M\=3VG#DC3BFS+Z"F7G4]J<-+K!&Y%O.(S/CFGEU@_C MV:"CVSDAJ6Q?
OC/\Q4NZ:.;3ZI;%^,;?S%2[HH/G"G MUX@\$Q4UK-HJOO1975S&<0.%VVTR!HVM404TB"9&MOG.[FOFW?
+S_C]FM.T@XK38^)%RY6SR%60R4Q^7LFQN*:7.2D M>MR8:33F6.)#?+2GU*,JIP)0E-H-
MVQ\$UPEPTZ&9#D3.XPD%-\$;KS>:7<%M_IL043`H@X^,N\XPPP@PXHHL)1B(*,8%O"\$SO:EU]XHXU]XHM]:WB"W
MW"7UK?>=6M?Q3#O\$RO_IBQZ\F#XNI\B?^]_SUJ9LP6R21;\$:5SX=K@=8F>9"'+?E/3@=8F>9"'+?E/5D-
-I6ZN>)EA^TQ8]5_1"\$75-\$]#8>XF MVUMNIC%CY2M^TNMNI^74K;6VN[2N[1[MMU*TI6E?
32NY6GGUFBK^f&>2A42\$^17LYD4DI*^+.&K9WQTH%B>>+E M"#M50*&\$Y:-
@WZHU!/(!>1X6(-,@WXQ7\$2*&DT6Z]9&!WYQ%=-;8E>4WQ(
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[M:UKXI?;6N[6OVUW:Z_7`[Q,Y6//,A%ORGK5&VL#9] M*)<:E@HHC)E\$F=F0_&SD5GMF'6])IK@EV.4/|R<+&>\GO-5
MA57B:4Q72[;,\$=YI?;*)(*4O[ZK:;EO^:TIZJ5K6M*?;Z*;>;S>;U>;M!UB9R8L>>9"'+?E/3@=8F>9"'+?E/5D-
-I6_@=8FO/|OD/B[<_P^:~>?FUQP/L3:6W4X,6/E+:UIW5/(?%AY6MN[W:-T M4]RO2V\$8(-
M*XR5;L>)>);"X22VZM%131V5EMI*;>>\$E(99#BY1/5:-5*X#6F9V0:NY6G_A/TKZ?5]JNOUPL3:
M3%CSS(1;VZK7CQBA/T49?2A,,D3`S96:DAPFA,H16*LA?9T@&G0@RT72WR M[DJ>9"'+?E/5D--I6_@=8F>9"'+?
E/3@=8F^TV:4IH=-]N,L3W,M0EE+7S#`&FL^XDY M:L,@0DM,)X,*S&/QWXBO5[-F5&H3>P[RO^:N-
FM&D<%TD[0TN#^:~>&SV MR07Q#:(ZE^C)I@W^3:9SUF\$*85YF21*#+3\16]^3[Q8JM*#88T]>
MR*(/T=4\$8F5_]6/5/TPA%U/1^M/7/ZQ,MY,6//,A%ORGK%X:10XX3Q9T=-.:S2.I^F^3Z>SFA1*&26:VW(AW\$XVLTAU
MA91F\FNI>;K>5\$Y*MG^ZQ,Y,6//,A%ORGJR&F@K?P.L3.3%CSS(1;VZ<#K\$SDQ8\RS6_*>K(:"
MM_ZQ,Y,6//,A%ORGKBN^>)E/_3%CU7]\$(1=7_]61U^6438 MK^VC_0^=:UI_HYO5YMG^ZQ,Y,6//,A%ORGJR&F@K?
