VOXX INTERNATIONAL CORP

FORM 10-K
(Annual Report)

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Address	180 MARCUS BLVD
	HAUPPAUGE, NY 11788
Telephone	6312317750
CIK	0000807707
Symbol	VOXX
SIC Code	5065 - Electronic Parts and Equipment, Not Elsewhere Classified
Industry	Electronic Instr. & Controls
Sector	Technology
Fiscal Year	02/29

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 29, 2016

Commission file number 0-28839

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

Delaware	**13-1964841**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
2351 J. Lawson Boulevard, Orlando, Florida	**32824**
(Address of principal executive offices)	(Zip Code)

(800) 645-7750
(Registrant's telephone number, including area code)
180 Marcus Boulevard
Hauppauge, NY 11788
(Former address, if changed since last report)

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

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

Securities registered pursuant to Section 12(g) of the Act:
None

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

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

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

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

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

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

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

Yes ☐ No ☒

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

Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the Registrant was $154,239,035 (based upon closing price on the Nasdaq Stock Market on August 31, 2015).

The number of shares outstanding of each of the registrant's classes of common stock, as of May 13, 2016 was:

Class	Outstanding
Class A common stock $.01 par value	21,899,370
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 10, 2016.

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

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

NOTE REGARDING DOLLAR AMOUNTS AND FISCAL YEAR

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

The Company’s current fiscal year began March 1, 2015 and ended February 29, 2016 .

PART I

Item 1-Business

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

VOXX International Corporation was incorporated in Delaware on April 10, 1987 under its former name, Audiovox, 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.

During Fiscal 2013, the Company realigned its subsidiaries into three operating segments based upon the Company's products and internal organizational structure. The operating segments consist of the Automotive, Premium Audio and Consumer Accessories segments. The Automotive segment designs, manufactures, distributes and markets rear-seat entertainment devices, satellite radio products, automotive security, remote start systems, digital TV tuners, mobile antennas, mobile multimedia devices, aftermarket/OE-styled radios, car-link smartphone telematics application, collision avoidance systems and location-based services. The Premium Audio segment designs, manufactures, distributes and markets home theater systems, high-end loudspeakers, outdoor speakers, iPod/computer speakers, business music systems, cinema speakers, flat panel speakers, Bluetooth speakers, soundbars, headphones and DLNA (Digital Living Network Alliance) compatible devices. The Consumer Accessories segment designs and

markets remote controls; rechargeable battery packs; wireless and Bluetooth speakers; Singtrix karaoke products; 360 Fly® Action Cameras; EyeLock iris identification and security related products; personal sound amplifiers; and A/V connectivity, portable/home charging, reception and digital consumer products. See Note 14 to the Company's Consolidated Financial Statements for segment and geographic area information.

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

Acquisitions

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

Effective September 1, 2015 ("the Closing Date"), Voxx completed its acquisition of a majority voting interest in substantially all of the assets and certain specified liabilities of Eyelock, Inc. and Eyelock Corporation (collectively the “Seller”) through a newly-formed entity, Eyelock LLC, for a total purchase consideration of $31,880, which consisted of a cash payment of $15,504, assignment of the fair value of the indebtedness owed to the Company by the Seller of $,676 and the fair value of the non-controlling interest of $12,900, reduced by $1,200 for amounts owed to the LLC by the selling shareholders. EyeLock is a market leader of iris-based identity authentication solutions and this acquisition allows the Company to enter into the growing biometrics market.

On March 14, 2012, Voxx International (Germany) GmbH, a wholly owned subsidiary of Voxx, acquired all of the issued and outstanding shares of Car Communication Holding GmbH and its worldwide subsidiaries ("Hirschmann") for a total purchase price of approximately $114,000 (based on the rate of exchange as of the close of business on the closing date) plus related transaction fees, expenses and working capital adjustments. Hirschmann is a recognized tier-1 supplier of communications and infotainment solutions and antenna solutions, primarily to the automotive industry, and counts among its global customers Audi, BMW, DAF, Daimler, PSA, Renault, Volkswagen Group and AT&T, among others. Hirschmann delivers technologically advanced automotive antenna systems and automotive digital TV tuner systems and is recognized throughout the industry for its commitment to innovation, having developed the world's first hybrid (analog and digital) TV tuner and the first digital TV tuner for the Chinese automotive market.

On March 1, 2011, Soundtech LLC, a Delaware limited liability company and wholly-owned subsidiary of Voxx, acquired all of the issued and outstanding shares of Klipsch Group, Inc. and its worldwide subsidiaries ("Klipsch") for a total purchase price of $169,599 including contingent consideration of approximately $2,200 as a result of a contractual agreement with a former principal shareholder, plus related transaction fees and expenses. Klipsch is a global provider of high-end speakers for audio, multi-media and home theater applications. The acquisition of Klipsch added world-class brand names to Voxx's offerings, increased its distribution network, both domestically and abroad, and provided the Company with entry into the high-end installation market at both the residential and commercial installation market. In addition to the Klipsch® brand, the Klipsch portfolio includes Jamo®, Mirage®, and Energy®.

Refer to Note 2 "Business Acquisitions" of the Notes to Consolidated Financial Statements for additional information regarding the EyeLock acquisition in Fiscal 2016.

Strategy

Our objective is to grow our business both organically and through strategic acquisitions. We will drive the business organically by continued product development in new and emerging technologies that should increase gross margins, and improve operating income. We are focused on expanding sales both domestically and internationally and broadening our customer and partner base as we bring these new products to our target markets. In addition, we plan to continue to acquire synergistic companies that would allow us to leverage our overhead, penetrate new markets and expand existing product categories.

The key elements of our strategy are as follows:

Continue to build and capitalize on the VOXX family of brands. We believe the "VOXX" portfolio of brands is one of our greatest strengths and offers us significant opportunity for increased market penetration. Today, VOXX International has over 30 global brands in its portfolio, which provides the Company with the ability to bring to market products under brands that consumers

know to be quality. In addition, with such a wide brand portfolio, we can manage channels and sell into multiple outlets as well as leverage relationships with distributors, retailers, aftermarket car dealers and expeditors, and to global OEMs. Finally, we are open to opportunities to license some of the brands as an additional use of the brands and a growth strategy.

Continue to maintain diversified, blue chip customer base. Voxx distributes products through a wide range of specialty and mass merchandise channels, and has arrangements with tier-1 auto OEMs. OEM products account for 37% of Fiscal 2016 sales. The top-five customers represented 31% of sales, and no single customer accounted for over 10% of 2016 sales.

Capitalize on niche product and distribution opportunities in our target markets. Throughout our history, we have used our extensive distribution and supply networks to capitalize on niche product and distribution opportunities in the automotive, premium audio and consumer accessories categories. We will continue that focus as we remain committed to innovation, developing products internally and through our outsourced technology and manufacturing partners to provide our customers with products that are in demand by consumers.

Combine new, internal manufacturing capabilities with our proven outsourced manufacturing with industry partners . For years, VOXX International employed an outsourced manufacturing strategy that enabled the Company to deliver the latest technological advances without the fixed costs associated with manufacturing. With recent acquisitions, the Company now has added manufacturing capabilities to produce select product lines, such as high-end speakers, rear-seat entertainment systems, digital TV tuners and antennas, and iris identification and security related products. This blend of internal and outsourced manufacturing enables the Company to drive innovation, control product quality and speed time-to-market.

Use innovative technology generation capabilities to enable us to build a robust pipeline of new products. Voxx has invested significantly in R&D, and has increased R&D expenditures from $21,267 in Fiscal 2014 to $23,486 in Fiscal 2016, net of reimbursements. The Company saw increases in Fiscal 2016 due in part to the acquisition of a controlling interest in EyeLock on September 1, 2015. Voxx uses a mix of internal and external R&D, internal and external manufacturing, and has a number of valuable trademarks, copyrights, patents, domain names and other intellectual property. Through Voxx's increased focus on R&D, the Company has built a pipeline of new products across all three segments, principally within the Automotive and Consumer Accessories segments.

Leverage our domestic and international distribution network. We believe that today VOXX International Corporation has the most expansive distribution network. Our distribution network, which includes power retailers, mass merchandisers, distributors, online retailers, professional and commercial installation channels, drug stores, hardware and furniture chains, car dealers and OEM's will allow us to increase our market penetration. We intend to capitalize on new and existing distribution outlets to further grow our business across our three operating segments, both domestically and abroad.

Grow our international presence. We continue to expand our international presence in Europe through our subsidiaries in Germany, as well as operations in Canada, Mexico, Hungary and Hong Kong. We also continue to export from our domestic operations in the United States. Through our acquisitions of Klipsch and Hirschmann, we have expanded our presence throughout Europe, the Asia Pacific region and in select emerging markets. Our strategy remains to diversify our exposure to any particular geography, while expanding our product offerings and distribution touch points across the world.

Pursue strategic and complementary acquisitions. We continue to monitor economic and industry conditions in order to evaluate potential strategic and synergistic business acquisitions that are expected to allow us to leverage overhead, penetrate new markets and expand our existing business distribution. Over the past several years, the Company has employed an M&A strategy to build its brand portfolio and enhance its product offering in higher margin product categories, while at the same time, exiting lower margin and commoditized product lines, resulting in improved bottom-line performance. The Company is focused on continuing to grow organically, but may pursue opportunistic acquisitions to augment our automotive segment (primarily with OEM accounts), consumer accessories and premium audio.

Improve bottom-line performance and generate sustainable shareholder returns. The Company has instituted an aggressive strategy in recent years to shift its product mix to higher-margin product categories, while controlling costs and strategically investing in its infrastructure. These changes have resulted in higher gross profit margins. The Company remains focused on growing its business organically, continuing to enhance its gross profit margins and leveraging its fixed overhead structure to generate sustainable returns for its stockholders.

Maintain disciplined acquisition criteria. Virtually all of our acquisitions over the past decade have been made to strengthen our product offerings, customer reach and growth potential across our operating business segments. Our strategy remains to acquire complimentary businesses, products and/or assets in our Automotive, Premium Audio and Consumer Accessories operating segments. Additionally, acquisitions should have a gross margin structure equal to or higher than our consolidated gross margins,

and we will continue to look for acquisitions where we can leverage our corporate overhead and resources. Furthermore, it is important that management remains with Voxx as part of the acquisition, as their domain expertise, knowledge of both the inner workings of their respective companies and the end-markets they serve are paramount to successfully running operations and achieving growth. We also pursue acquisitions that will be accretive for the Company and its shareholders in the first year such acquisitions are made.

Rapidly integrate acquired businesses. One of the more compelling factors as to why acquired businesses choose VOXX International Corporation is that we are perceived as both a financial and strategic partner. We are operators, and companies view their association with us as a positive for the future of their businesses in that we can provide resources and support that others in our sector, or in the Private Equity community, cannot. Our strategy upon acquisition, and in the years that follow, is to leverage our corporate strengths and integrate acquisitions into our operations. We provide accounting, MIS, warehouse and logistics support, as well as a host of value-added services that enable acquired companies to lower their cost basis and improve profitability. Over the past three years in particular, we have consolidated facilities in our German operations and in Indiana, where we brought our RCA® and Klipsch operating groups together. We have also implemented an Enterprise Resource Planning (ERP) upgrade, which has brought many of our acquired businesses onto our corporate systems, and will provide future cost savings and improved efficiencies.

Industry

We participate in selected product categories in the automotive, premium audio and consumer accessories markets within the electronics industry. These markets are large and diverse, encompass a broad range of products and offer the ability to specialize in niche product groups. The introduction of new products and technological advancements are the major growth drivers in these markets. Based on this, we continue to introduce new products across all segments, with an increased focus on niche product offerings.

Products

The Company currently reports sales data for the following three operating segments:

Automotive products include:

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

Premium Audio products include:

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

Accessories products include:

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

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

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

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Automotive	$ 351,665	$ 396,422	$ 412,531
Premium Audio	140,508	165,812	189,208
Consumer Accessories	187,272	194,104	206,319
Corporate/Eliminations	1,301	1,160	1,651
Total net sales	$ 680,746	$ 757,498	$ 809,709
Gross profit	$ 195,685	$ 223,870	$ 230,248
Gross margin percentage	28.7%	29.6%	28.4%
Total assets	$ 669,712	$ 677,513	$ 747,150

Patents, Trademarks/Tradenames, Licensing and Royalties

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

The Company has licensed in the past, and expects that it may license in the future, certain of its proprietary rights to third parties. Some of the Company's products are designed to include intellectual property licensed or otherwise obtained from third parties. While it may be necessary in the future to seek or renew licenses relating to various aspects of the Company's products, the Company believes, based upon past experience and industry practice, such licenses generally could be obtained on commercially

reasonable terms; however, there is no guarantee such licenses could be obtained at all. We intend to operate in a way that does not result in willful infringement of the patents, trade secrets and other intellectual property rights of other parties. Nevertheless, there can be no assurance that a claim of infringement will not be asserted against us or that any such assertion will not result in a judgment or order requiring us to obtain a license in order to make, use, or sell our products.

License and royalty programs offered to our manufacturers, customers and other electronic suppliers are structured using a fixed amount per unit or a percentage of net sales, depending on the terms of the agreement. Current license and royalty agreements have duration periods which range from 1 to 15 years or continue in perpetuity. Certain agreements may be renewed at termination of the agreement. The Company's license and royalty income is recorded upon sale and amounted to $1,463 , $1,610 and $2,072 for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , respectively.

Distribution and Marketing

We sell our products to:

- power retailers,
- mass merchants,
- regional chain stores,
- specialty and internet retailers,
- independent 12 volt retailers,
- distributors,
- new car dealers,
- automotive and vehicle manufacturers,
- automotive, vehicle and transportation equipment manufacturers (OEM's),
- system integrators,
- communication network providers,
- smart grid manufacturers,
- banks,
- the U.S. military,
- cinema operators,
- sporting goods equipment retailers, and
- cell phone carriers.

We sell our products under OEM arrangements with domestic and/or international subsidiaries of automobile manufacturers such as Volkswagen, Audi, BMW, DAF Daimler, Scania, Volvo trucks, Peugeot, Ford Motor Company, Chrysler, General Motors Corporation, Toyota, Kia, Mazda, Subaru, Nissan, Porsche and Bentley. These arrangements require a close partnership with the customer as we develop products to meet specific requirements. OEM products accounted for approximately 37% of net sales for both of the years ended February 29, 2016 and February 28, 2015 and 38% for the year ended February 28, 2014 .

Our five largest customers represented 31% of net sales during both of the years ended February 29, 2016 and February 28, 2015 and 29% for the year ended February 28, 2014 . No one customer accounted for more than 10% of the Company's sales for the years ended February 29, 2016 , 2015 or 2014 .

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

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

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

the United States, Canada, Mexico, China, Hong Kong, France, the Netherlands, Hungary and Germany. The Company also employs a direct ship model from our suppliers for select customers upon their request.

Product Development, Warranty and Customer Service

Our product development cycle includes:

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

Utilizing our company-owned and third party facilities in the United States, South America, Europe and Asia, we work closely with customers and suppliers throughout the product design, testing and development process in an effort to meet the expectations of consumer demand for technologically-advanced and high quality products. Our Troy, Michigan; Orlando, Florida; Neckartenzlingen, Germany; Nürnberg, Germany; Fulda, Germany; Shanghai, China and Békéscsaba, Hungary facilities are ISO/TS 16949:2009, ISO 14001:2004 and/or ISO 9001:2008 certified, which requires the monitoring of quality standards in all facets of business.

We are committed to providing product warranties for all of our product lines, which generally range from 90 days up to seven years. The Company also provides warranties for certain vehicle security products for the life of the vehicle for the original owner. To support our warranties, we have independent warranty centers in the United States and Europe. Our customer service group, along with our Company websites, 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, product development and testing in order to ensure that our products and component parts meet our design specifications.

We purchase our products and component parts from manufacturers principally located in several Pacific Rim countries, including China, Hong Kong, Indonesia, Malaysia, Thailand, Vietnam, South Korea, Taiwan and Singapore, as well as the United States, Canada, Mexico and Europe. In selecting our manufacturers, we consider quality, price, service, reputation, financial stability, as well as labor practices, disruptions, or shortages. In order to provide coordination and supervision of supplier performance such as price negotiations, delivery and quality control, we maintain buying and inspection offices in China and Hong Kong. We consider relations with our suppliers to be good and alternative sources of supply are generally available within 120 days. We have few long-term contracts with our suppliers and we generally purchase our products under short-term purchase orders. Although we believe that alternative sources of supply are currently available, an unplanned shift to a new supplier could result in product delays and increased cost, which may have a material impact on our operations.

Competition

The electronics industry is highly competitive across all product categories, and we compete with a number of well-established companies that manufacture and sell similar products. Brand name, design, advancement of technology and features as well as price are the major competitive factors within the electronics industry. Our Automotive products compete against factory-supplied products, including those provided by, among others, Volkswagen, Audi, General Motors, Ford and Chrysler, as well as against major companies in the automotive aftermarket, such as Sony, Panasonic, Kenwood, Directed Electronics, Autopage, Rosen, Myron and Davis, Phillips, Insignia, and Pioneer and other Tier 1 OEM's, such as Laird and Kathrein. Our Premium Audio products compete against major companies such as Polk, Definitive, Bose, Sonos, Sonance, and Bowers and Wilkins. Our Consumer Accessories product lines compete against major companies such as Sony, Phillips, Emerson Radio, Jasco, Belkin and GoPro.

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 14 of the Notes to Consolidated Financial Statements, included herein.

Equity Investment

We have a 50% non-controlling ownership interest in ASA Electronics, LLC ("ASA") which acts as a distributor of televisions and other automotive sound, security and accessory products to specialized markets for specialized vehicles, such as, but not limited to, RV's; buses; and commercial, heavy duty, agricultural, construction, powersport and marine vehicles.

Employees

As of February 29, 2016 , we employed approximately 2,100 people worldwide, of which approximately 370 were covered under collective bargaining agreements. We consider our relations with employees to be good as of February 29, 2016 .

Item 1A-Risk Factors

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

The Automotive, Premium Audio and Consumer Accessories businesses are highly competitive and face significant competition from Original Equipment Manufacturers (OEMs) and direct imports by our retail customers.

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

We face intense competition from other biometrics solutions providers.

A significant number of established companies have developed or are developing and marketing software and hardware for biometrics products and applications that currently compete with or will compete directly with our iris-based identity authentication solutions. We believe that additional competitors will enter the biometrics market and become significant long-term competitors, and that, as a result, competition will increase. Companies competing with us may introduce solutions that are competitively priced, have increased performance or functionality or incorporate technological advances we have not yet developed or implemented.

We have few long-term sales contracts with our customers that contain guaranteed customer purchase commitments.

Sales of many of our products are made by purchase orders and are terminable at will by either party. We do have long-term sales contracts with certain customers; however, these contracts do not require the customers to guarantee specific levels of product purchases over the term of the contracts. 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 Automotive, Premium Audio and Consumer Accessories businesses are dependent on new products, product development and consumer acceptance.

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

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 manufacture all of our products and do not conduct a majority of our own research, we cannot assure you that we will be able to source technologically advanced products in order to remain competitive. Furthermore, the introduction or expected introduction of new products or technologies may depress sales of existing products and technologies. This may result

in declining prices and inventory obsolescence. Since we maintain a substantial investment in product inventory, declining prices and inventory obsolescence could have a material adverse effect on our business and financial results.

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

A commercial market for biometrics technology is still developing. There can be no assurance our iris-based identity authentication technology will be successful or achieve market acceptance.

A component of our strategy to grow revenue includes expansion of our iris-based identity authentication solutions into commercial markets. To date, biometrics technology has received only limited acceptance in such markets. Although the recent appearance of biometric readers on popular consumer products, such as smartphones, has increased interest in biometrics as a means of authenticating and/or identifying individuals, commercial markets for biometrics technology are in the process of developing and evolving. Biometrics-based solutions compete with more traditional security methods including keys, cards, personal identification numbers and security personnel. Acceptance of biometrics as an alternative to such traditional methods depends upon a number of factors including:

- the cost, performance and reliability of our products and services and the products and services offered by our competitors;
- the continued growth in demand for biometrics solutions within the government and law enforcement markets as well as the development and growth of demand for biometric solutions in markets outside of government and law enforcement;
- customers' perceptions regarding the benefits of biometrics solutions;
- public perceptions regarding the intrusiveness of these solutions and the manner in which organizations use the biometric information collected;
- public perceptions regarding the confidentiality of private information;
- proposed or enacted legislation related to privacy of information;
- customers' satisfaction with biometrics solutions; and
- marketing efforts and publicity regarding biometrics solutions.

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

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

There is no guarantee that our research and development expenses will be reimbursed.

We enter into development and long-term supply agreements with certain of our OEM customers and may be reimbursed for these development services, which offsets a portion of our research and development expense. This reimbursement is based upon achieving certain milestones in the development agreement. We may not always be able to achieve these milestones or control the time-frame in which the milestones are met. As a result, our research and development expenses may not always be offset by these reimbursements, which may materially affect our operating results. For Fiscal 2016 , 2015 and 2014 , the Company recorded $8,313 , $7,269 and $6,879 , respectively, of development service reimbursements as a reduction of research and development expense.

We plan to continue to expand the international marketing and distribution of our products, which will subject us to risks associated with international operations, including exposure to foreign currency fluctuations.

As part of our business strategy, we intend to continue to increase our international sales, although we cannot assure you that we will be able to do so. Approximately 32% of our net sales currently originate in markets outside the U.S. While geographic diversity helps to reduce the Company's exposure to risk in any one country or part of the world, it also means that we are subject to the full range of risks associated with significant international operations, including, but not limited to:

- changes in exchange rates for foreign countries, which may reduce the U.S. dollar value of revenues, profits and cash flows we receive from non-U.S. markets or increase our supply costs, as measured in U.S. dollars, in those markets;
- exchange controls and other limits on our ability to import raw materials or finished product or to repatriate earnings from overseas;
- political and economic instability, social or labor unrest or changing macroeconomic conditions in our markets;
- foreign ownership restrictions and the potential for nationalization or expropriation of property or other resources and

- other foreign or domestic legal and regulatory requirements, including those resulting in potentially adverse tax consequences or other imposition of onerous trade restrictions, price controls or other government controls.

These risks could have a significant impact on our ability to sell our products on a competitive basis in international markets and may have a material adverse effect on our results of operations, cash flows and financial condition.

In an effort to reduce the impact on earnings of foreign currency rate movements, we engage in a combination of cost-containment measures and selective hedging of foreign currency transactions. However, these measures may not succeed in offsetting any negative impact of foreign currency rate movements on our business and results of operations.

For example, in February 2013, the government of Venezuela devalued its currency, and in both January and March 2014, as well as in February 2015, the government announced further exchange rate adjustments for certain foreign investments and non-essential items, all of which have affected our business and results of operations. Likewise, in 2010, our results of operations were impacted by the designation of Venezuela as hyperinflationary and the subsequent currency devaluations in Venezuela that year. Volume restrictions on the conversion of the Venezuelan Bolivar Fuerte to U.S. Dollar limit purchasing activity for our Venezuelan subsidiary. Going forward, additional government actions, including further currency devaluations or continued worsening import authorization controls, foreign exchange price controls or labor unrest in Venezuela could have further adverse impacts on our business and results of operations.

Substantial political and economic uncertainty in Venezuela puts our local assets at risk.

We currently have a subsidiary in Venezuela, whose operations are currently suspended due to the economic and political climate in that country. We hold fixed assets at this subsidiary totaling $3,910 and incurred impairment charges related to our long-lived assets in Venezuela of $9,304 during Fiscal 2015. If conditions continue to deteriorate, we may be at risk of additional losses to our capital assets, including further declines in fair value or government confiscation of certain assets.

Concerns regarding the recent European debt crisis, market perceptions concerning the instability of the Euro and the European economy and concerns surrounding the economic slowdown in China could adversely affect our business, results of operations and financing.

Concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the Euro and the suitability of the Euro as a single currency given the diverse economic and political circumstances within individual Eurozone countries. Concerns have also begun to arise regarding the slowing of the Chinese economy. These concerns or market perceptions regarding these and related issues, could adversely affect the value of the Company's Euro-denominated assets and obligations. In addition, concerns over the effect of this financial crisis on financial institutions in Europe, China and globally could have an adverse impact on the economy generally, and more specifically on the consumers' demand for our products.

We are responsible for product warranties and defects.

Whether we outsource manufacturing or manufacture products directly for our customers, we provide warranties for all of our products for which we have provided an estimated liability. Therefore, we are highly dependent on the quality of our suppliers' products.

Our capital resources may not be sufficient to meet our future capital and liquidity requirements.

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

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

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

Currently, we generate substantially all of our sales from the Automotive, Premium Audio and Consumer Accessories businesses. We cannot assure you that we can grow the revenues of our Automotive, Premium Audio and Consumer Accessories

businesses or maintain profitability. As a result, the Company's revenues and profitability will depend on our ability to maintain and generate additional customers and develop new products. A reduction in demand for our existing products and services would have a material adverse effect on our business. The sustainability of current levels of our Automotive, Premium Audio and Consumer Accessories businesses and the future growth of such revenues, if any, will depend on, among other factors:

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

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

OEM sales are dependent on the economic success of the automotive industry.

A portion of our OEM sales are to automobile manufacturers. In the past, some domestic OEM manufacturers have reorganized their operations as a result of general economic conditions. There is no guarantee that additional automobile manufacturers will not face similar reorganizations in the future. If additional reorganizations do take place and are not successful, it could have a material adverse effect on a portion of our OEM business.

We depend on a small number of key customers for a large percentage of our sales.

The electronics industry is characterized by a number of key customers. Specifically 31% of our sales were to five customers in both Fiscal 2016 and 2015 , and 29% in Fiscal 2014 . The loss of one or more of these customers could have a material adverse impact on our business.

If our sales during the holiday season fall below our expectations, our annual results could also fall below expectations.

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

Our business could be affected by weather-related factors.

Our results of operations may be adversely affected by weather-related factors. Severe winter weather conditions may deter or prevent patrons from reaching facilities where our products are sold. Although our budget assumes certain seasonal fluctuations in our revenues to ensure adequate cash flow during expected periods of lower revenues, we cannot ensure that weather-related factors will not have a material adverse effect on our operations.

A decline in general economic conditions could lead to reduced consumer demand for the discretionary products we sell.

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

We are increasingly dependent on the continuous and reliable operation of our information technology systems, and a disruption of these systems, resulting from cyber security attacks or other events, could adversely affect our business.

We increasingly depend on our information technology, or IT, infrastructure in order to achieve our business objectives. If we experience a problem that impairs this infrastructure, such as a computer virus, a problem with the functioning of an important IT application, or an intentional disruption of our IT systems by a third party, the resulting disruptions could impede our ability to record or process orders, manufacture and ship in a timely manner, or otherwise carry on our business in the ordinary course. Any such events could cause us to lose customers or revenue and could require us to incur significant expense to eliminate these problems and address related security concerns.

Computer viruses, malware, and other "hacking" programs and devices may cause significant damage, delays or interruptions to our systems and operations or to certain of the products we sell, resulting in damage to our reputation and brand names. They may also attack our infrastructure, industrial machinery, software or hardware causing significant damage, delays or other service interruptions to our systems and operations. "Hacking" involves efforts to gain unauthorized access to information or systems or to cause intentional malfunctions, loss or corruption of data, software, hardware or other computer equipment. In addition, increasingly sophisticated malware may target real-world infrastructure or product components, including certain of the products that we currently or may in the future sell by attacking, disrupting, reconfiguring and/or reprogramming industrial control software. We may incur significant costs to protect our systems and equipment against the threat of, and to repair any damage caused by, computer viruses and hacking. Moreover, if a computer virus or hacking affects our systems or products, our reputation and brand names could be materially damaged and use of our products may decrease.

We are subject to governmental regulations.

We always face the possibility of new governmental regulations which could have a substantial effect on our operations and profitability. The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability concerning the supply of certain minerals, known as "conflict minerals," originating from the Democratic Republic of Congo and adjoining countries. As a result, in August 2012, the SEC adopted annual disclosure and reporting requirements for those companies who use conflict minerals in their products. Accordingly, we began our reasonable country of origin inquiries in Fiscal 2014, with initial disclosure requirements beginning in May 2014. There are costs associated with complying with these disclosure requirements, including for due diligence to determine the sources of conflict minerals used in our products and other potential changes to products, processes or sources of supply as a consequence of such verification activities. The implementation of these rules could adversely affect the sourcing, supply and pricing of materials used in our products. As there may be only a limited number of suppliers offering "conflict free" conflict minerals, we cannot be sure that we will be able to obtain necessary conflict minerals from such suppliers in sufficient quantities or at competitive prices. Also, we may face reputational challenges if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins for all conflict minerals used in our products through the procedures we may implement.

We have debt outstanding and must comply with restrictive covenants in our debt agreements.

Our existing debt agreements contain a number of significant covenants, which limit our ability to, among other things, borrow additional money, make capital expenditures, pay dividends, dispose of assets and acquire new businesses. These covenants also require us to maintain a specified fixed charge coverage ratio. If the Company is unable to comply with these covenants, there would be a default under these debt agreements. Changes in economic or business conditions, results of operations or other factors could cause the Company to default under its debt agreements. A default, if not waived by our lenders, could result in acceleration of our debt and possible bankruptcy.

We provide financial support to one of our subsidiaries through an intercompany loan agreement and may need to secure additional financing for our own operations, but we cannot be sure that additional financing will be available.

We have entered into an intercompany loan agreement with one of our subsidiaries, EyeLock LLC, which is expected to continue to require additional funding beyond one year. In funding the loan to EyeLock LLC, we have less cash flow available to support our domestic operations and other activities. If we are unable to generate sufficient cash flows in the future to support our operations and service our debt as a result of funding our subsidiary, we may be required to refinance all or a portion of our existing debt or to obtain additional financing. There can be no assurance that any refinancing will be possible or that any additional financing could be obtained on acceptable terms. The inability to service or refinance our existing debt or to obtain additional financing would have a material adverse effect on our financial position, liquidity, and results of operations.

Our inability to timely file audited historical financial statements of EyeLock Inc. and EyeLock Corporation with the SEC may adversely affect our ability to raise, and the cost of raising, future capital.

As a result of our acquisition of substantially all of the assets and certain liabilities of EyeLock Inc. and EyeLock Corporation on September 1, 2015, we are required to file with the SEC certain audited historical financial statements relating to EyeLock Inc. and EyeLock Corporation. These financial statements were not available to be filed by the date on which they were required to be filed, November 18, 2015. Therefore, we are currently ineligible to use Form S-3, a streamlined registration form, to register securities for at least twelve calendar months. During this period of ineligibility, if we determine it to be necessary or advisable to raise additional capital, we would need to use Form S-1 to register securities with the SEC (if and when we become eligible to use Form S-1, as discussed in further detail below) or we would instead need to issue such securities in private placements. These alternatives generally entail greater total costs to us and more time to complete than the use of Form S-3 and any take-down offering associated with an effective registration statement on Form S-3. As a result, our ability to raise, and the cost of raising, future

capital could be adversely affected. Moreover, until we have filed the required audited financial statements of EyeLock Inc. and EyeLock Corporation, we would be unable to use Form S-1 to register securities and would be unable to conduct offerings in private placements under Rule 505 or 506 of Regulation D to any purchasers who are not accredited investors.

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

Goodwill and other intangible assets recorded on our balance sheet as of February 29, 2016 was $289,371 . 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, business conditions, or restrictions on our field of use resulted in an impairment of certain intangible assets totaling $9,070 in Fiscal 2016, as well as the impairment of goodwill and certain other intangible assets in Fiscal 2014 totaling $57,561 and could result in additional future impairments, which could be material to our results of operations.

A portion of our workforce is represented by labor unions. Collective bargaining agreements can increase our expenses. Labor disruptions could adversely affect our operations.

As of February 29, 2016 , approximately 370 of our full-time employees were covered by collective bargaining agreements. While it is unlikely that disruptions to our operations due to labor related problems would have an adverse effect on our business based on the current number of union employees, as the Company continues to pursue selected business acquisitions, it is possible that the number of employees covered by collective bargaining agreements may increase. We cannot predict whether labor unions may be successful in organizing other portions of our workforce or what additional costs we could incur as a result.

We depend on our suppliers to provide us with adequate quantities of high quality competitive products and/or component parts on a timely basis.

We have few long-term contracts with our suppliers. Most of our products and component parts 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 be able to obtain the components necessary to produce high-quality, technologically-advanced products for us;
- we will be able to obtain adequate alternatives to our supply sources, should they be interrupted;
- if obtained, alternatively sourced products of satisfactory quality would be delivered on a timely basis, competitively priced, comparably featured or acceptable to our customers;
- our suppliers have sufficient financial resources to fulfill their obligations;
- our suppliers will be able to obtain raw materials and labor necessary for production;
- shipments from our suppliers will not be affected by labor disputes within the shipping and transportation industries;
- our suppliers could be impacted by natural disasters directly or via their supply chains; and
- as it relates to products we do not manufacture, our suppliers will not become our competitors.

On occasion, our suppliers have not been able to produce the quantities of products or component parts that we desire. Our inability to manufacture and/or 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.

Because we purchase a significant amount of our products from suppliers in Pacific Rim countries, we are subject to the economic risks associated with inherent changes in the social, political, regulatory and economic conditions in these countries.

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

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, or of a third party's patents, trade secrets, trademarks or copyrights.

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

Our cash and cash equivalents could be adversely affected if the financial institutions in which we hold our cash and cash equivalents fail.

Our cash and cash equivalents consist of demand deposits and highly liquid money market funds with original maturities of three months or less at the time of purchase. We maintain the cash and cash equivalents with major financial institutions. Some deposits with these banks exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits or similar limits in foreign jurisdictions. While we monitor daily the cash balances in the operating accounts and adjust the balances as appropriate, these balances could be impacted if one or more of the financial institutions with which we deposit fails or is subject to other adverse conditions in the financial or credit markets. To date, we have experienced no loss or lack of access to our invested cash or cash equivalents; however, we can provide no assurance that access to our invested cash and cash equivalents will not be impacted by adverse conditions in the financial and credit markets.

Acquisitions and strategic investments may divert our resources and management attention; results may fall short of expectations.

We intend to continue pursuing selected acquisitions of and investments in businesses, technologies and product lines as a key component of our growth strategy. Any future acquisition or investment may result in the use of significant amounts of cash, potentially dilutive issuances of equity securities, or the 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 invest in marketable securities and other investments as part of our investing activities. These investments fluctuate in value based on economic, operational, competitive, political and technological factors. These investments could be subject to loss or impairment based on their performance.

The Company has, in the past, incurred other-than-temporary impairments on its investments and continues to monitor its investments in non-controlled corporations for potential future impairments. In addition, there is no guarantee that the fair values recorded for other investments will be sustained in the future.

We depend heavily on existing directors, management and key personnel and our ability to recruit and retain qualified personnel.

Our success depends on the continued efforts of our directors, executives and senior vice presidents, many of whom have worked with VOXX International Corporation for over three decades, as well as our other executive officers and key employees. We generally do not have employment contracts with our executive officers or key employees, except our President and Chief Executive Officer, as well as certain executive officers of Voxx Germany, Klipsch, Hirschmann and EyeLock LLC. 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.

Our stock price could fluctuate significantly.

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

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

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

John J. Shalam, our Chairman, controls a significant portion of the voting power of our common stock and can exercise control over our affairs .

Mr. Shalam beneficially owns approximately 53% of the combined voting power of both classes of common stock. This will allow him to elect our Board of Directors and, in general, determine the outcome of any other matter submitted to the stockholders for approval. Mr. Shalam's voting power may have the effect of delaying or preventing a change in control of the Company.

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

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

The Company has exercised its right to the "controlled company" exemption under NASDAQ rules which enables us to forego certain NASDAQ requirements which include: (i) maintaining a majority of independent directors; (ii) electing a nominating committee composed solely of independent directors; (iii) ensuring the compensation of our executive officers is determined by a majority of independent directors or a compensation committee composed solely of independent directors; and (iv) selecting, or recommending for the Board's selection, director nominees, either by a majority of the independent directors or a nominating committee composed solely of independent directors. Although we do not maintain a nominating committee and do not have a majority of independent directors, the Company notes that at the present time we do maintain a compensation committee comprised solely of independent directors who approve executive compensation, and the recommendations for director nominees are governed by a majority of independent directors. However, election of the "controlled company" exemption under NASDAQ rules allows us to modify our position at any time.

Other Risks

Other risks and uncertainties include:

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

Item 1B-Unresolved Staff Comments

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

Item 2-Properties

Our Corporate headquarters is located at 2351 J. Lawson Blvd. in Orlando, Florida. In addition, as of February 29, 2016 , the Company leased a total of 23 operating facilities or offices located in 7 states as well as Germany, China, Canada, Mexico, Hong Kong, and France. The leases have been classified as operating leases. Within the United States, these facilities are located in Florida, Georgia, New York, Ohio, New Jersey, Arkansas and Michigan. The Company also owns 10 of its operating facilities or offices located in New York, Indiana, Florida, and Arkansas in the United States, as well as in Germany, Venezuela and Hungary. These facilities serve as offices, warehouses and distribution centers. Additionally, we utilize public warehouse facilities located in Virginia, Nevada, Indiana, Florida, Mexico, China, the Netherlands, Germany and Canada.

Item 3-Legal Proceedings

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

The products the Company sells are continually changing as a result of improved technology. As a result, although the Company and its suppliers attempt to avoid infringing known proprietary rights, the Company may be subject to legal proceedings and claims for alleged infringement by patent, trademark or other intellectual property owners. Any claims relating to the infringement of third-party proprietary rights, even if not meritorious, could result in costly litigation, divert management’s attention and resources, or require the Company to either enter into royalty or license agreements which are not advantageous to the Company, or pay material amounts of damages. As of February 29, 2016 , the Company has recorded approximately $800 related to the infringement or potential infringement of certain trademarks and patents for which the Company is currently in the process of litigating or negotiating settlement. The Company believes the accrual is a reasonable estimate of the expenditures required to resolve these matters.

The Company was a plaintiff in a class action lawsuit against several defendants relating to the alleged price fixing of certain thin film transistor liquid crystal display flat panels and certain products containing these panels purchased between the years 1999 and 2006, and the violation of U.S. antitrust laws. This class action suit was decided in favor of the plaintiffs and in July 2013, the judge in the case ordered the distribution of the settlement funds that had been ordered to be put aside by the defendants. Voxx received a sum of $5,643 during Fiscal 2014, which was recorded in "Other Income (Expense)" in the Consolidated Statement of Operations and Comprehensive Income (Loss).

Securities and Derivative Proceedings:

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

Item 4-Removed and Reserved

None

PART II

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

Securities

Market Information

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

Year ended February 29, 2016	High	Low
First Quarter	$ 9.65	$ 7.95
Second Quarter	9.21	7.29
Third Quarter	7.93	5.05
Fourth Quarter	6.16	3.40

Year ended February 28, 2015	High	Low
First Quarter	$ 14.21	$ 7.51
Second Quarter	10.07	8.52
Third Quarter	11.08	6.86
Fourth Quarter	9.27	7.56

Dividends

We have not paid or declared any cash dividends on our common stock. We have retained, and currently anticipate that we will continue to retain, all of our earnings for use in developing our business. Future cash dividends, if any, will be paid at the discretion of our Board of Directors and will depend, among other things, upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and such other factors as our Board of Directors may deem relevant giving consideration to any requirements or restrictions under the Company's credit agreement (see Note 7(a) to the Notes to the Consolidated Financial Statements).

Holders

There are 913 holders of record of our Class A Common Stock and 4 holders of Class B Convertible Common Stock.

Issuer Purchases of Equity Securities

In May 1999, 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 shares of Class A Common Stock in the open market in connection with the Program. During the year ended February 29, 2016 , we repurchased 39,529 shares for an aggregate cost of $227, as follows:

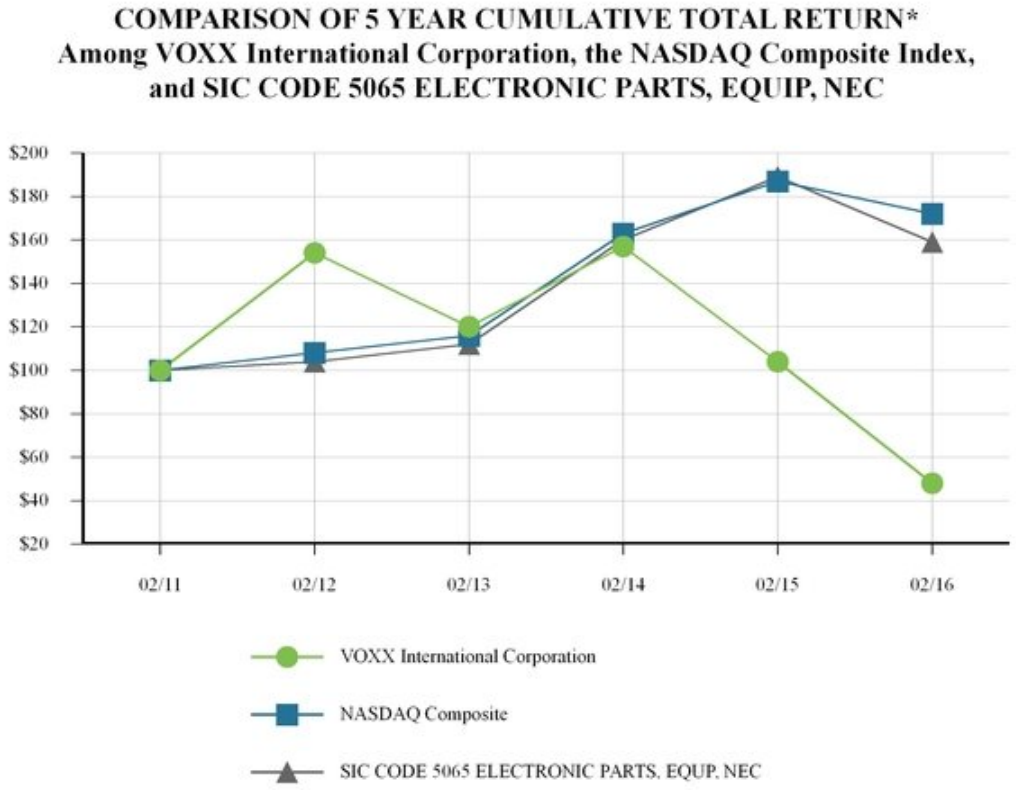
Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
10/1/2015 - 10/31/2015	24,772	$ 5.84	24,772	1,398,028
11/1/2015 - 11/30/2015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

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

As of February 29, 2016 , the cumulative total of acquired shares (net of reissuances of 11,645) pursuant to the program was 2,168,074 , with a cumulative value of $21,176 . The remaining authorized share repurchase balance is 1,383,271 at February 29, 2016 .