P.L3.3%CSS(1;VZ_M-;@PX]U_1!7?*>K):U9YV8WS1,EL2D61^UD6I&.GDD\$B@=3-
1A%4=1R96PBA=8^8;":C:50"%XXIS%3\$;:F""P28AHT(4#-W#6%K MS)B"@=XPEUEB7;MM*;EU/]
(%Z:;G_Q;:~+7@Q/3AC5MH[;BB,(D+T6Y@`M9T3,(E[66QH?+Z9D^MRAIF&I(C03DI0D*?<
&\$HR6F\$6RCMUV%UF<%^]&"\$OHZ2^RZ8\$ M2(GE89,H09T*N]I8^>>+Y<-BB:5Q20*N>#S6SDAJ6Q?OC/\Q4NZ:.;3ZI;
M%^^,;?S%2[HH/G"GUXQ^\$O*)/IQU5 M+KQZJX;T4LJ)-BWO9O3192*.:J14+.:K\$XMY3>?_MC@+?&V0OLK6G M*FK3^
WYLD^NYN[G!MD+M M2^G<^YZ=SS[FYY]^<^+F4W^)/1MD+M2Z^PVFJDNM=G%G#M_&AD,NE*%5H*^@=!\$@4H,6
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M0,\$7O#95IK79%&2RI.3J5&3\$F8N)K^HTB^C,S\$A5OBA^7G/(%0H" MD0\$)MMQKU.T<*:~<-
Y.E@#*.B[WfKE)331#Q,H^:\$.*~:~9*WCAL9TUKIB)MH].RBYD>*S<17DL,UO\$W*E^H)BOD^FG@6Z*:33Y6J
MYX^03B8\$1),JO#+_SU^AM;J5WLDDW^4@B(Q:;4! M@Q;E8GE^!+EPPDI2O-F#7>~"%)JA10M<^+;~&P336N^GE,;?
8"Q*!3-#\$4 M9C(=OFE=^M@*1;:"(H.L*A%L7BIXF3EBO6YP&417HC!)P@RD\$FG310,4J7
M%`M]A^Q,SLNL2ERLJF^23CHL6@M^J#P/,@I:H.^@AI9S*%>*G+*6HIANREVZ^)&2]^Y>%=2GI/%O*?CC@+H
MVR%VI=:8735>?%S*;CC@^HVR%VI=<5;N4M*;OEC@+_#&R0[J_P^5,I^U_3YO M^N@L/HJO-&[E-6F[Y8X^_QQMD*E?
+5RDI6G^~?@5!RB!#O0%F?X.(R\M0003!_V!AAV6UOOOOORFMLLLLMMK=??=6EMMM*W75I;2M:~8G36MZ;J;I
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MR:~BK^2),N9O\$/\$^_R8\SOB27V[8R8N5^*SG?C&O&#=#92L?Y^4DVXL8J3-
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MHEG.TQABSE;M1KLG;\$T1=1#)% MF;F5B^&@;^]4Q?I3^I5D.<*3%.DJBIOJV^MT%O&QW#)^4J=^404*_
M*NT,4)G^QH44(*^@9<P>^E^JUOI\$SVRPMCIG?>6:V(2LO=M3Q:Z>-M^?ML^DD:N^#9/HK7/
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[H,^^DG@O:7#!]MX,ET5^D;Q M^\$!ORIM&M-GNY
MHA>S8FU4E9%4!&M%3R8*^@F6^&^D_DP\24%6:9^3S@!PPEB)AB810;Z@F;# M!8^!(6P>Z^@:::IKYB_DT_6^_O;?<
37S%_)I^L!>V:"CVSDAJ6Q?OC/\MQ4NZ:.;3ZI;%^,;?S%2[HH/G"GUX3AC)(6^PR^\$?)&R0