Performance Graph

The following table compares the annual percentage change in our cumulative total stockholder return on our Class A common stock during a period commencing on February 28, 2011 and ending on February 29, 2016 with the cumulative total return of the Nasdaq Stock Market (US) Index and our SIC Code Index, during such period.



*$100 invested on 2/28/11 in stock or index, including reinvestment of dividends.

Item 6-Selected Consolidated Financial Data

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

Consolidated Statement of Operations Data	Year Ended February 29, 2016 (2)	Year Ended February 28, 2015	Year Ended February 28, 2014	Year Ended February 28, 2013 (1)	Year Ended February 29, 2012
Net sales	$ 680,746	$ 757,498	$ 809,709	$ 835,577	$ 707,062
Operating (loss) income	(11,570)	16,594	(37,375)	41,696	43,874
Net (loss) income attributable to Voxx International Corporation	(2,682)	(942)	(26,597)	22,492	25,649
Net (loss) income per common share:					
Basic	$ (0.11)	$ (0.04)	$ (1.10)	$ 0.96	$ 1.11
Diluted	$ (0.11)	$ (0.04)	$ (1.10)	$ 0.95	$ 1.10

Consolidated Balance Sheet Data	As of February 29, 2016 (2)	As of February 28, 2015	As of February 28, 2014	As of February 28, 2013 (1)	As of February 29, 2012
Total assets	$ 669,712	$ 677,513	$ 747,150	$ 829,272	$ 632,882
Working capital	132,167	154,312	179,077	200,703	184,282
Long-term obligations (3)	141,934	133,970	170,786	228,197	88,255
Stockholders' equity (4)	395,894	396,140	429,584	444,536	421,797

(1) 2013 amounts reflect the acquisition of Hirschmann.
(2) 2016 amounts reflect the acquisition of a controlling interest in all of the assets and certain liabilities of EyeLock Inc. and EyeLock Corporation (see Note 2 of the notes to consolidated financial statements).
(3) Long-term obligations include long-term debt, capital lease obligations, deferred compensation, deferred and other tax liabilities, as well as other long term liabilities.
(4) Included in stockholders' equity for the year ended February 28, 2015 is the impact of foreign currency translation adjustments of $(33,170).

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

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

We begin Management’s Discussion and Analysis of Financial Condition and Results of Operations with an overview of the business, including our strategy to give the reader a summary of the goals of our business and the direction in which our business is moving. This is followed by a discussion of the Critical Accounting Policies and Estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results. In the next section, we discuss our Results of Operations for the year ended February 29, 2016 compared to the years ended February 28, 2015 and February 28, 2014 . Next, we present adjusted EBITDA and diluted adjusted EBITDA per common share for the year ended February 29, 2016 compared to the years ended February 28, 2015 and February 28, 2014 in order to provide a useful and appropriate supplemental measure of our performance. 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." We conclude this MD&A with a discussion of "Related Party Transactions" and "Recent Accounting Pronouncements."

Business Overview and Strategy

VOXX International Corporation ("Voxx," "We," "Our," "Us," or the "Company") is a leading international distributor, manufacturer and value added service provider in the automotive, premium audio and consumer accessory industries. We conduct our business through eighteen wholly-owned subsidiaries and one majority owned subsidiary. Voxx has a broad portfolio of brand names used to market our products as well as private labels through a large domestic and international distribution network. We also function as an OEM ("Original Equipment Manufacturer") supplier to several customers, as well as market a number of products under exclusive distribution agreements.

In recent years, we have focused on our intention to acquire synergistic businesses with the addition of several new subsidiaries. These subsidiaries helped us to expand our core business and broaden our presence in the accessory and OEM markets. Our acquisitions of Hirschmann, Klipsch and Invision have provided the opportunity to enter the manufacturing arena, and our acquisition of a controlling interest in EyeLock Inc. and EyeLock Corporation has allowed us to enter the growing and innovative biometrics market. Our intention is to continue to pursue business opportunities which will allow us to further expand our business model while leveraging overhead and exploring specialized niche markets in the electronics industry.

The Company aligns its subsidiaries in three operating and reporting segments, based upon our products and internal organizational structure. The operating and reporting segments consist of the Automotive, Premium Audio and Consumer Accessories segments. The characteristics of our operations that are relied on in making and reviewing business decisions within these segments include the similarities in our products, the commonality of our customers, suppliers and product developers across multiple brands, our unified marketing and distribution strategy, our centralized inventory management and logistics, and the nature of the financial information used by our Chief Operating Decision Maker ("CODM"). The CODM reviews the financial results of the Company based on the performance of the Automotive, Premium Audio and Consumer Accessories groups.

The Company’s domestic and international business is subject to retail industry conditions and the sales of new and used vehicles. The recent worldwide economic condition had an adverse impact on consumer spending and vehicle sales. If the global macroeconomic environment does not continue to improve or if it deteriorates further, this could have a negative effect on the Company’s revenues and earnings. In an attempt to offset the recent market conditions, the Company continues to explore strategies and alternatives to reduce its operating expenses, such as consolidation of facilities and IT systems, and has been introducing new product to obtain a greater market share. The Company continues to focus on cash flow and anticipates having sufficient resources to operate during Fiscal 2017 and 2018 .

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

Acquisitions

We have acquired and integrated several acquisitions, the most recent of which is outlined in the *Acquisitions* section of Part I and presented in detail in Note 2 to the Notes to the Consolidated Financial Statements.

Net Sales Growth

Net sales over a five-year period have decreased (3.7)% from $707,062 for the year ended February 29, 2012 to $680,746 for the year ended February 29, 2016 . During this period, our sales were impacted by the following items:

- The discontinuance and reduction of various high volume/low margin product lines such as navigation, GMRS radios, flat-panel TV’s, camcorders, clock radios, digital players, digital voice recorders, and portable DVD players,
- volatility in core Automotive, Premium Audio and Consumer Accessories sales due to increased competition, lower selling prices and the volatility of the national and global economy,
- political and economic volatility in Venezuela,
- Euro devaluation against the U.S. Dollar.

Partially offset by:

- the introduction of new products and lines such as digital antennas and mobile multi-media devices, mobile iPad and iPod interfaces and Bluetooth and wireless speaker products,
- acquisition of Hirschmann's mobile communications and infotainment business,

Critical Accounting Policies and Estimates

General

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

Revenue Recognition

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

Sales Incentives

We offer sales incentives to our customers in the form of (1) co-operative advertising allowances; (2) market development funds; (3) volume incentive rebates; and (4) other trade allowances. We account for sales incentives in accordance with ASC 605-50 "Customer Payments and Incentives" ("ASC 605-50"). Except for other trade allowances, all sales incentives require the customer to purchase our products during a specified period of time. All sales incentives require customers to claim the sales incentive within a certain time period (referred to as the "claim period"). All costs associated with sales incentives are classified as a reduction of net sales.

The accrual balance for sales incentives at February 29, 2016 and February 28, 2015 was $12,439 and $14,097 , 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.

For the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , reversals of previously established sales incentive liabilities amounted to $77 , $111 and $867 , respectively. These reversals include unearned and unclaimed sales incentives. Unearned sales incentives are volume incentive rebates where the customer did not purchase the required minimum quantities of product during the specified time. Volume incentive rebates are reversed into income in the period when the customer did not reach the required minimum purchases of product during the specified time. Reversals of unearned sales incentives for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 amounted to $77 , $103 and $812 , respectively. Unclaimed sales incentives are sales incentives earned by the customer but the customer has not claimed payment within the claim period (period after program has ended). Reversals of unclaimed sales incentives for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 amounted to $0 , $8 and $55 , 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. While such credit losses have historically been within management's expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that have been experienced in the past. Since our accounts receivable are concentrated in a relatively few number of large customers, a significant change in the liquidity or financial position of any one of these customers could have a material adverse impact on the collectability of accounts receivable and our results of operations.

The Company has supply chain financing agreements ("factoring agreements") with certain financial institutions for the purpose of accelerating receivable collection and better managing cash flow. Under the factoring agreements, the Company has agreed to sell certain of its accounts receivable balances to these institutions, who have agreed to advance amounts equal to the net accounts receivable balances due, less a discount as set forth in the respective agreements. The factored balances under these agreements are accounted for as sales of accounts receivable, as they are sold without recourse. Cash proceeds from these factoring agreements are reflected as operating activities included in the change in accounts receivable in the Company's Consolidated Statements of Cash Flows. Total balances factored, net of discounts, for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 were approximately $273,000 , $182,000 and $100,000 , respectively. Fees incurred in connection with the factoring agreements totaled $1,129 , $866 and $258 for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , respectively, and are recorded as interest expense by the Company.

Inventories

We value our inventory at the lower of the actual cost to purchase (primarily on a weighted moving average basis, with a portion valued at standard cost, which approximates actual costs on the first in, first out basis) and/or the current estimated market value of the inventory. Market value of inventory does not exceed the net realizable value of the inventory and is not less than the net realizable value of such inventory, less an allowance for a normal profit margin. We regularly review inventory quantities on-hand and record a provision in cost of sales for excess and obsolete inventory based primarily on selling prices, indications from customers based upon current price negotiations, and purchase orders. 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. In addition, and as necessary, specific reserves for future known or anticipated events may be established. During the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , we recorded inventory write-downs of $1,256 , $2,877 and $3,602 , 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.

Asset Impairments

As of February 29, 2016 , intangible assets totaled $185,022 and property, plant and equipment totaled $75,606 (excluding Venezuelan investment properties of $3,816 , which are discussed below). Management makes estimates and assumptions in preparing the consolidated financial statements for which actual results will emerge over long periods of time. This includes the recoverability of long-lived assets employed in the business, including assets of acquired businesses. These estimates and assumptions are closely monitored by management and periodically adjusted as circumstances warrant. For instance, expected asset lives may be shortened or an impairment recorded based upon a change in the expected use of the asset or performance of the related asset group. At the present time, management intends to continue the development, marketing and selling of products associated with its intangible assets, and there are no known restrictions on the continuation of their use, other than the ruling received in the fourth quarter of Fiscal 2016 (see Note 1(k)).

Certain indefinite lived trademarks were impaired during the second and fourth quarter of Fiscal 2016, resulting in impairment charges of $6,210 and $2,860 , respectively. In Fiscal 2014, we recorded impairment charges for intangible assets and long-lived assets of $25,398. No impairment losses were recorded related to indefinite lived intangible assets during Fiscal 2015.

The cost of other intangible assets with definite lives and long-lived assets are amortized on a straight-line basis over their respective lives. Management has determined that the current lives of these assets are appropriate. Management has determined that there were no other indicators of impairment that would cause the carrying values related to intangible assets with definite lives to exceed their expected future cash flows at February 29, 2016 .

Approximately 83.0% percent of our indefinite-lived trademarks ($89,790) are at risk of impairment as of February 29, 2016 . As a result of the impairment charges recorded in Fiscal 2016 and Fiscal 2014, the carrying values of certain indefinite-lived trademarks were adjusted to their respective fair values as of February 29, 2016 and February 28, 2014. The Company uses an income approach, based on the relief from royalty method, to value the indefinite-lived trademarks as part of its impairment test. This impairment test involves the use of accounting estimates and assumptions, changes in which could materially impact our financial condition or operating performance if actual results differ from such estimates and assumptions. The critical assumptions in the discounted cash flow model include revenues, long-term growth rates, royalty rates, and discount rates. Management exercises judgment in developing these assumptions. Certain of these assumptions are based upon industry projections, facts specific to the trademarks and consideration of our long-term view for the trademark and the markets we operate in. If we were to experience sales declines,

a significant change in operating margins which may impact estimated royalty rates, an increase in our discount rates, and/or a decrease in our projected long-term growth rates, there would be an increased risk of impairment of these indefinite-lived trademarks.

Voxx's goodwill totaled $104,349 as of February 29, 2016 . Goodwill is tested for impairment as of the last day of each fiscal year at the reporting unit level. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and estimation of the fair value of each reporting unit. Based on the Company's goodwill impairment assessment, all the reporting units with goodwill had estimated fair values as of February 29, 2016 that exceeded their carrying values. As a result of the annual assessment, no impairment charges were recorded related to goodwill during Fiscal 2016 and Fiscal 2015. In Fiscal 2014, an impairment charge of $32,163 was recorded for goodwill within the Premium Audio segment, as a result of the impairment test.

Goodwill allocated to our Klipsch, Hirschmann and Invision reporting units was 44.6% ($46,533), 48.3% ($50,443) and 7.1% ($7,373), respectively. The fair values of the Klipsch, Hirschmann and Invision reporting units are greater than their carrying values by approximately 70% ($15,964), 124% ($15,665) and 35% ($9,857), respectively, as of February 29, 2016 . The Company uses a discounted cash flow model to value the reporting unit as part of its impairment test. This impairment test involves the use of accounting estimates and assumptions, changes in which could materially impact our financial condition or operating performance if actual results differ from such estimates and assumptions. The critical assumptions in the discounted cash flow model are revenues, operating margins, working capital and a discount rate (developed using a weighted average cost of capital analysis). Management exercises judgment in developing these assumptions. Certain of these assumptions are based upon industry projections, facts specific to the reporting unit, market participant assumptions and data, and consideration of our long-term view for the reporting unit and the markets we operate in. If the Klipsch reporting unit were to experience sales declines, sustained pricing pressures, unfavorable operating margins, lack of new product acceptance by consumers, changes in consumer trends and preferred shopping channels, less than anticipated results for the holiday season, an increase to the discount rate, and/or a decrease in our projected long-term growth rates used in the discounted cash flow model, there would be an increased risk of goodwill impairment for the Klipsch reporting unit. If the Hirschmann reporting unit experienced an increase to the discount rate and/or a significant change in contract based projections used in the discounted cash flow model, there would be an increased risk of goodwill impairment for the Hirschmann reporting unit.

Venezuela Investment Properties

Long-lived assets and certain identifiable intangibles are reviewed for impairment in accordance with ASC 360 whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. Recoverability of long-lived assets 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 exceeds the fair value of the assets.

The Company holds certain long-lived assets in Venezuela, which are held for investment purposes. During the fourth quarter of Fiscal 2015, the Company made an assessment of the recoverability of these properties in Venezuela as a result of the country's continued economic deterioration, which included the introduction of the SIMADI currency rate and simultaneous merger of the SICAD 1 and SICAD 2 rates in February 2015 (refer to Impact of Inflation and Currency Fluctuations for discussion). In testing the recoverability of its investment properties, the Company considered the undiscounted cash flows expected to be received from these properties, the length of time the properties have been held, the volatile market conditions, the Company's financial condition, and the intent and ability to retain its investments for a period of time sufficient to allow for any anticipated recovery in fair value. The undiscounted cash flows included certain accounting estimates and assumptions, including projected rent increases and consideration of further devaluation of the currency. We concluded that the future undiscounted cash flows did not recover the net book value of the long-lived assets. Based on these results, the Company further obtained independent third party appraisals of each of the properties to determine their fair values. The Company concluded, as a result of all analyses performed, that these properties were impaired as of February 28, 2015, and recorded an impairment charge of $(9,304) , which is included in Other Income (Expense) on the Consolidated Statement of Operations and Comprehensive Income (Loss) for the fiscal year ended February 28, 2015. The remaining value of the Company's properties held for investment purposes in Venezuela is $3,816 as of February 29, 2016 . The Company continues to monitor the economic conditions and recoverability of these assets as necessary. Any changes in accounting estimates and assumptions could result in further impairment charges from these long-lived assets.

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 total estimated liability for future warranty expense, which has been included in accrued expenses and other current liabilities, amounted to $9,720 at February 29, 2016 and $10,012 at February 28, 2015 . 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

We 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. For restricted stock awards, the fair value of the award is the price on the date of grant. As a result, if other assumptions or estimates had been used for options granted in the current and prior periods, the total stock-based compensation expense of $859 that was recorded for the year ended February 29, 2016 could have been materially different. Furthermore, if different assumptions are used in future periods, stock-based compensation expense could be materially impacted in the future.

Income Taxes

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

During Fiscal 2016, the Company recorded an income tax benefit of $(1,735) related to federal, state and foreign taxes. The Company's effective tax rate differs from the U.S. federal statutory rate of 35% primarily due to the impact of the bargain purchase gain, the non-controlling interest related to EyeLock and the U.S. effect of foreign operations including tax rate differences in foreign jurisdictions. During Fiscal 2016, the Company recorded a valuation allowance against its U.S. deferred tax assets and maintains a valuation in certain foreign jurisdictions. Any decline in the valuation allowance could have a favorable impact on our income tax provision and net income in the period in which such determination is made.

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

Results of Operations

Included in Item 8 of this annual report on Form 10-K are the Consolidated Balance Sheets at February 29, 2016 and February 28, 2015 and the Consolidated Statements of Operations and Comprehensive Income (Loss), Consolidated Statements of Stockholders' Equity and Consolidated Statements of Cash Flows for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 . In order to provide the reader meaningful comparison, the following analysis provides comparison of the audited year ended February 29, 2016 with the audited years ended February 28, 2015 , and February 28, 2014 . We analyze and explain the differences between periods in the specific line items of the Consolidated Statements of Operations and Comprehensive Income (Loss).

Year Ended February 29, 2016 Compared to the Years Ended February 28, 2015 and February 28, 2014

Continuing Operations

The following table sets forth, for the periods indicated, certain Statement of Operations data for the years ended February 29, 2016 ("Fiscal 2016 "), February 28, 2015 ("Fiscal 2015 ") and February 28, 2014 ("Fiscal 2014 ").

Net Sales

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Automotive	$ 351,665	$ 396,422	$ 412,531
Premium Audio	140,508	165,812	189,208
Consumer Accessories	187,272	194,104	206,319
Corporate	1,301	1,160	1,651
Total net sales	$ 680,746	$ 757,498	$ 809,709

Fiscal 2016

Automotive sales, which include both OEM and aftermarket automotive electronics, represented 51.7% of the net sales for the year ended February 29, 2016 , compared to 52.3% in the prior year. A significant portion of the decrease in sales figures for the Automotive group was due to foreign exchange. The Euro devalued against the U.S. Dollar beginning in the second quarter of Fiscal 2015 and accelerated during the third and fourth quarters of Fiscal 2015 through the end of Fiscal 2016. During these periods, the Euro to U.S. Dollar rate dropped from approximately 1.36 on May 31, 2014 to 1.09 on February 29, 2016 , representing a 20% decrease in value, which negatively impacted the translation of our Euro denominated sales when comparing the year ended February 29, 2016 to the year ended February 28, 2015, and resulting in a decrease of approximately $28,200 in Automotive segment sales. In addition, the Company experienced a decrease in sales related to its remote start business during the year ended February 29, 2016 due to load in sales realized in the prior year for a program launched with Subaru that leveled out in Fiscal 2016, the completion of remote start programs with two other vehicle manufacturers, as well as an unseasonably warm start to the Fall/Winter season, which negatively impacted the sale of remote start products. The Company has also experienced a decline in sales for its Car Connection program for the year ended February 29, 2016 , which began selling devices to retailers during the first half of Fiscal 2015, with significant load in sales, and a decrease in satellite radio fulfillment and portable DVD player sales, as more cars are now being manufactured with these products and the Company began to phase out its portable DVD product offerings during the prior fiscal year. In addition, during the first quarter of Fiscal 2015, the Company sold all of its Jensen Mobile product inventory to a third party, consisting of car speakers and amplifiers, in order to license the brand name for a commission, which has resulted in reduced sales of these products for the year ended February 29, 2016 , as compared to the prior year period. As an offset to these decreases, the Company saw an increase in its OEM manufacturing line sales for the year ended February 29, 2016 , due primarily to the launch of a new program with Cadillac for rear seat entertainment, as well as the relaunch of a previously suspended OEM program due to customer safety issues and an increase in tuner and antenna sales.