M@H5EALJ8+W^WT]MQLR&I;.;7:#9(7UMMMMNONBG">EU]UMM*5ONI;B];;2Z
M^M*W5I;.;;2M:TMMM^4N*~;WDB!PX\$3_*^A4N;V\$^H%QT[>^&*+84*6F
M3!0M<;W64!+T,&BX%1K[~^C@AUN%L^N,[5^)^5;6:AAAP6;8Z[48(LWJXX
MY^N^5D@!WN8,A5X!W!4+7EQ5\$)OT,#!4MS;\$SN;F4:1M M8LC2L4^0FL(:2!Q6#\$RZU9%3E4ZO^H54Y^OH4-
M(Y9V6)1.PC=:[&S:(MMUM-H-DA96ZVZVV^V*^<)ZW6776UI2^VEV+UUM;K^U MI=2EUMUM:TI2VZW=I6K3NVQ>;-
VDJ^LS51^=#69S9B*+":~\$KQ>C\$2I,N2;G.H2^H3"*B-QZQV*S MUZ,#<=M--2^2.JZP6>CRO3"Q4,~HFQC),=Y12DGNZ-
U_~Y22;:"RQD1RI[HH^2A\$0=)O:~F M>:9;.K)F^~W)KX:[H(I,Q[BFLN!^%3#:2E9483T>QB6T6,9F3![BHA^ZF
M~:0&@RVP^D4]ORADVNZ!W;,@B\$F^NJZ^?SUSKD^H3-"EQXQ)(.1TS(-+9/
M%QUDEX,93>4[(-;E\$PH2NS6^LLE@VPX^KIZ_)M67_U^J^VWK8;N^42H1T)M+^#EH8R-5Z29C^+"RVVFNMH^#DG2?
E=X10JQU6*6]D:PM? M+D+,GQ&222G^1)(25E2&5UA1M1^W?#DEM^IMQ_EYZ32BPF^X9P!DE,>[~^,^
M/7C%*^6>73+^\$A^);4QL.M3VXXDY:*K\$Q*^S3;W;3&*B[PF@D5(MG[-LJ])["P3E%^34YGRJ93/5[-F1
MFXR[\$(M5":R1%L[2FI^JE6NS6P<;C),1>UTHR?5E=10^F^N^2ZN",JFDU M3^#
[~(H^LQMACQ(PV^O):6DRPB*TYA**X+~JI<5^RC)60+;2&>9,*^02D;+ M#R%(&^/F:~2UH(Z@RD^
[RJ0E\$4SP7%>D>3(OFM&OSSB=FQ^NR,AYFKJ^N)DKI MKOC-ML>)?^S^Z.L?%~.DI&
<[V3I&4@FC=XKU#-1VQ7QOTCK!1)E":R5-A4 M@V%L^H=9^(\O\$9^3[WQ\$326PYW*^>/HBFZU,V^54B2-
8.Y<~IV0&.#^CW)^DLWYKCU22] MP5@]^*W5%B^H):]4[;V^6NV!4ID^XG";*+*)D9P;J8\$Z.X^R8
MCQF#;K+*!&E)Z&)K/LL%E*3<>@E^?C2\$^_P\$?>S9^#2@^2RWUI;^15ED
M3+^#DGSTKLB^U*;TS)%#C@^(J99;HBQ@~.5=C165B<=&>I61^TCN^YGF[P2SF M(J#!;+^42*
(*LIU[6^6\$M)*NFJ6.NSYR2AUFQ^R^5,CJ=<3M#*1^=SL@4@FP MNE^Y-B.^%^^Y8;SW\$;9B3FX9;DAQ^C2^f&^JR,<~N-

0A*S+(> \&PB#?7X M*3,AK1;HVEQOROD`G24%AE-&2MIRVU,<:18;&L1QIE!31GK\$!1`E[K,N,M:BSZ2BQ136JF%
[JEF:X[K](0:I*RB-]M7-V4,Z*T02^V(MO*/WRV5/\$5F,*MSJH3\$:,GK;:GJ;H21#LL*IR1"*^DH:G):(YW0P&*24B!)
(BY13W4"AB%9!)& MDUEAZ:LIH(XSI[#F:GN?=-UL'3;&+88JNGQ(:8,-K\$REG0AFU5`4XY9+6> M3O`2FJDD\6>#!
<]!"E#`]QC?RX,6QB0MD+/D<*,QX37X--X^Q7,B*F.M]RO:
(%Y/E!VNK%"4<9VTDQL49[T=I])03:J_* /LTN2DD,>H,1T%-M4ZIK*MP" T9/7C>121B%D:
[74JSW"DB,%M2,-F2KNM_X]20Y#0%&:%ZLMI% H)ABL,ZSP MVH*X"EM5!"6D@5<-
&B0PFA% B6:#+B>*C*8)HB/C&52;DN.DVZ)%:DTK+N>K
M@16"MKYXF8(9!S>@BAD_%%:,8(;DAHMA<2RA=&*@&2Z* BK%3Z0;4BIL/M)N(N4:PXWTE`YB>:,
<&,1%,8RTW7U%DO78Y*#. M3RL;H5J!/+ \$D\$-R10,U51YNX1!+-*2C5RZ2=R@NEDA329**D.\4/%:55" &
MWDSD&\GU-\$&/\#L>1X;:#<QT!O\$M[GY+F7S]CQV2:QC;D07""AS+!
M0;`!&TX"QFLSWDBJ"JVBSA1D21;:1E&H)UL#@!*M+JQWGLY/BY+M^Q7^F;
(>"CB0PT)V,Q*=>K!\Q]F" &7N&VC[M<+?,"6N,Q3 M?:(L%P^@NMQ+LHJ^6/E" JEX->PZFF;)X`GU?
8Q&##E=3RDANH;T6& MD%Z%9"C^H)9^#NIV`ISK""Y592?L4FG(KI#%94H.^3U63^RW@L57B](-
>4NSNWC;*L50#K%D1BEFI'+1MG/M>DX_3MCD%3@3;5(-9O`E05SKK&3%&]>/"H?7H/BIQ*DF)0P+;=-YFZ8J?
[V@)1BX503D<\$F44S!E1" &'B`I.J)(BG M&6^V7+J"C->1RA^15EUMYNKP3G04A1>\$SKOQZ6DD5?"*Z)81)Q%/^#0Q,D;
MN+5#L/\$B9VPP5!MOHH*]RMS`&D`SX1L MX8\$73!V6(;D)Q!*!@`P7(B%2:T61["Y N(FA&Q3ADSK=S\V:N8&6>.ZG#A;
M[4G(F+74<>#<1-WF61#3>`(MTX<GT^[\CW<(R+6]0M"!MLL+/TJDW]YN ML5DM3"O!M+
[IM`JIQ0P#R9QUQUB6%ES:8Y/M>8+7HF+KO4&+C:XA5];J:MBM*QT!5EF&I-
D0=.H>4QRZ2\$[ZYU4FE@\$R=RCW@N`7`N,S8@DYJH,](O*?`MMD18H;LAH!-&S!8BY>EL:9G:F"!2B;&Q-H,I*7`UPHEW-
Q>:,QLANX_04](M\$1\$9"QACI#8`XN-R,5Q\$7N8:\$=61ND.:!4-O+2N^&L.[BH0BF]#E(;`.(B
M*>46>GDWI>J#+A" _VY3U4_RUSN4]6@UXNU@3];Q9#K+)A0C.J#E41CXL\$>4
MG*QF^QXW/M".0HO4DF:D=VKQ1S.*U,I.&XJBQFW)6U\$N;<#;:,Q-&3U=>MBAWPE.B)&V5V*[9B
MRXT-\`36,R7P502OD`ZWC%ZHP5*D,OA0H]&T<9=I2::GC*][6.6N3,6J^*][>E`9 M9AD:FG`T*)TP&WJ\$446<
[D+P9,\$C4`ZCO4Q>I*),F"44;=N^Y3TFE-W3@1^VEYDIWE6;PM`0R&LN`U`\$(+`A)#6J%