Premium Audio sales represented 20.6% of net sales for the year ended February 29, 2016 as compared to 21.9% in the prior year. Sales in Premium Audio decreased 15.3% for the year ended February 29, 2016 . A portion of the decline is attributable to the Euro to U.S. Dollar exchange rate, which negatively impacted the translation of our Euro denominated sales when comparing the year ended February 29, 2016 to the year ended February 28, 2015, as noted above, resulting in an approximate decrease of $6,000, respectively, in Premium Audio sales. Sales have also decreased in this segment as a result of lower sales of Bluetooth speakers, headphones and soundbars as a result of competition, the discontinuation of business with certain retailers in an effort to better manage product pricing, as well as prior year load in sales of new product that was not repeated in the current year. These decreases were partially offset by increases in commercial sales, as well as in the sale of subwoofers for the year ended February 29, 2016 .

Consumer Accessories represented 27.5% of our net sales for the year ended February 29, 2016 , compared to 25.6% in the prior year. A portion of the decline in sales is attributable to the Euro to U.S. Dollar exchange rate, which negatively impacted the translation of our Euro denominated sales when comparing the year ended February 29, 2016 to the year ended February 28, 2015, as noted above, resulting in an approximate decrease of $5,700 in Consumer Accessory sales. The segment also experienced decreases in sales for the year ended February 29, 2016 in headphones, remote controls, clock radios and hook-up products, such as cables, due to competition, changes in demand and changes in technology. There was also a decrease in sales of tablets during the year ended February 29, 2016 as compared to the year ended February 28, 2015, as a result of the phasing out of this product in Fiscal 2016. In addition, there was a decrease in Consumer Accessory segment sales for the year ended February 29, 2016 as a result of the prior year sale of all inventory on hand at the Company's Mexico subsidiary in the first quarter of Fiscal 2015 due to the transition of this subsidiary from a distributor model to a representative office. These decreases were offset by significant increases in sales of wireless and Bluetooth speakers during the year ended February 29, 2016 , as well as sales of the Singtrix

karaoke product launched in the fourth quarter of Fiscal 2015 and the new 360Fly® Action Camera launched in the third quarter of Fiscal 2016.

Fiscal 2015

Automotive sales, which include both OEM and aftermarket automotive electronics, represented 52.3% of the net sales for the year ended February 28, 2015 , compared to 50.9% in the prior year. The Automotive group experienced decreases in sales from its OEM manufacturing lines during the year ended February 28, 2015 primarily due to the temporary suspension of one of its programs as requested by one of the Company's customers while they addressed their safety issues. This was completed during the third quarter of the fiscal year and relaunched in November 2014. In addition, the Company experienced load in sales from its Bentley project in the prior year, which leveled out early in Fiscal 2015, and also saw decreases in satellite radio fulfillment sales, as more cars are being manufactured with satellite radio, and a decrease in portable DVD sales due to the planned exit of this product type, for the year ended February 28, 2015 . There was also a significant drop in foreign exchange for Euro translation to the U.S. dollar during the fiscal year, particularly in the fourth quarter, which negatively impacted the Company. Finally, the Company continues to experience significantly lower sales in Venezuela due to current economic and political conditions. As an offset to these decreases, the Company saw an increase in remote start sales for the year ended February 28, 2015 due to new product offerings and enhancements, as well as an increase in sales of devices for the new Car Connection program to retailers and new models of the Company's multi-media products.

Premium Audio sales represented 21.9% of net sales for the year ended February 28, 2015 , as compared to 23.4% the prior year. Sales in Premium Audio decreased 12.4% for the year ended February 28, 2015 , as a result of lower sales for soundbars, music centers and Bluetooth speakers due to lower selling prices and lower sales of headphones due to competition. There was also a significant drop in foreign exchange for Euro translation to the U.S. dollar during the fiscal year, particularly in the fourth quarter, which negatively impacted the Company. These decreases were offset by increases in sales of certain high end separates, as well as commercial and custom installations.

Consumer Accessories sales represented 25.6% of our net sales for the year ended February 28, 2015 , as compared to 25.5% in the prior year. The Consumer Accessories group experienced decreases for the year ended February 28, 2015 as a result of the continued decline in sales of digital voice recorders and clock radios, as well as hook-up, reception and power products, such as cables and surge protectors, as a result of competition, changes in demand and changes in technology. The group has also experienced decreases in sales as a result of the transition of our Mexican subsidiary from a distributor model to a representative office during the first quarter of Fiscal 2015, which positively impacted the first half of the year due to an upfront sale of inventory on hand, but slowed in the second half of the year as a result of a slower than expected transition and lower sales, which are now based on commissions. These decreases were offset by significant increases in the sale of wireless and Bluetooth speakers, improved sales in Europe, as well as the launch of the new Singtrix karaoke product in the fourth quarter of the fiscal year.

Gross Profit and Gross Margin Percentage

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Automotive	$ 103,347	$ 120,543	$ 117,297
	29.4%	30.4%	28.4%
Premium Audio	46,582	52,873	60,924
	33.2%	31.9%	32.2%
Consumer Accessories	45,490	49,221	50,533
	24.3%	25.4%	24.5%
Corporate	266	1,233	1,494
	$ 195,685	$ 223,870	$ 230,248
	28.7%	29.6%	28.4%

Fiscal 2016

Gross margins in the Automotive segment decreased 100 basis points for the year ended February 29, 2016 . The segment experienced lower margins related to its tuner and antenna sales during the year ended February 29, 2016 , as compared to the prior year period. In addition, there were lower sales in the segment's high margin remote start business and higher sales in the OEM manufacturing line which generated lower margins during the year ended February 29, 2016 , as compared to the prior year. This

was offset by lower sales of some of the segment's low margin products such as satellite radio fulfillments, portable DVD players and the Company's Jensen Mobile inventory, all of which contributed to margin improvements for the year ended February 29, 2016 .

Gross margins in the Premium Audio segment increased 130 basis points for the year ended February 29, 2016 compared to the prior year. During the year ended February 28, 2015, the Premium Audio group made significant downward price adjustments to products that were phasing out in order to make way for a new product line. In addition, many of the new product introductions during Fiscal 2015 were accompanied by up front promotional funding and discounts, as well as discounts for demo products, which did not recur during the year ended February 29, 2016 . These Fiscal 2016 margin improvements were partially offset by lower sales prices for products such as Bluetooth speakers, headphones and soundbars for the year ended February 29, 2016 .

Gross margins in the Consumer Accessories segment decreased 110 basis points partially as a result of decreased sales of certain higher margin products during the year, including remote controls, headphones and hookup products, as well as due to the launch of the new 360Fly® Action Camera, which contributed to an increase in Consumer Accessories sales for the year ended February 29, 2016 , but generated lower margins for the segment. The margins were also negatively impacted by the absence of a duty refund that was received in the second quarter of Fiscal 2015, but did not repeat in the current year. This was partially offset by an increase in sales of some of the segment's higher margin products, such as wireless and Bluetooth speakers and the Singtrix karaoke product, which launched at the end of Fiscal 2015, as well as a decrease in sales of lower margin products, such as tablets.

Fiscal 2015

Gross margins in the Automotive segment increased 200 basis points due primarily to improved margins related to tuners and antennas for the year ended February 28, 2015 , as well as decreases in sales of lower margin products, such as satellite radio fulfillment and portable DVD players. This was offset by a decrease in sales in the higher margin OEM manufacturing line sales due to a temporary program suspension resulting from a customer's safety issues, which lasted through the third quarter of the fiscal year.

Gross margins in the Premium Audio segment decreased 30 basis points primarily as a result of lower sales prices for products such as soundbars, music centers and Bluetooth speakers, as well as the discounting of certain Klipsch products earlier in the fiscal year ahead of the launch of new product in the second half of the year. This was offset by improved sales of high end separates, as well as a decrease in warranty claims and an increase in vendor rebates received as compared to the comparable prior year periods.

Gross margins in the Consumer Accessories segment increased 90 basis points primarily as a result of an increase in sales of higher margin products, such as wireless and Bluetooth speakers, improved sales and product mix in Europe, and the continued decrease in lower margin products, such as clock radios, digital voice recorders and certain power products for the year ended February 28, 2015 . This was partially offset by a decrease due to the sale of all of the Company's inventory, followed by commission based sales in Mexico as the subsidiary moved from a distributor to a representative office during the first quarter of Fiscal 2015, yielding lower margins for the year ended February 28, 2015 than those that had been realized in the prior year.

Operating Expenses and Operating Income/(Loss)

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Operating Expenses:			
Selling	$ 48,513	$ 54,136	$ 55,725
General and administrative	111,382	114,849	118,852
Engineering and technical support	37,490	37,157	34,161
Goodwill Impairment charge	—	—	32,163
Intangible and long-lived asset impairment charges	9,070	—	25,398
Restructuring expense	—	1,134	1,324
Acquisition related costs	800	—	—
Total Operating Expenses	$ 207,255	$ 207,276	$ 267,623
Operating (loss) income	$ (11,570)	$ 16,594	$ (37,375)

Fiscal 2016

Operating expenses decreased $21 in Fiscal 2016 as compared to Fiscal 2015 . The Company's operating expenses have been significantly impacted by the drop in foreign exchange for Euro translation to the U.S. Dollar for the year ended February 29, 2016 , as compared to the year ended February 28, 2015. The impact of the Euro to U.S. Dollar rate decrease resulted in an approximate decrease of $12,400 in operating expenses for the comparative fiscal years. There have also been decreases in operating expenses for the year ended February 29, 2016 due to lower commission expense as a result of lower sales and lower salary and related payroll expense, primarily as a result of a Company-wide headcount reduction announced in Fiscal 2015, which also included a non-recurring restructuring charge in the fourth quarter of Fiscal 2015. Company spending on items such as office expenditures and travel and entertainment were lower for the year-ended February 29, 2016 due to conservative cost cutting measures and there was a reduction in IT expense due to certain services at Hirschmann that were previously outsourced, but have been brought in-house during Fiscal 2016. The Company has also experienced lower overall advertising expense as a result of the timing of campaigns and promotions, as well as lower depreciation expense due to the absence of a building under capital lease that was terminated during the fourth quarter of Fiscal 2015 and the decreased value of buildings in Venezuela as a result of Fiscal 2015 impairments.

As an offset to these decreases, the Company has experienced increases to operating expenses primarily due to impairment charges recorded during Fiscal 2016 related to certain trademarks of the Company. The impairment charges were a result of certain indicators that occurred during the second and fourth quarters of Fiscal 2016. Specifically, during the second quarter of the fiscal year, certain of our premium audio product lines experienced lower than expected performance due to certain marketing strategies and the re-evaluation of marketing positions. Taking these factors into consideration, along with long-term industry forecasts, the Company re-evaluated its projections, recording an impairment charge of $6,210. During the fourth quarter of the fiscal year, the Company received a judgment related to the field of use for one of its trademarks, which restricts the Company's rights to use the tradename for select products, resulting in an impairment charge of $2,860. During the fiscal year, the Company also experienced an increase in professional fees related to certain legal matters being pursued by the Company, an increase in salary expense at Hirschmann as a result of the hiring of additional engineers, as well as severance expense for certain positions eliminated in the current fiscal year. Finally, as a result of the Company's acquisition of a majority voting interest in substantially all of the assets and certain liabilities of EyeLock, Inc. and EyeLock Corporation on September 1, 2015 (see Note 2), the Company incurred acquisition related costs, as well as additional amortization expense related to intangible assets acquired and salary and research and development expenses related to the operations of this new subsidiary for the year ended February 29, 2016 .

Fiscal 2015

Operating expenses decreased $60,347 in Fiscal 2015 as compared to Fiscal 2014 . The Company experienced decreases in operating expenses as a result of lower sales commissions and other profit based compensation due to the decrease in net sales for the fiscal year, as well as a decrease in taxes and licensing fees due to the insourcing of IT functions. Additionally, there were decreases in advertising expenses due to the timing of program launches and sponsorships during Fiscal 2015 as compared to the prior year. The Company also incurred impairment charges to goodwill, amortizing and non-amortizing intangible assets and long lived assets in the prior fiscal year that did not recur in Fiscal 2015. Offsetting these decreases were increases in salary and benefit expenses at Hirschmann due to the hiring of additional temporary and permanent employees, including engineers, and increased trade show spending company-wide related to the annual Consumer Electronics Show. The Company also incurred restructuring expenses for the year ended February 28, 2015 , consisting of termination benefits, as a result of a company-wide headcount reduction announced in the fourth quarter of the fiscal year.

Other Income/(Expense)

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Interest and bank charges	$ (8,075)	$ (6,851)	$ (7,394)
Equity in income of equity investee	6,538	5,866	6,070
Venezuela currency devaluation, net	(2)	(7,104)	177
Venezuela long-lived asset impairment charges	—	(9,304)	—
Gain on bargain purchase	4,679	—	—
Other, net	632	1,495	11,867
Total other income (expense)	$ 3,772	$ (15,898)	$ 10,720

Fiscal 2016

Interest and bank charges represent expenses for the Company's bank obligations, interest related to capital leases, and amortization of deferred financing costs. The increase in these expenses for the year ended February 29, 2016 , is due primarily to the write-off of approximately $1,300 of deferred financing costs as a result of the amendment of the Company's credit facility in January 2016, which lowered the borrowing base of the loan, as well as the drawing of funds from the Company's construction loan, which was entered into during Fiscal 2016 in order to finance the construction of the Company's new manufacturing facility and executive offices in Lake Nona, FL.

Equity in income of equity investee represents the Company's share of income from its 50% non-controlling ownership interest in ASA Electronics, LLC ("ASA"). The increase in income for Fiscal 2016 was a result of an improvement in ASA's product mix.

Venezuela currency devaluation, net, for the year ended February 28, 2015 included a total charge of $7,396 representing the remeasurement loss related to the Company's Venezuelan bonds that were remeasured during Fiscal 2015 using a rate of 6.3 Bolivar Fuerte/$1. This came as a result of the Company obtaining new information during the second quarter of Fiscal 2015 that the bond redemption rate would be at the official exchange rate of 6.3 Bolivar Fuerte/$1.

Venezuela long-lived asset impairment charges for the year ended February 28, 2015 represent charges incurred related to properties held for investment purposes at the Company's subsidiary. During the fourth quarter of Fiscal 2015, the Company made an assessment of the recoverability of its properties in Venezuela as a result of the country's continued economic deterioration, which included the introduction of the SIMADI rate in February 2015 and the simultaneous merger of the SICAD 1 and SICAD 2 rates. In testing the recoverability of its investment properties, the Company considered the undiscounted cash flows expected to be received from these properties, as well as other indicators and concluded that the future undiscounted cash flows did not recover the net book value of the long-lived assets. Based on these results, the Company further obtained independent third party appraisals of each of the properties to determine their fair values and concluded, as a result of all analyses performed, that these properties were impaired as of February 28, 2015. There were no additional impairments of these properties recognized during Fiscal 2016.

The gain on bargain purchase recognized in Fiscal 2016 was related to the Company's acquisition of a majority voting equity interest in substantially all of the assets and certain specified liabilities of Eyelock, Inc. and Eyelock Corporation on September 1, 2015 and was a result of the assessment of the fair value of the tangible and identifiable intangible assets acquired and liabilities assumed in the acquisition.

Other, net, for the year ended February 29, 2016 includes net gains on foreign currency of $110 (excluding Venezuela), interest income of $814 and rental income of $450. Other, net, for the year ended February 28, 2015 included net gains on foreign currency of $599 (excluding Venezuela), interest income of $376 and rental income of $1,045. The increase in interest income during Fiscal 2016 relates to income earned on notes receivable from EyeLock. Inc. through the acquisition date of September 1, 2015. Rental income decreased in Fiscal 2016 primarily as a result of the absence of sublease rental income related to a capital lease that was terminated in the fourth quarter of Fiscal 2015.

Fiscal 2015

Interest and bank charges represent expenses for bank obligations of VOXX International Corporation and Voxx Germany, interest for capital leases, and amortization of deferred financing costs on our Credit Facility. The decrease in these expenses for the year ended February 28, 2015 , is due primarily to a lower balance carried on the Company's Credit Facility during Fiscal 2015 as compared to the prior year.

Equity in income of equity investee represents the Company's share of income from its 50% non-controlling ownership interest in ASA Electronics, LLC ("ASA"). The decrease in income for Fiscal 2015 was a result of a change in ASA's product mix.

Venezuela currency devaluation, net, for the year ended February 28, 2015 includes a total charge of $7,396 representing the remeasurement loss related to the Company's Venezuelan bonds that were remeasured during Fiscal 2015 using a rate of 6.3 Bolivar Fuerte/$1. This came as a result of the Company obtaining new information during the second quarter of Fiscal 2015, in conjunction with the bonds' semi-annual interest payment, that the bond redemption rate would be at the official exchange rate of 6.3 Bolivar Fuerte/$1, which differed from the SICAD 2 rate used to remeasure the bonds for the Company's first quarter ended May 31, 2014 and the SIMADI rate used to remeasure the Venezuelan subsidiary's financial statements, with the exception of the bonds, at February 28, 2015.

Venezuela long-lived asset impairment charges for the year ended February 28, 2015 represent charges incurred related to properties held for investment purposes at the Company's subsidiary. During the fourth quarter of Fiscal 2015, the Company made an assessment of the recoverability of its properties in Venezuela as a result of the country's continued economic deterioration, which includes the introduction of the SIMADI rate in February 2015 and the simultaneous merger of the SICAD 1 and SICAD 2 rates. In testing the recoverability of its investment properties, the Company considered the undiscounted cash flows expected to be received from these properties, as well as other indicators and concluded that the future undiscounted cash flows did not recover the net book value of the long-lived assets. Based on these results, the Company further obtained independent third party appraisals of each of the properties to determine their fair values and concluded, as a result of all analyses performed, that these properties were impaired as of February 28, 2015 .

Other, net, for the year ended February 28, 2015 includes net gains on foreign currency of $599 (excluding Venezuela), interest income of $376 and rental income of $1,045. Other, net, for the year ended February 28, 2014 includes funds received from a customer of approximately $4,400 related to an unexpected settlement payment to the Company, as well as funds of approximately $5,600 received in a class action settlement, approximately $900 related to the recovery of funds from Circuit City that had been previously written off by Klipsch prior to Voxx's acquisition of the subsidiary and rental income of $1,519. Other, net, also includes net losses on foreign currency of $1,256 (excluding Venezuela) and charges of approximately $1,200 for estimated and actual patent settlements with certain third parties during the year ended February 28, 2014.
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Income Tax Provision

The effective tax rate in Fiscal 2016 was an income tax benefit of 22.3% on pre-tax loss from operations of $(7,798) as compared to a provision of 235.3% on a pre-tax income of $696 from continuing operations in the prior year. The effective tax rate in Fiscal 2016 differs from the statutory rate of 35% primarily due to the impact of the bargain purchase gain, the non-controlling interest related to EyeLock and the U.S. effect of foreign operations, including tax rate differences in foreign jurisdictions. During Fiscal 2016, the Company recorded a valuation allowance against its U.S. deferred tax assets and maintains a valuation in certain foreign jurisdictions. Any decline in the valuation allowance could have a favorable impact on our income tax provision and net income in the period in which such determination is made.

The effective tax rate of 235.3% in Fiscal 2015 differs from the statutory rate of 35% primarily due to the impact of the impairment of non-deductible goodwill and other non-deductible expenses, partially offset by an income tax benefit related to the worthless stock deduction of a foreign affiliate and the U.S. effect of foreign operations, including tax rate differences in foreign jurisdictions.

The effective tax rate of 0.2% in Fiscal 2014 differs from the statutory rate of 35% primarily due to the impact of the impairment of non-deductible goodwill and other non-deductible expenses, partially offset by an income tax benefit related to the worthless stock deduction of a foreign affiliate and the U.S. effect of foreign operations including tax rate differences in foreign jurisdictions.

Net Income

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

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Operating (loss) income	$ (11,570)	$ 16,594	$ (37,375)
Other income (expense), net	3,772	(15,898)	10,720
(Loss) income from operations before income taxes	(7,798)	696	(26,655)
Income tax (benefit) expense	(1,735)	1,638	(58)
Net loss	$ (6,063)	$ (942)	$ (26,597)
Less: net loss attributable to non-controlling interest	(3,381)	—	—
Net loss attributable to Voxx International Corporation	$ (2,682)	$ (942)	$ (26,597)
Net loss per common share:			
Basic	$ (0.11)	$ (0.04)	$ (1.10)
Diluted	$ (0.11)	$ (0.04)	$ (1.10)

Net loss attributable to Voxx International Corporation for Fiscal 2016 was $(2,682) as compared to net losses of $(942) and $(26,597) in Fiscal 2015 and Fiscal 2014 , respectively. Fiscal 2016 net loss was unfavorably impacted by lower net sales for the year ended February 29, 2016 and higher interest and bank charges, as well as acquisition costs and intangible asset impairment charges incurred during the fiscal year. As an offset, the net loss was favorably impacted by a bargain purchase gain recognized on the acquisition of a controlling interest in substantially all of the assets and certain liabilities of EyeLock Inc. and EyeLock Corporation, as well as an income tax benefit for the year ended February 29, 2016 .