M\$,SN+W*>G<_KUQN4]5AM!I,IBG,L3N2*6^7:>6\$CI+(Q`A%0<"5:E/Z*>C`#^[U>JFN=---TMTT#333046R(AMM@/]]G0-
---UQ?MR:K`?WMFOIKYB_DT_6`_O;`!1[9R?5+8OWQGC^8J7=--G)]4MB_?&>/YBI=
MTT`SA3Z!.:`W*Q" _A*8M7IU1:%/KPYK`_*Q" _A*8M7IT#3330----U7;*:M+G+,\$/6>T!4D-R\$G]"4AI0*X;I,Z6ICP[.\$=2<
(A&5\$H24ADRK+B+L89" +JE M\$Y0#3#*B"?,\$C1LH`/_`+OL:TI6ZZNYPC1`_NW5KN>>#*U]
M%=-STU_373QZRCY/L:AKZQ@WH]7_D7J56F@IT8MFTXN6N4UB=IEQ6&BIZQ=,M36F#+-ITC8\$&3-
VJHN/MZA:.*!@`6%C%#`!B]@ (5H-JEH-E+?5^64?)]C7S M^G_>,&ZB]68[JWS^>GFINU_1_P"]S<]>
[3<].G=V^O\`_P`ASSAKS^;S[GG\ MV@AN5F]S`N(NX\4(17P" <`AM1_6*@[Z;5DS)MB" PUM") MM=-:L=23;%"*_8KMI/(-
Y3M5`#5#Z(2*19J@I(, &VZG=4IY]W_A7U[G`/7`M=6^C=W?/N>:E:~?S>;S4KZZ:"@(.6N8O*8C>L`#EU\$VE"?
==YFW.O.LW`X&S.[L5&%L[2F8?? MJ*O-M[F6U(C;1[G:W72:\$/9!<A/D)51G`=&&-+2;L\$)J0XPHAP\$6X2[
M=V0=W;Y`_5/_Y`[MSU_H^S=]&[YO3IW5OF`_IKN?X^K]/F]/33[=!4"AA<1 M+VB)BE"8@D?
CWFF"??.96^YEFA&XHL^RU:W0`6J`8O:2NK-BX9,\&\$JWU- M01ZW>`3)<2(X[@2D0N,B[XIV>>)
<;,I,HYK4QQ;:0VRUEE,L>EZ>([P4U01 ML=R9D@6=J2EC+Q0H("44QTXD:.`\$&+!7V[&N[M]?_"OH]?H]`_H_OU^ANZI
M3TUJ/V_9_GZ-I181E/T7=[A+C>)NT4:5I?+2=-;6BN_0I55O[-[M]?JAWGW?/Z-R
MGIKN[E=S<].G=V^;S^GT>:N[Z_1N;OH^N;FYY]!1X^U)56RWV4I87X^V M:TTI00FPTS1S`
M(A`R*!=^ARG]*Z:81I/PHQUOD)(MT5H&4MY3"F.(@.UAUION,1O"EE2`#(5 MZ-CNJ?
W^;U6W5_X[FY7`#3N[=WG!_8U[!8]3"XDY%1U`\$2"%M) M;9<14;R8K3814""\$55&LJL92+):0U`H"
<`H,M=6FD="*6!6&6VKJ2*-2)/. MF2XES=-!19ZLR0))+.TG(6%..KW+Y!;:6?`+IF!+6[7L.\$2"9\$^\$>.
<;IR6:7SJ:19+\$#CJM1[7;:A)T`@6EC`_`WT*U7 M%!
[BY0M2\$ZTS42TJ%2WW[>5<@VDEA(;6QBB%NHP!E2.`I2+]/J:G`FUE3.+2 ML9")E(" +AC*2NH`U,Y?
8;4/>4G)^C;I&C]1>GCWE)R?HVZ1H_47JS.F@K-X]Y2 M/>4G)^C;I&C]1>K,Z:"LWCWE)R?
HVZ1H_47IX]Y2/>4G)^C;I&C]1>GCWE)R?HVZ1H_47JS.F@K-X]Y2/>4G)^C;I&C]1>K,Z:"LWCWE)R?HVZ1H_47IX]Y2
M/>4G)^C;I&C]1>GCWE)R?HVZ1H_47JS.F@K-X]Y2/>4G)^C;I&C]1>K,Z:"LWCWE)R?HVZ1H_47IX]Y2/>4G)^C;I&
MC]1>GCWE)R?HVZ1H_47JS.F@HJJ,+(*4<@<<)>+`CQ@`*\$U.6UQ9%3Y94N
MMK0SZBU28".GI24[]*AT`JEZ@HFSBJ:~3+=P" <`I8%>K330----U\ MQ?R:K`?WMFOIKYB_DT_6`_O;`!1[9R?
5+8OWQGC^8J7=--G)]4MB_?&>/YBI=TT`SA3Z!.:`P!RL0OX2F+5Z=46A3Z!.:`W*Q" _A*8M7IT#3330----TTF
MT#7%U=RE:[F[YO1KG30:CY-C[-KD\3D]FXMJ*?`S^8B1\$TV,WVEIDH-4)MMLA*-1_)C42E8C6/453="B
MX3&ON:W*>JGKTW*,>S4WHIWH_1ZM!I5(LVAB[C;)+` ;M" I*;1G!EH6/K"9+
[7I;MQ"07>SLJ#4@/V3FTKANYSG;X\58C,I[<=8[X2VZ-M]W"VR2JTK&8J6!HY8Y&B?SNT*7K&2*Y-R;5Z:4NWND!DQS*`-
(JA0^;K,1`D6,226"=O[RA.];+.R.7((I)\$P`L31CDL14,U M\$U9K-2:~T]V`1`("U*K9.N5:=BHJ/2Y)68E05==D>+VP21FR?;1-
NN*K!@5 MOAGBJ>C.B\$5(VD*ZG(XV&WGXL5LH62\$5.%\$23M&0%AC\];0=BQC@
M0JR(1D>QT2ZPGXY,B`T5O"JPS7=JY""C3];RZHQQ]Y8,`0P779("Q`MQ4 MVQTU4L6\$!4FU8JS2A]5L?
CO/F4:YEE-;E%M.JR"&LM2TWDE?464ZP[B#I%R M&0F9`8VBP>.D8`WM9PQ<<7UY;1>V:?
5[I%>Q)M9.*BZL+Q.V,H05O\$9! MIUG\$N>`>4P[>TE")22IG9<5L%T2DCQ/"1EX2^16G."250\$=FQ012!35%XN M%-
K4@5+;UJZ>VCAT1==S<;A5.4D%+"CKH@`) *V)S9CLNYI&3)DS`R.*?T*
MC3;09ZL*.&HD*C`[4/2(SGFW2B(-CM2>1P,X\%P\ MI>B/1#D4/B4QT%
(8&49!UIDNJ:NZ&!)=):REO=>#,,XN22EE<7U+]/^O>YED`
M5WI2`#:`5R&03C@%ZFJ0F^D@\$PVEORA+)C.@RTETV1ODY:~E1T9<:2`#C,XD MMK&<E!`B00Y+`_) +A MCQ6(-
QF7T@<9`=JTIR6^RR`SVNK-&H?#++;&":UCRK2`%9:=U5Y.=+PSM`-UC MY+2H\$F*2+/_Q`_9-9K)%R`@=FI9M1B!O`J=-,
U5ALVYB&^1MK:4L.!SES MO7@N^!GTC)5B. TUY:Y:C!*19:9*Q4?^`+H7CQ\$:R\$W9D+3%&SDB]6R0GI7/M2\OO58C1=
(NXTI/A2#3TX`]?2DG(QQCJXV.E*5IYZ4KYZ[OFW?MKZ=WTUIZ M-W[?3KGN;?