During Fiscal 2015 , net loss was unfavorably impacted by currency devaluation charges affecting the Company's Venezuelan sovereign bonds, long-lived asset impairment charges related to investment properties in Venezuela and restructuring charges incurred during the year ended February 28, 2015 . As an offset, the net loss was favorably impacted by lower cost of sales for the year ended February 28, 2015 as compared to the prior fiscal year, which resulted in improved gross margins.

During Fiscal 2014 , net loss was unfavorably impacted by impairment charges related to goodwill, amortizing and non-amortizing intangible assets and long-lived assets, as well as restructuring charges and the economic and political conditions in Venezuela. These were offset by the positive performance of the Company's equity investment, as well as payments received related to an unanticipated settlement with a customer and to a favorable class action settlement.

Adjusted EBITDA and Adjusted Diluted Earnings per Common Share

Adjusted EBITDA and diluted adjusted earnings per common share are not financial measures recognized by GAAP. Adjusted EBITDA represents net income (loss), computed in accordance with GAAP, before interest expense and bank charges, taxes, depreciation and amortization, stock-based compensation expense, certain foreign currency remeasurements, relocation and restructuring charges, impairment charges, certain recoveries, settlements, as well as costs and bargain purchase gains relating to our acquisitions. Depreciation, amortization, stock-based compensation, bargain gains and impairment expenses are non-cash items. Diluted adjusted earnings per common share represent the Company's diluted earnings per common share based on adjusted EBITDA.

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

Reconciliation of GAAP Net Income to Adjusted EBITDA and Adjusted Diluted Earnings per Common Share

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Net loss attributable to VOXX International Corporation	(2,682)	$ (942)	(26,597)
Adjustments:			
Interest expense and bank charges (1)	7,960	6,851	7,394
Depreciation and amortization (1)	15,228	15,565	16,183
Income tax (benefit) expense	(1,735)	1,638	(58)
EBITDA	18,771	23,112	(3,078)
Stock-based compensation (1)	859	521	641
Venezuela bond remeasurement	—	7,396	—
Impairment of investment properties in Venezuela	—	9,304	—
Circuit City recovery	—	—	(940)
Net legal settlements	—	—	(4,443)
Unanticipated customer settlement payment	—	—	(4,370)
Asia warehouse relocation	—	—	(208)
Restructuring charges	—	1,134	1,324
Goodwill impairment charges	—	—	32,163
Intangible and long-lived asset impairment charges	9,070	—	25,398
Acquisition related costs	800	—	—
Gain on bargain purchase	(4,679)	—	—
Adjusted EBITDA	$ 24,821	$ 41,467	$ 46,487
Diluted (loss) per common share	$ (0.11)	$ (0.04)	$ (1.10)
Diluted adjusted EBITDA per common share	$ 1.03	$ 1.70	$ 1.93

(1) For purposes of calculating Adjusted EBITDA for the Company, interest expense, bank charges, depreciation and amortization expense, as well as stock-based compensation expense added back to net (loss) have been adjusted in order to exclude the minority interest portion of these expenses attributable to EyeLock LLC.

Liquidity and Capital Resources

Cash Flows, Commitments and Obligations

As of February 29, 2016 , we had working capital of $132,167 which includes cash and cash equivalents of $11,767 compared with working capital of $154,312 at February 28, 2015 , which included cash and cash equivalents of $ 8,448 . The increase in cash is primarily due to borrowings from the Company's Amended Facility, as well as the factoring of accounts receivable balances. We plan to utilize our current cash position as well as collections from accounts receivable, the cash generated from our operations and the income on our investments to fund the current operations of the business. However, we may utilize all or a portion of current capital resources to pursue other business opportunities, including acquisitions or pay down our debt. The following table summarizes our cash flow activity for all periods presented:

	Year Ended February 29, 2016	Year Ended February 28, 2015	Year Ended February 28, 2014
Cash provided by (used in):			
Operating activities	$ 27,521	$ 47,428	$ 66,817
Investing activities	(38,587)	(22,882)	(14,629)
Financing activities	13,695	(24,878)	(60,159)
Effect of exchange rate changes on cash	690	(1,823)	(1,203)
Net increase (decrease) in cash and cash equivalents	$ 3,319	$ (2,155)	$ (9,174)

Operating activities provided cash of $27,521 for Fiscal 2016 primarily as a result of decreased customer accounts receivable and inventory due to a decrease in sales, as well as the factoring of certain trade accounts receivable balances during the year ended February 29, 2016 (see Note 1(h) of the Consolidated Financial Statements), partially offset by decreased accounts payable.

Investing activities used cash of $38,587 during Fiscal 2016 , primarily due to capital additions and the Company's acquisition of a controlling interest in substantially all of the assets and certain liabilities of Eyelock, Inc. and EyeLock Corporation on September 1, 2015 (see Note 2).

Financing activities provided cash of $13,695 during Fiscal 2016 , primarily due to borrowings from our Amended Facility net of repayments, as well as borrowings from the construction loan used to build the Company's new manufacturing facility and executive offices in Lake Nona, Florida.

From March 1, 2015 through January 14, 2016, the Company had a senior secured revolving credit facility ("the Credit Facility") with an aggregate availability of $200,000, consisting of a revolving credit facility of $200,000, with a $30,000 multicurrency revolving credit facility sublimit, a $25,000 sublimit for Letters of Credit and a $10,000 sublimit for Swingline Loans.

On January 15, 2016, the Company amended and restated its Credit Facility (the "Amended Facility"). The Amended Facility reduces the aggregate amount of the senior secured credit facility to $125,000, which consists of a revolving credit facility of $125,000, with a $30,000 multicurrency revolving credit facility sublimit, a $15,625 sublimit for Letters of Credit and a $6,250 sublimit for Swingline Loans. The Amended Facility is due on January 9, 2019; however, it is subject to acceleration upon the occurrence of an Event of Default (as defined in the Credit Agreement).

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

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

The Amended Facility contains covenants that limit the ability of certain entities of the Company to, among other things: (i) incur additional indebtedness; (ii) incur liens; (iii) merge, consolidate or exit a substantial portion of their respective businesses; (iv) make any material change in the nature of their business; (v) prepay or otherwise acquire indebtedness; (vi) cause any change of control; (vii) make any restricted payments; (viii) change their fiscal year or method of accounting; (ix) make advances, loans or investments; (x) enter into or permit any transaction with an affiliate of certain entities of the Company; or (xi) use proceeds for certain items. As of February 29, 2016 , the Company was in compliance with all debt covenants.

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

On April 26, 2016, the Company has amended and restated the Amended Facility ("Second Amended Facility"). The Second Amended Facility provides for a revolving credit facility with committed availability of up to $140,000 , which may be increased, at the option of the Company, up to a maximum of $175,000 ; a $15,000 sublimit for Letters of Credit; a $15,000 sublimit for Swingline Loans and a Term Loan in the amount of $15,000 .

The Term Loan shall be repayable in consecutive quarterly installments of $938 commencing on July 1, 2016 through April 1, 2020. All other amounts outstanding under the Second Amended Facility will mature and become due on April 26, 2021. The Company may prepay any amounts outstanding at any time, subject to payment of certain breakage and redeployment costs relating to LIBOR Rate Loans; provided that the Term Loan shall not be voluntarily prepaid except as set forth in the agreement. The commitments under the Second Amended Facility may be irrevocably reduced at any time, without premium or penalty as set forth in the agreement.

Generally, the Company may designate specific borrowings under the Second Amended Facility as either Base Rate Loans or LIBOR Rate Loans, except that Swingline Loans may only be designated as Base Rate Loans. Loans under the Second Amended Facility designated as LIBOR Rate Loans shall bear interest at a rate equal to the then-applicable LIBOR Rate plus a range of 1.75% - 2.25% . Loans under the Second Amended Facility designated as Base Rate Loans shall bear interest at a rate equal to the applicable margin for Base Rate Loans of 0.75% - 1.25% , as defined in the agreement. Amounts outstanding in respect of the Term Loan shall bear interest at a rate equal to either (as selected by the Company pursuant to the agreement) (a) the then-applicable LIBOR Rate (not to be less than 0.00%) plus 4.25% or (b) the then-applicable Base Rate plus 3.25% .

The Second Amended Facility requires compliance with financial covenants calculated as of the last day of each fiscal quarter consisting of a Fixed Charge Coverage Ratio. The Second Amended Facility also contains covenants that limit the ability of the Loan Parties and certain of their Subsidiaries which are not Loan Parties to, among other things: (i) incur additional indebtedness; (ii) incur liens; (iii) merge, consolidate or dispose of a substantial portion of their business; (iv) transfer or dispose of assets; (v) change their name, organizational identification number, state or province of organization or organizational identity; (vi) make any material change in their nature of business; (vii) prepay or otherwise acquire indebtedness; (viii) cause any Change of Control; (ix) make any Restricted Junior Payment; (x) change their fiscal year or method of accounting; (xi) make advances, loans or investments; (xii) enter into or permit any transaction with an Affiliate of any Borrower or any of their Subsidiaries; (xiii) use proceeds for certain items; (xiv) issue or sell any of their stock; (xv) consign or sell any of their inventory on certain terms.

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

We also utilize supply chain financing arrangements ("factoring agreements") as an integral part of our financing for working capital, which accelerates receivable collection and helps to better manage cash flow. Under the factoring agreements, the Company has agreed to sell certain of its accounts receivable balances to these institutions, who have agreed to advance amounts equal to the net accounts receivable balances due, less a discount as set forth in the respective agreements. The factored balances under these agreements are accounted for as sales of accounts receivable, as they are sold without recourse. Cash proceeds from these factoring agreements are reflected as operating activities included in the change in accounts receivable in the Company's Consolidated Statements of Cash Flows. Fees incurred in connection with the factoring agreements are recorded as interest expense by the Company.

Certain contractual cash obligations and other commitments will impact our short and long-term liquidity. At February 29, 2016 , such obligations and commitments are as follows:

	Amount of Commitment Expiration per Period (9)				
Contractual Cash Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Capital lease obligation (1)	$ 1,432	$ 51	$ —	$ 1,381	$ —
Operating leases (2)	10,447	6,200	3,097	783	367
Total contractual cash obligations	$ 11,879	$ 6,251	$ 3,097	$ 2,164	$ 367
Other Commitments					
Bank obligations (3)	$ 78,710	$ 6,410	$ —	$ 72,300	$ —
Stand-by letters of credit (4)	917	917	—	—	—
Commercial letters of credit (4)	—	—	—	—	—
Other (5)	20,807	2,416	4,643	5,204	8,544
Contingent earn-out payments and other (6)	174	174	—	—	—
Pension obligation (7)	8,373	235	467	520	7,151
Unconditional purchase obligations (8)	96,641	96,641	—	—	—
Total commercial commitments	$ 205,622	$ 106,793	$ 5,110	$ 78,024	$ 15,695
Total Commitments	$ 217,501	$ 113,044	$ 8,207	$ 80,188	$ 16,062

(1) Represents total payments (interest and principal) due under a capital lease obligations which has a current (included in other current liabilities) and long term principal balance of $51 and $1,381 , respectively at February 29, 2016 .

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

(3) Represents amounts outstanding under the Company's Amended Facility, Hirschmann's line of credit and the Voxx Germany Euro asset-based lending facility at February 29, 2016 .

(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 insurance requirements.

(5) The amount includes balances outstanding under a mortgage assumed for a facility in connection with our Klipsch acquisition and balances outstanding under loans and mortgages for the construction of our manufacturing facility in Florida and for facilities purchased at Schwaiger, Voxx Germany and Klipsch.

(6) Represents profit-sharing payments in connection with the Invision acquisition.

(7) Represents the liability for an employer defined benefit pension plan covering certain eligible Hirschmann employees, as well as a retirement incentive accrual for certain Hirschmann employees.

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

(9) At February 29, 2016 , the Company had unrecognized tax benefits of $15,120, including interest and penalties. Our unrecognized tax provision liability, including interest and penalties, in the consolidated balance sheet is $4,997. A reasonable estimate of the timing related to these liabilities is not possible, therefore, such amounts are not reflected in this contractual obligation and commitments schedule.

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

Off-Balance Sheet Arrangements

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

Impact of Inflation and Currency Fluctuation

To the extent that we expand our operations in Europe, Canada, Latin America and the Pacific Rim, the effects of inflation and currency fluctuations could impact our financial condition and results of operations. While the prices we pay for products purchased from our suppliers are principally denominated in United States dollars, price negotiations depend in part on the foreign currency of foreign manufacturers, as well as market, trade and political factors. The Company also has exposure related to transactions in which the currency collected from customers is different from the currency utilized to purchase the product sold in its foreign operations, and U. S. dollar denominated purchases in its foreign subsidiaries. The Company enters forward contracts to hedge certain euro-related transactions. The Company minimizes the risk of nonperformance on the forward contracts by transacting with major financial institutions. During Fiscal 2016 , 2015 and 2014 , the Company held forward contracts specifically designated for hedging (see Note 1(e) of the Notes to Consolidated Financial Statements). As of February 29, 2016 and February 28, 2015 , unrealized gains of $ 1,220 and $ 5,118 , respectively, were recorded in other comprehensive income associated with these contracts.

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

In February 2013, the Venezuelan government announced the devaluation of the Bolivar Fuerte, moving the official exchange rate from 4.3 to 6.3 per U.S. dollar. Concurrent with this action, the Venezuelan government established a new auction-based exchange rate market program, referred to as Complementary System for the Administration of Foreign Currency ("SICAD"). The amount of transactions that have run through the SICAD and restrictions around participation have limited our access to any foreign exchange rate other than the official rate to pay for imported goods and manage our local monetary asset balances. Although the official exchange rate remained at 6.3 during Fiscal 2014, the government announced in January 2014 that the exchange rate for goods and services deemed non-essential would move to the rate available on the expanded SICAD currency market, which was 11.7 at February 28, 2014 (referred to as SICAD 1). In March 2014, a new exchange control mechanism was opened by the government, referred to as SICAD 2, which was not restricted by auction and was deemed available for all types of transactions. The use of the SICAD 1 rate was dependent upon the availability of auctions, and was not indicative of a free market exchange, as only designated industries could bid into individual auctions and the highest bids were not always recognized by the Venezuelan government. The Company, therefore, used the SICAD 2 rate for its Venezuelan subsidiary for the quarters ended May 31, 2014, August 31, 2014 and November 30, 2014, which was approximately 50 Bolivar Fuerte/$1 at each respective quarter end, with the exception of the Company's investment in Venezuelan government issued sovereign bonds (See Note 1(f)). In February 2015, the Venezuelan government introduced another new currency system, referred to as the Marginal Currency System, or SIMADI rate. This market-based exchange system consists of a mechanism from which both businesses and individuals are allowed to purchase and sell foreign currency at the price set by the market. In conjunction with this introduction, SICAD 2 was annulled and combined with the former SICAD 1, reverting to its original title of SICAD, exclusively applicable to non-essential goods and subject to available auctions. The SIMADI rate at February 28, 2015 was approximately 177 Bolivar Fuerte/$1 and was used by the Company for its Venezuelan subsidiary at February 28, 2015 . A net currency exchange loss of $(7,104) was recorded for the year ended February 28, 2015 , which included the remeasurement loss on the Company's Venezuelan bonds of $(7,396) , as described in Note 1(f), and is included in Other Income (Expense) on the Consolidated Statement of Operations and Comprehensive Income (Loss) for the fiscal year ended February 28, 2015 . The SIMADI rate at February 29, 2016 was approximately 205 Bolivar Fuerte/$1. A net currency exchange loss of $(2) was recorded for the year ended February 29, 2016 . On March 9, 2016, Venezuela's Vice President for Economic Area announced a new exchange agreement No. 35 (the "Exchange Agreement No. 35"). Exchange Agreement No. 35 became effective on March 10, 2016 and will have a dual exchange rate for a controlled rate ("DIPRO") fixed at 10 Bolivar Fuerte/$1 for priority goods and services and a complimentary rate ("DICOM") starting at 206.92 Bolivar Fuerte/$1 for travel and other non-essential goods. Exchange Agreement No. 35 will be effective for the Company's first quarter of Fiscal 2017 and we believe the Company will use the non-essential rate.

The Company has certain U. S. dollar denominated assets and liabilities in its Venezuelan operations, including our U.S. dollar denominated intercompany debt and has been subject to currency fluctuations associated with the devaluation of the VBF, the most recent devaluation taking place in February 2015. The Company's investment in a TICC bond was valued at the official Venezuelan government exchange rate of 6.3 Bolivar Fuerte/$1 and classified as a held-to-maturity investment at amortized cost at February 28, 2015 (See Note 1(f)). The TICC bond matured in the first quarter of Fiscal 2016 resulting in the receipt of $251 for the outstanding balance of these bonds at their maturity date.

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.

Related Party Transactions

During 1996, we entered into a 30-year capital lease for a building with our principal stockholder and chairman, which was the headquarters of the discontinued Cellular operation sold in 2004. The lease expiration date was November 30, 2026. In Fiscal 2015, Myra Properties LLC purchased the building from Voxx's principal stockholder, causing the lease between Voxx and the stockholder to be terminated. As a result of the transaction, the Company realized a gain of $846, net of tax and net of a termination penalty of $573 paid to the stockholder at the termination date. The gain is recorded in paid in capital on the Consolidated Balance Sheet at February 28, 2015 . 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, 2021 are $635 .

Recent Accounting Pronouncements

We are required to adopt certain new accounting pronouncements. See Note 1(w) of the Notes to the Consolidated Financial Statements of this Annual Report on Form 10-K.

Item 7A-Quantitative and Qualitative Disclosures about Market Risk

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

Marketable Securities

Marketable securities at February 29, 2016 , which are recorded at fair value of $5,753, include an unrealized gain of $18 and have exposure to price fluctuations. This risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in prices quoted by stock exchanges and amounts to $575 as of February 29, 2016 . 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. 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. In connection with the Amended Credit Facility, the mortgage related to the Klipsch headquarters and the construction mortgage related to the manufacturing facility in Florida, we have debt outstanding in the amount of $72,300 , $5,720 and $9,223 , respectively, at February 29, 2016 . Interest on the Credit Facility is charged at LIBOR plus 0.00 - 2.00%, interest on the Klipsch mortgage is charged at LIBOR plus 2.25% and interest on the Construction Loan is charged at 70% of 1-month LIBOR plus 1.54%. We have entered into two interest rate swaps for two portions of the Credit Facility, with notional amounts of $15,000 and $25,000 at February 29, 2016 , as well as one interest rate swap for the Klipsch mortgage and one interest rate swap for the construction loan with notional amounts of $5,720 and $9,223 , respectively, at February 29, 2016 . These swaps protect against LIBOR interest rates rising above 0.515% and 0.518% (exclusive of credit spread) on the two Credit Facility balances, respectively, through April 29, 2016 and February 28, 2017, respectively, as well as fixes the interest rates on the Klipsch mortgage at 3.92% (inclusive of credit spread) through the mortgage end date of May 2023 and on the construction loan at 3.48% (inclusive of credit spread) through the mortgage end date of March 2026.

Foreign Exchange Risk

We are subject to risk from changes in foreign exchange rates for our subsidiaries and marketable securities that use a foreign currency as their functional currency and are translated into U.S. dollars. These changes result in cumulative translation adjustments, which are included in Accumulated Other Comprehensive Income (Loss). At February 29, 2016 , we had translation exposure to various foreign currencies with the most significant being the Euro, Hong Kong Dollar, Mexican Peso, Hungarian Forint and Chinese Yuan. The potential decrease in sales and net income resulting from a hypothetical 10% adverse change in quoted foreign currency exchange rates for the year ended February 29, 2016 amounts to approximately $23,800 and $297, respectively. Actual results may differ.

The Company continues to monitor the political and economic climate in Venezuela. Venezuela represents less than 1% of year to date sales. Approximately $157 of assets invested in Venezuela are cash related and are subject to government foreign exchange controls. The Company also maintains $3,816 in real estate property in Venezuela that could be subject to government foreign exchange controls upon their ultimate sale.

Item 8-Consolidated Financial Statements and Supplementary Data

The information required by this item begins on page 39 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

VOXX International Corporation and subsidiaries (the "Company") maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities and

Exchange Act is recorded, processed, summarized, and reported within the time periods specified in accordance with the SEC's rules and regulations, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosures.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to the Securities and Exchange Act Rule 13a-15. Based upon this evaluation as of February 29, 2016 , the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were deemed to be ineffective, solely as a result of the Company's inability to timely file an amendment to the Form 8-K filed on September 8, 2015 due to the incomplete audit of the consolidated financial statements of EyeLock Inc. and EyeLock Corporation.

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.

In May 2013, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") issued an updated version of its Internal Control - Integrated Framework (the "2013 Framework"). Originally issued in 1992 (the "1992 Framework"), the Framework helps organizations design, implement and evaluate the effectiveness of internal control concepts and simplify their use and application. The 1992 Framework remained available during the transition period which extended to December 15, 2014, after which time COSO considered it superseded by the 2013 Framework. The Company transitioned to the 2013 Framework in December 2014.