53U>BGH]6@6[OV:VFOF+^33]8#^]LT%`MG)]4MB_?&>/YBI=TTVG5% H4^O#FO]RL0OX2F+5Z=TTTT#3330----TTTT#3
M330?GN+;_9ZO7N5W/1NT]%=S[-WT?9KGN:~Y_P!]?5N?^M:E?3N:Y[FW[-V MGI]%;T]=VN[N5];U].
[N[NOUIH&FFF@:!!!!:IIHH&FFF@:!!!!:IIHH&FFF M@:!!!!:IIHH&FFF@:!!!!:IIHH&FFF@:!!!!:IIHH&FFF@:!!!!:K
YB_DT_6`_O;`M-?37S%_)^L!_>V:"CVSD^J6Q?OC/^Q4NZ::;3ZI;%^&?S%2[IH/FY8PR M2CZ?

Y5F"#\$"#Y!3)F:3):ZE2Q)L@16?:"C%!Y))>Q)N9L-2^7-)QE';0X M,:.#M8=#,IE2-A!:"/>'\$ M-.T(XD,-
>E3.G8YTTT#QIVA'\$AAKTJ9T['.GC3M".)##7I4SIV.---\:-H1
MQ(8:]*F=.QSIXT[0CB0PUZ5,Z=CG330/&G:\$<2&&O2IG3L-.T(XD,->E3.M.G8YTTT#QIVA'\$AAKTJ9T['.GC3M".)##7I4SIV.---
-\:-H1Q(8:]*F=.QSIXT[0CB0PUZ5,Z=CG330/&G:\$<2&&O2IG3L-.T(XD,->E3.G8YTTT#QIV
MA'\$AAKTJ9T['.GC3M".)##7I4SIV.---\:-H1Q(8:]*F=.QSIXT[0CB0PUZ M5,Z=CG330/&G:\$<2&&O2IG3L-.T(XD,-
>E3.G8YTTT#QIVA'\$AAKTJ9T['.GC3M".)##7I4SIV.---\:-H1Q(8:]*F=.QSIXT[0CB0PUZ5,Z=CG330/&
MG:\$<2&&O2IG3L-.T(XD,->E3.G8YTTT#QIVA'\$AAKTJ9T['.GC3M".)## M7I4SIV.---
-\:-H1Q(8:]*F=.QSIXT[0CB0PUZ5,Z=CG330/&G:\$<2&&O2IG M3L-.T(XD,-
>E3.G8YTTT#QIVA'\$AAKTJ9T['.GC3M".)##7I4SIV.---`
M:=-H1Q(8:]*F=.QSIXT[0CB0PUZ5,Z=CG330/&G:\$<2&&O2IG3L-.T(XD M,-
>E3.G8YTTT#QIVA'\$AAKTJ9T['.GC3M".)##7I4SIV.---\:-H1Q(8:]*
MF=.QSIXT[0CB0PUZ5,Z=CG330/&G:\$<2&&O2IG3L-.T(XD,->E3.G8YTT MT#QIVA'\$AAKTJ9T['.GC3M".)##7I4SIV.---
-\:-H1Q(8:]*F=.QSIXT[0C MB0PUZ5,Z=CG330/&G:\$<2&&O2IG3L-.T(XD,->E3.G8YTTT#QIVA'\$AAK
MTJ9T['.GC3M".)##7I4SIV.---\:-H1Q(8:]*F=.QSIXT;0?-MK=IV&U]MM M]E];*963D'6^EEU+^XH)=AJ-
0/N^Y[G0E01>XW>[[T)N=Q5H)-Q7AQ7@:#& M7&;@5TU;7TH1UK2Z=1@G8:.&M/E\NB0%5-21#]@)XZEHA]UF\$1/53A1--
K!-/.15C*0CC';THFTTT'__9`end`"