Management evaluated the effectiveness of the Company's internal control over financial reporting using the criteria set forth by the 2013 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 29, 2016 . Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as of February 29, 2016 based on the criteria established in the 2013 COSO Framework.

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

The effectiveness of the Company's internal control over financial reporting as of February 29, 2016 has been audited by Grant Thornton LLP, an independent registered public accounting firm who also audited the Company's Consolidated Financial Statements. Grant Thornton LLP's attestation report on the effectiveness of the Company's internal control over financial reporting is included below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
VOXX International Corporation

We have audited the internal control over financial reporting of VOXX International Corporation (a Delaware corporation) and subsidiaries (the "Company") as of February 29, 2016, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 29, 2016, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended February 29, 2016 and our report dated May 16, 2016 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Melville, New York
May 16, 2016

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 29, 2016 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 10, 2016 , and such information is incorporated herein by reference.

PART IV

Item 15-Exhibits, Financial Statement Schedules

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

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

VOXX INTERNATIONAL CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
VOXX International Corporation

We have audited the accompanying consolidated balance sheets of VOXX International Corporation (a Delaware corporation) and subsidiaries (the "Company") as of February 29, 2016 and February 28, 2015, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended February 29, 2016. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of VOXX International Corporation and subsidiaries as of February 29, 2016 and February 28, 2015, and the results of their operations and their cash flows for each of the three years in the period ended February 29, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presently fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of February 29, 2016, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated May 16, 2016 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Melville, New York
May 16, 2016

VOXX International Corporation and Subsidiaries
Consolidated Balance Sheets
February 29, 2016 and February 28, 2015
(In thousands, except share data)

	February 29, 2016	February 28, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 11,767	$ 8,448
Accounts receivable, net	87,055	102,766
Inventory, net	144,028	156,649
Receivables from vendors	2,519	3,622
Investment securities, current	—	275
Prepaid expenses and other current assets	17,256	26,370
Income tax receivable	1,426	1,862
Deferred income taxes	—	1,723
Total current assets	264,051	301,715
Investment securities	10,206	12,413
Equity investments	21,949	21,648
Property, plant and equipment, net	79,422	69,783
Goodwill	104,349	105,874
Intangible assets, net	185,022	158,455
Deferred income taxes	23	717
Other assets	4,690	6,908
Total assets	$ 669,712	$ 677,513
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 55,790	$ 71,403
Accrued expenses and other current liabilities	50,748	51,744
Income taxes payable	4,081	3,067
Accrued sales incentives	12,439	14,097
Deferred income taxes	—	1,060
Current portion of long-term debt	8,826	6,032
Total current liabilities	131,884	147,403
Long-term debt	90,691	79,455
Capital lease obligation	1,381	733
Deferred compensation	4,011	4,650
Other tax liabilities	4,997	5,157
Deferred tax liabilities	30,374	34,327
Other long-term liabilities	10,480	9,648
Total liabilities	273,818	281,373
Commitments and contingencies		
Stockholders' equity:		
Preferred stock:		
No shares issued or outstanding (see Note 9)	—	—
Common stock:		
Class A, $.01 par value; 60,000,000 shares authorized, 24,067,444 and 24,003,240 shares issued, 21,899,370 and 21,873,790 shares outstanding at February 29, 2016 and February 28, 2015, respectively	256	255
Class B Convertible, $.01 par value, 10,000,000 authorized, 2,260,954 shares issued and outstanding	22	22
Paid-in capital	294,038	292,427
Retained earnings	154,947	157,629
Non-controlling interest	8,524	—
Accumulated other comprehensive loss	(40,717)	(33,235)

Treasury stock, at cost, 2,168,074 and 2,129,450 shares of Class A Common Stock at February 29, 2016 and February 28, 2015, respectively	(21,176)	(20,958)
Total stockholders' equity	395,894	396,140
Total liabilities and stockholders' equity	$ 669,712	$ 677,513

See accompanying notes to consolidated financial statements.

	Year Ended February 29, 2016	Year Ended February 28, 2015	Year Ended February 28, 2014
Net sales	$ 680,746	$ 757,498	$ 809,709
Cost of sales	485,061	533,628	579,461
Gross profit	195,685	223,870	230,248
Operating expenses:			
Selling	48,513	54,136	55,725
General and administrative	111,382	114,849	118,852
Engineering and technical support	37,490	37,157	34,161
Goodwill impairment charge	—	—	32,163
Intangible and long-lived asset impairment charges	9,070	—	25,398
Restructuring expense	—	1,134	1,324
Acquisition related costs	800	—	—
Total operating expenses	207,255	207,276	267,623
Operating (loss) income	(11,570)	16,594	(37,375)
Other income (expense):			
Interest and bank charges	(8,075)	(6,851)	(7,394)
Equity in income of equity investee	6,538	5,866	6,070
Venezuela currency devaluation, net	(2)	(7,104)	177
Impairment of Venezuela investment properties (see Note 1(p))	—	(9,304)	—
Gain on bargain purchase	4,679	—	—
Other, net	632	1,495	11,867
Total other income (expenses), net	3,772	(15,898)	10,720
(Loss) income from operations before income taxes	(7,798)	696	(26,655)
Income tax (benefit) expense	(1,735)	1,638	(58)
Net loss	$ (6,063)	$ (942)	$ (26,597)
Less: net loss attributable to non-controlling interest	(3,381)	—	—
Net loss attributable to Voxx International Corporation	$ (2,682)	$ (942)	$ (26,597)
Other comprehensive (loss) income:			
Foreign currency translation adjustments	(5,702)	(33,170)	5,575
Derivatives designated for hedging, net of tax	(2,440)	3,258	(648)
Pension plan adjustments, net of tax	640	(1,423)	(288)
Unrealized holding gain (loss) on available-for-sale investment securities arising during the period, net of tax	20	(27)	(15)
Other comprehensive (loss) income, net of tax	(7,482)	(31,362)	4,624
Comprehensive loss attributable to Voxx International Corporation	$ (10,164)	$ (32,304)	$ (21,973)
Net loss per common share (basic) attributable to Voxx International Corporation	$ (0.11)	$ (0.04)	$ (1.10)
Net loss per common share (diluted) attributable to Voxx International Corporation	$ (0.11)	$ (0.04)	$ (1.10)
Weighted-average common shares outstanding (basic)	24,172,710	24,330,361	24,109,270
Weighted-average common shares outstanding (diluted)	24,172,710	24,330,361	24,109,270

See accompanying notes to consolidated financial statements.

VOXX International Corporation and Subsidiaries
Consolidated Statements of Stockholders' Equity
Years Ended February 29, 2016 , February 28, 2015 and February 28, 2014
(In thousands, except share data)

	Class A and Class B Common Stock	Paid-in Capital	Retained Earnings	Accumulated other comprehensive income (loss)	Non-controlling interests	Treasury stock	Total Stock-holders' equity
Balances at February 28, 2013	$ 254	$ 283,971	$ 185,168	$ (6,497)	$ —	$ (18,360)	$ 444,536
Net loss	—	—	(26,597)	—	—	—	(26,597)
Other comprehensive income, net of tax	—	—	—	4,624	—	—	4,624
Exercise of stock options into 838,619 shares of common stock	23	6,348	—	—	—	—	6,371
Stock-based compensation expense	—	641	—	—	—	—	641
Issuance of 860 shares of treasury stock	—	—	—	—	—	9	9
Balances at February 28, 2014	277	290,960	158,571	(1,873)	—	(18,351)	429,584
Net loss	—	—	(942)	—	—	—	(942)
Other comprehensive loss, net of tax	—	—	—	(31,362)	—	—	(31,362)
Termination of capital lease with principal shareholder, net of tax	—	846	—	—	—	—	846
Exercise of stock options into 15,000 shares of common stock	—	101	—	—	—	—	101
Stock-based compensation expense	—	521	—	—	—	—	521
Repurchase of 315,443 shares of common stock	—	—	—	—	—	(2,620)	(2,620)
Issuance of 1,260 shares of treasury stock	—	(1)	—	—	—	13	12
Balances at February 28, 2015	277	292,427	157,629	(33,235)	—	(20,958)	396,140
Net loss	—	—	(2,682)	—	(3,381)	—	(6,063)
Fair value of non-controlling interest	—	—	—	—	12,900	—	12,900
Receivable from selling shareholders	—	—	—	—	(1,200)	—	(1,200)
Other comprehensive income, net of tax	—	—	—	(7,482)	—	—	(7,482)
Exercise of stock options into 64,204 shares of common stock	1	436	—	—	—	—	437
Stock-based compensation expense	—	1,179	—	—	205	—	1,384
Repurchase of 39,529 shares of common stock	—	—	—	—	—	(227)	(227)
Issuance of 905 shares of treasury stock	—	(4)	—	—	—	9	5
Balances at February 29, 2016	$ 278	$ 294,038	$ 154,947	$ (40,717)	$ 8,524	$ (21,176)	$ 395,894

See accompanying notes to consolidated financial statements.

VOXX International Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended February 29, 2016 , February 28, 2015 and February 28, 2014
(Amounts in thousands)

	Year Ended February 29, 2016	Year Ended February 28, 2015	Year Ended February 28, 2014
Cash flows from operating activities:			
Net loss	$ (6,063)	$ (942)	$ (26,597)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	15,838	15,565	16,183
Amortization of deferred financing costs	2,404	1,117	1,377
Impairment charges	9,070	9,304	57,561
Bad debt expense	774	505	687
Interest on notes receivable from EyeLock, Inc.	(677)	—	—
(Gain)/loss on forward contracts	(3,753)	(653)	406
Equity in income of equity investee	(6,538)	(5,866)	(6,070)
Distribution of income from equity investees	6,237	4,846	2,960
Deferred income tax (benefit) expense, net	(4,644)	2,003	(9,162)
(Gain) loss on disposal of property, plant and equipment	(449)	472	(13)
Non-cash compensation adjustment	202	850	574
Non-cash stock based compensation expense	859	521	641
Venezuela currency devaluation on investment securities	23	7,396	—
Gain on sale of intangible asset	(30)	—	—
Gain on bargain purchase	(4,679)	—	—
Tax benefit on stock options exercised	—	—	(1,002)
Changes in operating assets and liabilities (net of assets and liabilities acquired):			
Accounts receivable	13,683	36,393	6,503
Inventory	11,285	(22,973)	16,609
Receivables from vendors	1,613	368	7,520
Prepaid expenses and other	8,510	(6,200)	(3,920)
Investment securities-trading	595	(278)	(577)
Accounts payable, accrued expenses, accrued sales incentives and other current liabilities	(18,151)	10,463	4,304
Income taxes payable	1,412	(5,463)	(1,167)
Net cash provided by operating activities	27,521	47,428	66,817
Cash flows from investing activities:			
Purchases of property, plant and equipment	(19,636)	(17,195)	(14,629)
Proceeds from sale of property, plant and equipment	328	91	—
Proceeds from sale of intangible asset	150	—	—
Purchase of long-term investment	—	(6,000)	—
Decrease in notes receivable (see Note 2)	(4,176)	—	—
Proceeds from sale of short term investment	251	—	—
Purchase of acquired businesses, less cash acquired (see Note 2)	(15,504)	—	—
Proceeds from repayment of long-term note	—	222	—
Net cash used in investing activities	(38,587)	(22,882)	(14,629)
Cash flows from financing activities:			
Borrowings from bank obligations	248,797	243,160	115,550
Repayments on bank obligations	(234,429)	(264,333)	(180,622)
Principal payments on capital lease obligation	(425)	(479)	(364)
Payments for capital lease termination	—	(573)	—
Proceeds from exercise of stock options and warrants	436	101	5,730
Deferred financing costs	(457)	(134)	(1,455)
Purchase of treasury stock	(227)	(2,620)	—
Tax expense on stock options exercised	—	—	1,002

Net cash provided by (used in) financing activities	13,695	(24,878)	(60,159)
Effect of exchange rate changes on cash	690	(1,823)	(1,203)
Net increase (decrease) in cash and cash equivalents	3,319	(2,155)	(9,174)
Cash and cash equivalents at beginning of year	8,448	10,603	19,777
Cash and cash equivalents at end of year	$ 11,767	$ 8,448	$ 10,603
Supplemental Cash Flow Information:			
Non-cash investing activities:			
Capital lease obligations	$ 1,109	$ —	$ 333
Acquisition of long-term investment	$ 1,453	$ —	$ —
Cash paid during the period for:			
Interest, excluding bank charges	$ 4,336	$ 4,522	$ 5,210
Income taxes (net of refunds)	$ 1,673	$ 2,676	$ 9,218

See accompanying notes to consolidated financial statements.

1) Description of Business and Summary of Significant Accounting Policies

a) *Description of Business*

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

b) *Principles of Consolidation, Reclassifications and Accounting Principles*

The consolidated financial statements include the financial statements of VOXX International Corporation and its wholly and majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company acquired a controlling interest in all of the assets and certain liabilities of EyeLock Inc. and EyeLock Corporation effective September 1, 2015, through a newly formed entity, EyeLock LLC ("EyeLock"). The consolidated financial statements presented for the year ended February 29, 2016 include the operations of EyeLock beginning September 1, 2015.

The Company follows FASB Accounting Standards Codification 810-10-65-1 to report a non-controlling interest in the consolidated balance sheets within the equity section, separately from the Company's retained earnings. Non-controlling interest represents the non-controlling interest holder's proportionate share of the equity of the Company's majority-owned subsidiary, EyeLock. Non-controlling interest is adjusted for the non-controlling interest holder's proportionate share of the earnings or losses and other comprehensive income (loss), if any, and the non-controlling interest continues to be attributed its share of losses even if that attribution results in a deficit non-controlling interest balance.

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 Other Income (Expense) in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss). 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.

Certain amounts in prior years have been reclassified to conform to the current year presentation.

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

c) *Use of Estimates*

The preparation of these 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 and inventory valuation, recoverability of deferred tax assets, reserve for uncertain tax positions, valuation of long-lived assets, accrued sales incentives, warranty reserves, stock-based compensation, valuation and impairment assessment of investment securities, goodwill, trademarks and other intangible assets, valuation of pension plan assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates.

d) *Cash and Cash Equivalents*

Cash and cash equivalents consist of demand deposits with banks and highly liquid money market funds with original maturities of three months or less when purchased. Cash and cash equivalents amounted to $11,767 and $8,448 at February 29, 2016 and February 28, 2015 , respectively. Cash amounts held in foreign bank accounts amounted to $10,425 and $8,072 at February 29, 2016 and February 28, 2015 , respectively. The majority of these amounts are in excess of government insurance. The Company places its cash and cash equivalents in institutions and funds of high credit quality. We perform periodic evaluations of these institutions and funds.

e) *Fair Value Measurements and Derivatives*

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

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

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

The following table presents assets and liabilities measured at fair value on a recurring basis at February 29, 2016 :

		Fair Value Measurements at Reporting Date Using	
		Level 1	Level 2
Cash and cash equivalents:			
Cash and money market funds	$ 11,767	$ 11,767	$ —
Derivatives			
Designated for hedging	$ 30	$ —	$ 30
Investment securities:			
Trading securities	$ 3,917	$ 3,917	$ —
Available-for-sale securities	18	18	—
Other investments at amortized cost (a)	6,271	—	—
Total investment securities	$ 10,206	$ 3,935	$ —

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

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

(a) At February 29, 2016 and February 28, 2015 , this balance includes investments in two non-controlled corporations accounted for at cost (See Note 1(f)). At February 28, 2015 , this balance also included an investment in a third non-controlled corporation, as well as the Company's held-to-maturity investment in bonds issued by the Venezuelan government, which were recorded at amortized cost taking into consideration the currency devaluation in Venezuela (See Note 1(f)). The fair value of these investments would be based upon Level 3 inputs. At February 29, 2016 and February 28, 2015 , it is not practicable to estimate the fair values of these items.

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

Derivative Instruments

The Company's derivative instruments include forward foreign currency contracts utilized to hedge a portion of its foreign currency inventory purchases, local operating expenses, as well as its general economic exposure to foreign currency fluctuations created in the normal course of business. The Company also has four interest rate swap agreements, two of which hedge interest rate exposure related to the forecasted outstanding borrowings on a portion of its credit facility ("Amended Facility") (see Note 6); a third that hedges interest rate exposure related to the forecasted outstanding balance of one of its mortgage notes, with monthly payments due through May 2023; and a fourth agreement, entered into in July 2015, which hedges interest rate exposure related to the

forecasted outstanding balance of its construction loan, with monthly payments due from March 2016 through March 2026. The two swap agreements related to the Amended Facility lock the Company's LIBOR rates at 0.515% and 0.518% (exclusive of credit spread) for the respective agreements through the swaps' maturities on February 28, 2017 and April 29, 2016, respectively. The swap agreement related to the Company's mortgage locks the interest rate on the debt at 3.92% (inclusive of credit spread) through the end of the mortgage. The swap agreement related to the Company's construction loan locks the interest rate on the debt at 3.48% (inclusive of credit spread) through the maturity date of the loan. The forward foreign currency derivatives qualifying for hedge accounting are designated as cash flow hedges and valued using observable forward rates for the same or similar instruments (Level 2). The duration of open forward foreign currency contracts range from 1 - 12 months and are classified in the balance sheet according to their terms. Interest rate swap agreements qualifying for hedge accounting are designated as cash flow hedges and valued based on a comparison of the change in fair value of the actual swap contracts designated as the hedging instruments and the change in fair value of a hypothetical swap contract (Level 2). We calculate the fair value of interest rate swap agreements quarterly based on the quoted market price for the same or similar financial instruments. Interest rate swaps are classified in the balance sheet as either non-current assets or non-current liabilities based on the fair value of the instruments at the end of the period.

It is the Company's policy to enter into derivative instrument contracts with terms that coincide with the underlying exposure being hedged. As such, the Company's derivative instruments are expected to be highly effective. Hedge ineffectiveness, if any, is recognized as incurred through Other Income (Expense) in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss) and amounted to $93 , $(85) and $(156) for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 respectively.

Financial Statement Classification

The Company holds derivative instruments that are designated as hedging instruments. The following table discloses the fair value as of February 29, 2016 and February 28, 2015 for derivative instruments:

	Derivative Assets and Liabilities		
		Fair Value	
	Account	**February 29, 2016**	**February 28, 2015**
Designated derivative instruments			
Foreign currency contracts	Accrued expenses and other current liabilities	$ (98)	$ —
	Prepaid expenses and other current assets	989	3,180
Interest rate swaps	Other long term liabilities	(862)	(69)
	Prepaid expenses and other current assets	1	—
Total derivatives		$ 30	$ 3,111

Cash flow hedges

During Fiscal 2016 , the Company entered into forward foreign currency contracts, which have a current outstanding notional value of $39,713 at February 29, 2016 and are designated as cash flow hedges. The current outstanding notional values of the Company's four interest rate swaps at February 29, 2016 were $15,000 , $25,000 , $5,720 and $9,223 . For cash flow hedges, the effective portion of the gain or loss is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

Activity related to cash flow hedges recorded during the twelve months ended February 29, 2016 and February 28, 2015 was as follows:

	February 29, 2016			February 28, 2015		
	Gain (Loss) Recognized in Other Comprehensive Income	Gain (Loss) Reclassified into Cost of Sales	Gain (Loss) for Ineffectiveness in Other Income	Gain (Loss) Recognized in Other Comprehensive Income	Gain (Loss) Reclassified into Cost of Sales	Gain (Loss) for Ineffectiveness in Other Income
Cash flow hedges						
Foreign currency contracts	$ 1,220	$ 3,473	$ 93	$ 5,118	$ 541	$ (85)
Interest rate swaps	$ (792)	$ —	$ —	$ 110	$ —	$ —

The net loss recognized in other comprehensive income for foreign currency contracts is expected to be recognized in cost of sales within the next eighteen months. No amounts were excluded from the assessment of hedge effectiveness during the respective periods. During the year ended February 29, 2016 , seven contracts originally designated for hedged accounting were de-designated, resulting in a gain of $64 recorded in Other Income (Expense) for the year ended February 29, 2016 within the Company's Consolidated Statement of Operations and Comprehensive Income (Loss). These contracts have all been settled as of February 29, 2016 . As of February 29, 2016 , no contracts originally designated for hedge accounting were terminated.

f) *Investment Securities*

In accordance with the Company's investment policy, all long and short-term investment securities are invested in "investment grade" rated securities. As of February 29, 2016 and February 28, 2015 , the Company had the following investments:

	February 29, 2016			February 28, 2015		
	Cost Basis	Unrealized holding gain/(loss)	Fair Value	Cost Basis	Unrealized holding gain/(loss)	Fair Value
Investment Securities						
Marketable Securities						
Trading						
Deferred Compensation	$ 3,917	$ —	$ 3,917	$ 4,511	$ —	$ 4,511
Available-for-sale						
Cellstar	—	18	18	—	15	15
Held-to-maturity Investment	—	—	—	275	—	275
Total Marketable Securities	3,917	18	3,935	4,786	15	4,801
Other Long-Term Investments	6,271	—	6,271	7,887	—	7,887
Total Investment Securities	$ 10,188	$ 18	$ 10,206	$ 12,673	$ 15	$ 12,688

Current Investments

Held-to-Maturity Investment

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

The Company recorded remeasurement losses during Fiscal 2015 totaling $(7,396) in Other Income (Expense). The remeasurement loss was based on a change in the exchange rate anticipated upon redemption of the bonds. In September 2014, the Company received information, in addition to receipt of its semi-annual interest payment, that this redemption rate would be the official exchange rate of 6.3 Bolivars/$1 which differed from the SICAD 2 rate previously used to remeasure the bonds during the first quarter of Fiscal 2015, as well as the SIMADI rate used to remeasure the Venezuela subsidiary's financial statements (except for the bonds), at February 28, 2015 (See Note 1(p) for definitions).

Long-Term Investments

Trading Securities

The Company's trading securities consist of mutual funds, which are held in connection with the Company's deferred compensation plan (see Note 10). Unrealized holding gains and losses on trading securities offset those associated with the corresponding deferred compensation liability.

Available-For-Sale Securities

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

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

A decline in the market value of any held to maturity or available-for-sale security below cost that is deemed other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. The Company considers numerous factors, on a case-by-case basis, in evaluating whether the decline in market value of an available-for-sale security below cost is other-than-temporary. Such factors include, but are not limited to, (i) the length of time and the extent to which the market value has been less than cost; (ii) the financial condition and the near-term prospects of the issuer of the investment; and (iii) whether the Company's intent to retain the investment for the period of time is sufficient to allow for any anticipated recovery in market value. No other-than-temporary losses were incurred for the years ended February 29, 2016 , February 28, 2015 or February 28, 2014 .

Other Long-Term Investments

Other long-term investments include investments in two non-controlled corporations accounted for by the cost method. The Company's investment in Rx Networks totaled $1,819 and $1,887 at February 29, 2016 and February 28, 2015 , respectively, and we held 12.5% of the outstanding shares of this company as of February 29, 2016 . During Fiscal 2015, the Company received a payment of $250 from Rx Networks as a repayment of funds loaned to the company in Fiscal 2013. No additional investments or loans were made in or to Rx Networks in Fiscal 2016, Fiscal 2015 or Fiscal 2014. During Fiscal 2015, Voxx invested $3,000 in 360fly, Inc. (formerly EyeSee360, Inc.), consisting of shares of the investee's preferred stock. During Fiscal 2016, the Company increased this investment to $4,453 , as a result of acquiring additional preferred stock shares. The Company holds 4.6% of the outstanding shares of 360fly, Inc. as of February 29, 2016 . The total balance of these two investments at February 29, 2016 was $6,271 .

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

g) *Revenue Recognition*

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

The Company includes all costs incurred for shipping and handling as cost of sales and all amounts billed to customers as revenue. During the years ended February 29, 2016 , February 28, 2015 , and February 28, 2014 , freight costs expensed through cost of sales amounted to $15,395 , $17,530 and $19,221 , respectively and freight billed to customers amounted to $796 , $1,167 and $1,543 , respectively.

h) *Accounts Receivable*

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

Accounts receivable is comprised of the following:

	February 29, 2016	February 28, 2015
Trade accounts receivable and other	$ 94,912	$ 110,447
Less:		
Allowance for doubtful accounts	6,780	6,491
Allowance for cash discounts	1,077	1,190
	$ 87,055	$ 102,766

The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customers' 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.

The Company has four supply chain financing agreements ("factoring agreements") with certain financial institutions to accelerate receivable collection and better manage cash flow. Under the factoring agreements, the Company has agreed to sell these institutions certain of its accounts receivable balances. For those accounts receivables tendered to the banks and that the banks choose to purchase, the banks have agreed to advance an amount equal to the net accounts receivable balances due, less a discount as set forth in the respective agreements. The factored balances under these agreements are sold without recourse and are accounted for as sales of accounts receivable. Cash proceeds from these factoring agreements are reflected as operating activities included in the change in accounts receivable in the Company's Consolidated Statements of Cash Flows. Total balances factored under the agreements, net of discounts, for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 were approximately $273,000 , $182,000 and $100,000 , respectively. Fees incurred in connection with the factoring agreements totaled $1,129 , $866 and $258 for the years ended February 29, 2016 ,

February 28, 2015 and February 28, 2014 , respectively, and are recorded as interest expense in the Consolidated Statements of Operations.

i) *Inventory*

The Company values its inventory at the lower of the actual cost to purchase (primarily on a weighted moving-average basis with a portion valued at standard cost, which approximates actual costs on the first-in, first-out basis) and/or the current estimated market value of the inventory. Market value of inventory does not exceed the net realizable value of the inventory and is not less than the net realizable value of such inventory, less an allowance for a normal profit margin. The Company regularly reviews inventory quantities on-hand and records a provision for excess and obsolete inventory based primarily on 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. In addition, and as necessary, specific reserves for future known or anticipated events may be established. The Company recorded inventory write-downs of $1,256 , $2,877 and $3,602 for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , respectively.

Inventories by major category are as follows:

	February 29, 2016	February 28, 2015
Raw materials	$ 46,941	$ 47,307
Work in process	4,457	3,722
Finished goods	92,630	105,620
Inventory, net	$ 144,028	$ 156,649

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 and replacements that extend service lives of the assets are capitalized. Minor replacements, and routine 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 29, 2016	February 28, 2015
Land	$ 8,656	$ 8,761
Buildings	49,008	37,078
Property under capital lease	2,661	1,557
Furniture and fixtures	5,442	5,066
Machinery and equipment	32,861	31,052
Construction-in-progress	1,362	1,845
Computer hardware and software	39,353	36,550
Automobiles	1,398	1,459
Leasehold improvements	6,679	7,192
	147,420	130,560
Less accumulated depreciation and amortization	67,998	60,777
	$ 79,422	$ 69,783

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

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

Leasehold improvements are depreciated over the shorter of the lease term or estimated useful life of the asset. Assets acquired under capital leases are amortized over the term of the respective lease. Accumulated amortization of assets under capital lease totaled $1,480 and $817 at February 29, 2016 and 2015 , respectively. During December 2014, the Company terminated one of its capital leases, which had been leased from a related party (See Note 12).

Depreciation and amortization of property, plant and equipment amounted to $9,200 , $10,187 and $10,252 for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , respectively. Included in depreciation and amortization expense is amortization of computer software costs of $1,329 , $1,200 and $1,300 for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , respectively. Also included in depreciation and amortization expense is $449 , $455 and $439 of amortization expense related to property under capital leases for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , respectively.

Refer to Note 1(p) for discussion of long-lived asset impairment charges recorded for the year ended February 28, 2015 related to buildings held by the Company's Venezuela subsidiary.

k) *Goodwill and Intangible Assets*

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

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

The value of potential intangible assets separate from goodwill are independently evaluated and assigned to the respective categories. The largest categories from recently acquired businesses are Trademarks, Customer Relationships and Developed Technology. The FV's of trademarks acquired are determined using the Relief from Royalty Method based on projected sales of the trademarked products. The FV's of customer relationships and developed technology are determined using the Multi-Period Excess Earnings Method which includes a DCF analysis, adjusted for a required return on tangible and intangible assets. The Company categorizes this fair value determination as Level 3 (unobservable) in the fair value hierarchy, as described in Note 1(e). The guidance in ASC 350, including management's business intent for its use; ongoing market demand for products relevant to the category and their ability to generate future cash flows; legal, regulatory or contractual provisions on its use or subsequent renewal, as applicable; and the cost to maintain or renew the rights to the assets, are considered in determining the useful life of all intangible assets. If the Company determines that there are no legal, regulatory, contractual, competitive, economic or other factors which limit the useful life of the asset, an indefinite life will be assigned and evaluated for impairment as indicated below. Goodwill and other intangible assets that have an indefinite useful life are not amortized. Intangible assets that have a definite useful life are amortized over their estimated useful life.

ASC 350 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. Intangible assets with estimable useful lives are required to be amortized over their respective estimated useful lives and reviewed for impairment if indicators of impairment exist . To determine the fair value of goodwill and intangible assets, there are many assumptions and estimates used that directly impact the results of the testing. Management has the ability to influence the outcome and ultimate results based on the assumptions and estimates chosen. If a significant change in these assumptions and/or estimates occurs, the Company could experience impairment charges, in addition to those noted below, in future periods.

Goodwill is tested using a two-step process. The first step is to identify a potential impairment, and the second step measures the amount of the impairment loss, if any. Goodwill is considered impaired if the carrying amount of the reporting unit's goodwill exceeds its estimated fair value. For intangible assets with indefinite lives, primarily trademarks, the Company compared the fair value of each intangible asset with its carrying amount. Intangible assets with indefinite lives are considered impaired if the carrying value exceeds the fair value. The cost of other intangible assets with definite lives is amortized on a straight-line basis over their respective lives.

Voxx's reporting units that carry goodwill are Hirschmann, Invision and Klipsch. The Company has three operating segments based upon its products and internal organizational structure (see Note 14). These operating segments are the Automotive, Premium Audio and Consumer Accessories segments. The Hirschmann and Invision reporting units are located within the Automotive segment and the Klipsch reporting unit is located within the Premium Audio segment.

During the second quarter of Fiscal 2016, the Company re-evaluated its projections for its Klipsch reporting unit, based on lower than anticipated results due to certain marketing strategies and re-evaluation of its market position for certain product lines. Accordingly, this was considered an indicator of impairment requiring the Company to test the related indefinite-lived tradename for impairment, and perform a step 1 impairment analysis on the goodwill for this reporting unit. The discount rates (developed using a weighted average cost of capital analysis) used in this goodwill and intangible analysis were 13.1% and 13.8% , respectively. The long-term growth rate was 2.0% . As a result of this analysis, the Company determined that the tradename for this reporting unit was impaired and recorded an impairment charge of $6,210 in the second quarter of Fiscal 2016.

The Company performed its annual impairment test for goodwill as of February 29, 2016 . The discount rates (developed using a weighted average cost of capital analysis) used in the goodwill test ranged from 12.3% to 13.5% . Based on the Company's goodwill impairment assessment, all reporting units with goodwill had estimated fair values as of February 29, 2016 that exceeded their carrying values. The goodwill balances of Hirschmann, Invision and Klipsch at February 29, 2016 are $50,443 , $7,373 and $46,533 , respectively.

During its annual impairment testing for the year ended February 28, 2014, the Company recorded an impairment charge of $32,163 in its Premium Audio segment associated with the Klipsch reporting unit. No goodwill impairment charges were recorded during the year ended February 28, 2015.

The Company tested its indefinite-lived intangible assets as of February 29, 2016 . The respective fair values were estimated using a Relief-from-Royalty Method, applying royalty rates of 1.0% to 7.0% for the trademarks after reviewing comparable market rates, the profitability of the products associated with relative intangible assets, and other qualitative factors. We determined that risk-adjusted discount rates ranging from 11.9% to 42.5% were appropriate as a result of weighted average cost of capital analyses. As a result of this analysis, it was determined that one of the Company's Consumer Accessories trademarks was impaired at February 29, 2016 . The Company recorded an impairment charge of $2,860 in the fourth quarter of Fiscal 2016. This impairment charge was the result of a judgment received in the fourth quarter of Fiscal 2016 related to the field of use for this trademark, which restricts the Company's rights to use the tradename for select products. The Company determined that this indicator of impairment required the Company to evaluate the related long-lived assets at the lowest level for which there are separately identifiable cash flows. After further analysis, no additional impairments of long-lived assets were recorded for the year ended February 29, 2016 .

The Company recorded impairment losses of $21,715 during the fourth quarter of 2014, as a result of its annual impairment testing of indefinite lived intangible assets. These impairment losses were due to impairment indicators in its Consumer Accessory and Premium Audio product lines and higher weighted-average cost of

capital rates for the testing period. In addition, the Company recorded an impairment charge of $3,683 for definite and indefinite lived intangible assets, as well as long-lived assets, due to the business decision to abandon its Technuity business and restructure the marketing and use of the Company's domain name. No impairment charges were recorded related to definite or indefinite-lived intangible assets for the year ended February 28, 2015.

Management has determined that the current lives of its long-lived assets are appropriate. Management has determined that there were no other indicators of impairment that would cause the carrying values related to intangible assets with definite lives to exceed their expected future cash flows at February 29, 2016 .

Goodwill

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

	February 29, 2016	February 28, 2015	February 28, 2014
Beginning of period	$ 105,874	$ 117,938	$ 146,680
Foreign currency differences	(1,525)	(12,064)	3,421
Impairment charge	—	—	(32,163)
End of period	$ 104,349	$ 105,874	$ 117,938
Gross carrying amount	$ 136,512	$ 138,037	$ 150,101
Accumulated impairment losses	(32,163)	(32,163)	(32,163)
Net carrying amount	$ 104,349	$ 105,874	$ 117,938

	February 29, 2016	February 28, 2015	February 28, 2014
Automotive			
Beginning of period	$ 59,341	$ 71,405	$ 67,984
Foreign currency differences	(1,525)	(12,064)	3,421
End of period	$ 57,816	$ 59,341	$ 71,405
Gross carrying amount	$ 57,816	$ 59,341	$ 71,405
Accumulated impairment charge	—	—	—
Net carrying amount	$ 57,816	$ 59,341	$ 71,405
Premium Audio			
Beginning of period	$ 46,533	$ 46,533	$ 78,696
Impairment charge	—	—	(32,163)
End of period	$ 46,533	$ 46,533	$ 46,533
Gross carrying amount	$ 78,696	$ 78,696	$ 78,696
Accumulated impairment charge	(32,163)	(32,163)	(32,163)
Net carrying amount	$ 46,533	$ 46,533	$ 46,533
Total goodwill, net	$ 104,349	$ 105,874	$ 117,938

Note: The Company's Consumer Accessories segment did not carry a balance for goodwill at February 29, 2016, February 28, 2015 or February 28, 2014.

Intangible Assets

	February 29, 2016		
	Gross Carrying Value	Accumulated Amortization	Total Net Book Value
Finite-lived intangible assets:			
Customer relationships (5-20 years)	$ 65,290	$ 23,527	$ 41,763
Trademarks/Tradenames (3-12 years)	415	389	26
Developed technology (11.5 years)	31,290	1,360	29,930
Patents (5-13 years)	8,638	4,079	4,559
License (5 years)	1,400	1,400	—
Contract subject to amortization (5 years)	2,141	1,615	526
Total finite-lived intangible assets	$ 109,174	$ 32,370	76,804
Indefinite-lived intangible assets			
Trademarks			108,218
Total net intangible assets			$ 185,022

	February 28, 2015		
	Gross Carrying Value	Accumulated Amortization	Total Net Book Value
Finite-lived intangible assets:			
Customer relationships (5-20 years)	$ 62,506	$ 19,316	$ 43,190
Trademarks/Tradenames (3-12 years)	415	383	32
Patents (5-10 years)	8,831	3,365	5,466
License (5 years)	1,400	1,400	—
Contract subject to amortization (5 years)	1,556	1,556	—
Total finite-lived intangible assets	$ 74,708	$ 26,020	48,688
Indefinite-lived intangible assets			
Trademarks			109,767
Total net intangible assets			$ 158,455

The weighted-average remaining amortization period for amortizing intangibles as of February 29, 2016 is approximately 10 years. The Company expenses the renewal costs of patents as incurred. The weighted-average period before the next patent renewal is approximately 7 years.

Amortization expense for intangible assets amounted to $6,638 , $5,378 and $5,931 for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , respectively. At February 29, 2016 , the estimated aggregate amortization expense for all amortizable intangibles for each of the succeeding five years is as follows:

Fiscal Year	Amount
2017	$ 8,104
2018	8,048
2019	7,882
2020	7,868
2021	7,663

l) *Sales Incentives*

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

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

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

Volume incentive rebates offered to customers require minimum quantities of product to 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 customers and other facts and circumstances. The Company has the ability to estimate these volume incentive rebates, as the period of time for a particular rebate to be claimed is relatively short. Any changes in the estimated amount of volume incentive rebates are recognized immediately using a cumulative catch-up adjustment. The Company accrues the cost of co-operative advertising allowances, volume incentive rebates and market development funds at the latter of when the customer purchases our products or when the sales incentive is offered to the customer.

Other trade allowances are additional sales incentives the Company provides to customers subsequent to the related revenue being recognized. The Company records the provision for these additional sales incentives at the latter 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 29, 2016 and February 28, 2015 was $12,439 and $14,097 , respectively. Although the Company makes its best estimate of its sales incentive liability, many factors, including significant unanticipated changes in the purchasing volume of its customers and the lack of claims made by customers, could have a significant impact on the sales incentives liability and reported operating results.

For the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , reversals of previously established sales incentive liabilities amounted to $77 , $111 and $867 , respectively. These reversals include unearned and unclaimed sales incentives. Reversals of unearned sales incentives are volume incentive rebates where the customer did not purchase the required minimum quantities of product during the specified time. Volume incentive rebates are reversed into income in the period when the customer did not reach the required

minimum purchases of product during the specified time. Unearned sales incentives for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 amounted to $77 , $103 and $812 , respectively. Unclaimed sales incentives are sales incentives earned by the customer, but the customer has not claimed payment from the Company within the claim period (period after program has ended). Unclaimed sales incentives for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 amounted to $0 , $8 and $55 , 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 systematic, rational, consistent and conservative method of reversing unclaimed sales incentives.

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

	Year Ended February 29, 2016	Year Ended February 28, 2015	Year Ended February 28, 2014
Opening balance	$ 14,097	$ 17,401	$ 16,821
Accruals	28,428	34,159	35,991
Payments and credits	(30,009)	(37,352)	(34,544)
Reversals for unearned sales incentives	(77)	(103)	(812)
Reversals for unclaimed sales incentives	—	(8)	(55)
Ending balance	$ 12,439	$ 14,097	$ 17,401

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

m) *Advertising*

Excluding co-operative advertising, the Company expensed the cost of advertising, as incurred, of $8,864 , $10,722 and $12,097 for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , respectively.

n) *Research and Development*

Expenditures for research and development are charged to expense as incurred. Such expenditures amounted to $23,486 , $20,777 and $21,267 for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , respectively, net of customer reimbursement, and are included within Engineering and Technical Support expenses on the Consolidated Statements of Operations and Comprehensive Income (Loss).

The Company enters into development and long-term supply agreements with certain of its OEM customers. Reimbursements of the development services are recorded based upon the milestone method of revenue recognition provided certain criteria are met. Amounts due from the OEM customers for development services are reflected as a reduction of research and development expense because the performance of contract development services is not central to the Company's operations. For the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , the Company recorded $8,313 , $7,269 and $6,879 , respectively, of development service reimbursements as a reduction of research and development expense based upon the achievement of a milestone.

o) *Product Warranties and Product Repair Costs*

The Company generally warranties its products against certain manufacturing and other defects. The Company provides warranties for all of its products ranging from 90 days to the lifetime of the product. Warranty expenses are accrued at the time of sale based on the Company's estimated cost to repair expected product returns for warranty matters. This liability is based primarily on historical experiences of actual warranty claims as well as current information on repair costs and contract terms with certain manufacturers. The warranty liability of $8,806 and $8,317 is recorded in Accrued Expenses in the accompanying Consolidated Balance Sheets as of February 29, 2016 and February 28, 2015 , 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 $913 and $1,695 is recorded as a reduction to inventory in the accompanying Consolidated Balance Sheets as of February 29, 2016 and February 28, 2015 , respectively. Warranty claims and product repair costs expense for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 were $8,028 , $7,948 and $10,048 , respectively.

In Fiscal 2013, Subaru of America recalled certain vehicles as a result of potentially faulty remote start devices for which Voxx was the distributor. At February 29, 2016 , the Company has a receivable balance of $694 from one of the Company's suppliers, who has agreed to replace 100% of these devices.

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

	Year Ended February 29, 2016	Year Ended February 28, 2015	Year Ended February 28, 2014
Beginning balance	$ 10,012	$ 12,478	$ 14,551
Liabilities acquired during acquisitions	100	—	—
Liabilities accrued for warranties issued during the year and repair cost	8,028	7,948	10,048
Warranty claims settled during the year	(8,420)	(10,414)	(12,121)
Ending balance	$ 9,720	$ 10,012	$ 12,478

p) *Foreign Currency*

Assets and liabilities of those subsidiaries and former equity investees located outside the United States whose cash flows are primarily in local currencies have been translated at rates of exchange at the end of the period or historical exchange rates, as appropriate in accordance with ASC 830, "Foreign Currency Matters" ("ASC 830"). Revenues and expenses have been translated at the weighted-average rates of exchange in effect during the period. Gains and losses resulting from translation are recorded in the cumulative foreign currency translation account in Accumulated Other Comprehensive Income (Loss). For the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , the Company recorded foreign currency transaction gains/(losses) in the amount of $110 , $(6,504) and $(1,079) , respectively.

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

Effective January 1, 2010, according to the guidelines in ASC 830, Venezuela was designated as a hyper-inflationary economy. A hyper-inflationary economy designation occurs when a country has experienced cumulative inflation of approximately 100 percent or more over a 3 year period. The hyper-inflationary designation requires the local subsidiary in Venezuela to record all transactions as if they were denominated in

U.S. dollars. The Company transitioned to hyper-inflationary accounting on March 1, 2010 and continues to account for its Venezuela operations under this method.

In February 2013, the Venezuelan government announced the devaluation of the Bolivar Fuerte, moving the official exchange rate from 4.3 to 6.3 Bolivars per U.S. dollar. Concurrent with this action, the Venezuelan government established a new auction-based exchange rate market program, referred to as Complementary System for the Administration of Foreign Currency ("SICAD"). The amount of transactions that have run through the SICAD and restrictions around participation have limited our access to any foreign exchange rate other than the official rate to pay for imported goods and manage our local monetary asset balances. Although the official exchange rate remained at 6.3 during Fiscal 2014, the government announced in January 2014 that the exchange rate for goods and services deemed non-essential would move to the rate available on the expanded SICAD currency market, which was 11.7 at February 28, 2014 (referred to as SICAD 1). In March 2014, a new exchange control mechanism was opened by the government, referred to as SICAD 2, which was not restricted by auction and was deemed available for all types of transactions. The use of the SICAD 1 rate was dependent upon the availability of auctions, and was not indicative of a free market exchange, as only designated industries could bid into individual auctions and the highest bids were not always recognized by the Venezuelan government. The Company, therefore, used the SICAD 2 rate for its Venezuelan subsidiary for the quarters ended May 31, 2014, August 31, 2014 and November 30, 2014, which was approximately 50 Bolivar Fuerte/$1 at each respective quarter end, with the exception of the Company's investment in Venezuelan government issued sovereign bonds (See Note 1(f)). In February 2015, the Venezuelan government introduced another new currency system, referred to as the Marginal Currency System, or SIMADI rate. This market-based exchange system consists of a mechanism from which both businesses and individuals are allowed to purchase and sell foreign currency at the price set by the market. In conjunction with this introduction, SICAD 2 was annulled and combined with the former SICAD 1, reverting to its original title of SICAD, exclusively applicable to non-essential goods and subject to available auctions. The SICAD rate at February 28, 2015 was 12 Bolivar Fuerte/$1 and the official exchange rate remained at 6.3 Bolivar Fuerte/$1, to be used for preferential goods only. The SIMADI rate at February 28, 2015 was approximately 177 Bolivar Fuerte/$1 and was used by the Company for its Venezuelan subsidiary at February 28, 2015, except for the government bonds. A net currency exchange loss of $(7,104) was recorded for the year ended February 28, 2015, which included the remeasurement loss on the Company's Venezuelan bonds of $(7,396) , as described in Note 1(f), and is included in Other Income (Expense) on the Consolidated Statement of Operations and Comprehensive Income (Loss). The Company has continued to use the SIMADI rate during Fiscal 2016, as there have been no changes to the foreign exchange structure in Venezuela during the current fiscal year. The SIMADI rate at February 29, 2016 was 205 Bolivar Fuerte/$1 and a new currency exchange loss of $(2) was recorded for the year ended February 29, 2016 .

The Company holds certain long-lived assets in Venezuela, which include a warehouse the subsidiary has used for its automotive operations, which are currently suspended, as well as other rental properties. All of these properties are held for investment purposes as of February 29, 2016 . During the fourth quarter of Fiscal 2015, the Company made an assessment of the recoverability of these properties in Venezuela as a result of the country's continued economic deterioration, which included the introduction of the SIMADI rate in February 2015 and the simultaneous merger of the SICAD 1 and SICAD 2 rates, as discussed above. In testing the recoverability of its investment properties, the Company considered the undiscounted cash flows expected to be received from these properties, the length of time the properties have been held, the volatile market conditions, the Company's financial condition, and the intent and ability to retain its investments for a period of time sufficient to allow for any anticipated recovery in fair value and concluded that the future undiscounted cash flows did not recover the net book value for the long-lived assets. Based on these results, the Company further obtained independent third party appraisals for each of the properties to determine their fair values. The Company concluded, as a result of all analyses performed, that these properties were impaired as of February 28, 2015 and recorded an impairment charge of $(9,304) , which is included in Other Income (Expense) on the Consolidated Statement of Operations and Comprehensive Income (Loss). The value of the Company's properties held for investment purposes in Venezuela was $3,816 and $3,794 as of February 29, 2016 and February 28, 2015 , respectively. No additional impairments were recorded in Fiscal 2016.

Our automotive business in Venezuela and our ability to obtain U.S. dollars are impacted by the continued economic instability, increasing inflation and currency restrictions imposed by the government. The Company

continues to monitor this situation closely and will continue to evaluate its local properties. Further devaluations or regulatory actions could further impair the carrying value of these properties.

q) *Income Taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all positive and negative evidence including the results of recent operations, scheduled reversal of deferred tax liabilities, future taxable income and tax planning strategies. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled (see Note 8). The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Uncertain Tax Positions

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

Tax interest and penalties

The Company classifies interest and penalties associated with income taxes as a component of Income Tax Expense (Benefit) on the Consolidated Statement of Operations and Comprehensive Income (Loss).

r) *Net Income Per Common Share*

Basic net income per common share is based upon the weighted-average number of common shares outstanding during the period. Diluted net income 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.

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

	Year Ended February 29, 2016	Year Ended February 28, 2015	Year Ended February 28, 2014
Weighted-average number of common shares outstanding (basic)	24,172,710	24,330,361	24,109,270
Effect of dilutive securities:			
Stock options, warrants and restricted stock	—	—	—
Weighted-average number of common and potential common shares outstanding (diluted)	24,172,710	24,330,361	24,109,270

Stock options and stock warrants totaling 383,881 , 412,236 and 137,899 for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , respectively, were not included in the net income per common share

calculation because the exercise price of these options and warrants was greater than the average market price of the Company's common stock during the period.

s) *Other Income (Expense)*

Other income (expense) is comprised of the following:

	Year Ended February 29, 2016	Year Ended February 28, 2015	Year Ended February 28, 2014
Net settlement gains	$ —	$ —	$ 4,443
Foreign currency gain (loss) (excluding Venezuela)	110	599	(1,256)
Interest income	814	376	689
Rental income	450	1,045	1,519
Miscellaneous	(742)	(525)	6,472
Total other, net	$ 632	$ 1,495	$ 11,867

Included in interest income for the year ended February 29, 2016 is income related to notes receivable from EyeLock, Inc. through the acquisition date of September 1, 2015 (see Note 2). The decrease in rental income for the year ended February 29, 2016 is primarily due to the absence of sublease income related to a capital lease the Company terminated in the fourth quarter of Fiscal 2015 (see Note 12). Miscellaneous for the year ended February 28, 2014 includes income of $4,370 related to an unanticipated settlement payment that a customer made to Hirschmann subsequent to the expiration of a contract.

t) *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of*

Long-lived assets and certain identifiable intangibles are reviewed for impairment in accordance with ASC 360 whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. Recoverability of long-lived assets 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 exceeds the fair value of the assets. Refer to Note 1(p) for the discussion of the impairment of long-lived assets held in Venezuela for the year ended February 28, 2015. Refer to Note 1(k) for the discussion of the ASC 360 impairment analysis and results for the year ended February 28, 2014. There were no impairments of long-lived assets recorded during the year ended February 29, 2016 .

u) *Accounting for Stock-Based Compensation*

The Company has a stock-based compensation plan 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 plan, the exercise price of the ISO's granted to a ten percent stockholder cannot be less than 110% of the fair 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 all other Options and SAR awards may not be less than 100% of the fair market value of the Company's Class A common stock on the date of grant. If an Option or SAR is granted pursuant to an assumption of, or substitution for, another option or SAR pursuant to a Corporate Transaction, and in a manner consistent with Section 409A of the Code, the exercise or strike price may be less than 100% of the fair market value on the date of grant. The plan permits for options to be exercised at various intervals as determined by the Board of Directors. However, the maximum expiration period is ten years from date of grant. The vesting requirements are determined by the Board of Directors at the time of grant. Exercised options are issued from authorized Class A common stock. As of February 29, 2016 , approximately 1,376,000 shares were available for future grants under the terms of these plans.

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

The Company granted 125,000 options in October 2014, which vested on October 16, 2015, expire two years from date of vesting (October 16, 2017), have an exercise price equal to $7.76 , $0.25 above the sales price of the Company's stock on the day prior to the date of grant, have a contractual term of 3.0 years and a grant date fair value of $2.78 per share determined based upon a Black-Scholes valuation model. These options are included in the outstanding options and warrants table below and are exercisable at February 29, 2016 .

In addition, the Company issued 15,000 warrants in October 2014 to purchase the Company's common stock with the same terms as those of the options above as consideration for future legal and professional services. These warrants are included in the outstanding options and warrants table below and are exercisable at February 29, 2016 .

The Company granted 256,250 options during December of 2012, which vested on July 1, 2013, expire two years from date of vesting (June 30, 2015), have an exercise price equal to $6.79 , $0.25 above the sales price of the Company's stock on the day prior to the date of grant, have a contractual term of 2.5 years and a grant date fair value of $1.99 per share, determined on a Black-Scholes valuation model (refer to the tables below for assumptions used to determine fair value). All of these options were exercised before their expiration date.

In addition, the Company issued 17,500 warrants during December of 2012 to purchase the Company's common stock with the same terms as those of the options above as consideration for future legal and professional services. These warrants were all exercised before their expiration date.

The per share weighted-average fair value of stock options granted during the year ended February 28, 2015 was $2.78 on the date of grant. There were no stock options granted during the years ended February 29, 2016 and February 28, 2014.

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

	Year Ended February 28, 2015
Dividend yield	0%
Volatility	56.0%
Risk-free interest rate	0.80%
Expected life (years)	3.0

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

The Company recognized stock-based compensation expense (before deferred income tax benefits) for awards granted under the Company's stock option plans in the following line items in the Consolidated Statement of Operations and Comprehensive Income (Loss):

	Year Ended February 29, 2016	Year Ended February 28, 2015	Year Ended February 28, 2014
Cost of sales	$ 12	$ 9	$ 10
Selling expense	55	39	50
General and administrative expenses	143	111	300
Engineering and technical support	16	3	3
Stock-based compensation expense before income tax benefits	$ 226	$ 162	$ 363

Net income was impacted by $142 (after tax), $102 (after tax) and $228 (after tax) in stock based compensation expense or $0.01 , $0.00 and $0.01 per diluted share for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , respectively.

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

	Number of Shares	Weighted-Average Exercise Price
Outstanding and exercisable at February 28, 2013	917,823	$ 6.85
Granted	—	—
Exercised	(838,619)	6.85
Forfeited/expired	—	—
Outstanding and exercisable at February 28, 2014	79,204	6.85
Granted	140,000	7.76
Exercised	(15,000)	6.79
Forfeited/expired	—	—
Outstanding and exercisable at February 28, 2015	204,204	7.46
Granted	—	—
Exercised	(64,204)	6.79
Forfeited/expired	(8,750)	7.76
Outstanding and exercisable at February 29, 2016	131,250	$ 7.76

The Company had no unrecognized compensation costs at February 29, 2016 .

Summarized information about stock options outstanding as of February 29, 2016 is as follows:

	Stock Options Outstanding		
Exercise Price Range	Number of Shares	Weighted-Average Exercise Price of Shares	Weighted-Average Life Remaining in Years
7.76 - 7.76	131,250	$ 7.76	1.83

The aggregate pre-tax intrinsic value (the difference between the Company’s average closing stock price for the last quarter of Fiscal 2016 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 29, 2016 was $0 . This amount changes based on the fair market value of the Company’s stock. The total intrinsic values

of options exercised for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 were $128 , $26 and $4,671 , respectively

A restricted stock award is an award of common stock that is subject to certain restrictions during a specified period. Restricted stock awards are independent of option grants and are subject to forfeiture if employment terminates prior to the release of the restrictions. Shares under restricted stock grants are not issued to the grantees before they vest. The grantees cannot transfer the rights to receive shares before the restricted shares vest.

In May of 2011, the Company granted 100,000 shares of restricted stock. These restricted stock awards vested one-third on February 29, 2012, one-third on February 28, 2013 and one-third on February 28, 2014. The Company expensed the cost of the restricted stock awards on a straight-line basis over the period during which the restrictions lapsed. The fair market value of the restricted stock of $7.60 was determined based on the closing price of the Company's common stock on the grant date.

During Fiscal 2014, the Company established the Supplemental Executive Retirement Plan ("SERP") (refer to Note 10(b)) and granted 84,588 shares of restricted stock under this plan. The restricted stock was granted based on certain performance criteria and vest on the later of three years from the date of participation in the SERP, or the grantee reaching the age of 65 years. During Fiscal 2015 and Fiscal 2016, an additional 118,058 and 79,268 shares of restricted stock were granted under the SERP, respectively. These shares were also granted based on certain performance criteria and vest on the later of three years from the date of grant or the grantee reaching the age of 65 years. Upon vesting, the shares will be issued to the grantee or settled in cash, at the Company's sole option. The grantee cannot transfer the rights to receive shares before the restricted shares vest. There are no market conditions inherent in the award, only an employee performance requirement, and the service requirement that the respective employee continues employment with the Company through the vesting date. The Company will expense the cost of the restricted stock awards on a straight-line basis over the requisite service period of each employee or a maximum of 12.75 years. For these purposes, the fair market value of the restricted stock, $13.62 , $7.77 and $8.13 , respectively, were determined based on the mean of the high and low price of the Company's common stock on the grant dates.

The following table presents a summary of the Company's restricted stock activity for the year ended February 29, 2016 :

	Number of shares (in thousands)	Weighted Average Grant Date Fair Value
Balance at February 28, 2013	33,334	$ 7.60
Granted	84,588	$ 13.62
Vested	(33,334)	$ 7.60
Forfeited	—	$ —
Balance at February 28, 2014	84,588	$ 13.62
Granted	118,058	7.77
Vested	—	—
Forfeited	—	—
Balance at February 28, 2015	202,646	$ 10.21
Granted	79,268	$ 8.13
Vested	—	$ —
Forfeited	(10,090)	$ 10.08
Balance at February 29, 2016	271,824	$ 9.61

During the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 the Company recorded $633 , $359 and $278 , respectively, in stock-based compensation related to restricted stock awards. As of February 29, 2016 , unrecognized stock-based compensation expense related to unvested restricted stock awards

was $1,238 and will be recognized over the requisite service period of each employee or a maximum of 12.75 years .

v) *Accumulated Other Comprehensive Loss*

	Foreign Exchange Losses	Unrealized losses on investments, net of tax	Pension plan adjustments, net of tax	Derivatives designated in a hedging relationship	Total
Balance at 2/28/13	$ (5,340)	$ (59)	$ (1,031)	$ (67)	$ (6,497)
Other comprehensive income (loss) before reclassifications	5,575	(15)	(288)	(319)	4,953
Reclassified from accumulated other comprehensive loss	—	—	—	(329)	(329)
Net current-period other comprehensive income (loss)	5,575	(15)	(288)	(648)	4,624
Balance at 2/28/14	$ 235	$ (74)	$ (1,319)	$ (715)	$ (1,873)
Other comprehensive income (loss) before reclassifications	(33,170)	(27)	(1,423)	3,638	(30,982)
Reclassified from accumulated other comprehensive loss	—	—	—	(380)	(380)
Net current-period other comprehensive income (loss)	(33,170)	(27)	(1,423)	3,258	(31,362)
Balance at 2/28/15	$ (32,935)	$ (101)	$ (2,742)	$ 2,543	$ (33,235)
Other comprehensive income (loss) before reclassifications	(5,702)	20	640	28	(5,014)
Reclassified from accumulated other comprehensive loss	—	—	—	(2,468)	(2,468)
Net current-period other comprehensive income (loss)	(5,702)	20	640	(2,440)	(7,482)
Balance at 2/29/16	$ (38,637)	$ (81)	$ (2,102)	$ 103	$ (40,717)

During the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , the Company recorded tax related to unrealized losses on investments of $0 , pension plan adjustments of $312 , $678 and $91 , respectively and derivatives designated in a hedging relationship of $(636) , $1,240 and $195 , respectively.

Included in foreign exchange gains (losses) for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 was $(3,992) , $(10,720) and $(2,310) , respectively, resulting from translating the financial statements of the Company's non-U.S. Dollar functional currency subsidiaries into our reporting currency, which is the U.S. dollar, as well as approximately $(2,722) , $(20,537) and $5,889 , respectively, resulting from the remeasurement of an intercompany loan, payable in Euro, which is of a long-term investment nature, from certain subsidiaries whose functional currency is not the U.S. Dollar. Intercompany loans and transactions that are of a long-term investment nature are remeasured and resulting gains and losses shall be reported in the same manner as translation adjustments. Within foreign exchange losses in other comprehensive (loss) income for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , the Company recorded (losses) gains of $(4,177) , $(31,173) , and $6,999 , respectively, related to the Euro; $(788) , $(1,026) , and $(1,567) , respectively, related to the Canadian Dollar; $(692) , $(820) and $(350) , respectively, for the Mexican Peso, as well as $(45) , $(151) and $493 , respectively, for various other currencies. These adjustments were caused by the strengthening of the U.S. Dollar against the Euro, Canadian Dollar and the Mexican Peso between 3% and 21% in Fiscal 2016, 13% and 21% in Fiscal 2015, and the weakening of the U.S. Dollar against the Euro, and

strengthening of the U.S. Dollar against the Canadian Dollar and Mexican Peso between 4% and 8% in Fiscal 2014.

w) *New Accounting Pronouncements*

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

In March 2016, the FASB issued ASU 2016-08, " Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)." This update provides clarifying guidance regarding the application of ASU 2014-09 when another party, along with the reporting entity, is involved in providing a good or a service to a customer. In these circumstances, an entity is required to determine whether the nature of its promise is to provide that good or service to the customer (that is, the entity is a principal) or to arrange for the good or service to be provided to the customer by the other party (that is, the entity is an agent). The amendments in the update clarify the implementation guidance on principal versus agent considerations. The update is effective, along with ASU 2014-09, for annual and interim periods beginning after December 15, 2017. The Company is reviewing its policies and processes to ensure compliance with the requirements in this update with regard to operations.

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

In April 2015, the FASB issued ASU 2015-03, "Interest- Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The update simplifies the presentation of debt issuance costs by requiring that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. For public companies, this update is effective for interim and annual periods beginning after December 15, 2015, and is to be applied retrospectively. Early adoption is permitted. The Company does not expect this standard to have a significant impact on its consolidated financial statements.

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

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

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

In September 2015, the FASB issued ASU 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments." ASU 2015-16 eliminates the requirement for an acquirer to retrospectively adjust provisional amounts recorded in a business combination to reflect new information about the facts and circumstances that existed as of the acquisition date and that, if known, would have affected measurement or recognition of amounts initially recognized. As an alternative, the amendment requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the financial statements of the period in which adjustments to provisional amounts are determined, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The new standard is effective prospectively for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years, with early adoption permitted. The Company does not expect this standard to have a significant impact on its consolidated financial statements upon adoption.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740) - Balance Sheet Classification of Deferred Taxes." This update simplifies the presentation of deferred income taxes, by requiring that deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this update. This update is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted, and the guidance can be applied either prospectively or retrospectively. The Company has adopted this guidance during Fiscal 2016 on a prospective basis in order to simplify balance sheet classification. Prior period amounts have not been retrospectively adjusted.

In January 2016, the FASB issued ASU 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities, ″ which amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. This amendment requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). This standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact, if any, the adoption of ASU 2016-01 will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. This amendment will be effective for

fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. The Company has not yet determined the effect of the adoption of this standard on the Company's consolidated financial position and results of operations.

In March 2016, the FASB issued ASU 2016-05, "Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships (a consensus of the Emerging Issues Task Force)." ASU 2016-05 clarifies that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. ASU 2016-05 is effective for the Company for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The Company does not expect that the adoption of ASU 2016-05 will have a material impact on its consolidated financial statements.

In March 2016, FASB issued ASU No. 2016-07, "Investments - Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting," which eliminates the retroactive adjustments to an investment upon it qualifying for the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence by the investor. ASU 2016-07 requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment qualifies for equity method accounting. ASU 2016-07 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The adoption of ASU 2016-07 is not expected to have a material effect on the Company's consolidated financial statements.

In March 2016, the FASB amended the existing accounting standards for stock-based compensation, ASU 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." The amendments impact several aspects of accounting for share-based payment transactions, including the income tax consequences, forfeitures, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company is required to adopt the amendments in the first quarter of 2017, with early adoption permitted. If early adoption is elected, all amendments must be adopted in the same period. The manner of application varies by the various provisions of the guidance, with certain provisions applied on a retrospective or modified retrospective approach, while others are applied prospectively. The Company is currently evaluating the impact of these amendments and the transition alternatives on its consolidated financial statements.

2) Business Acquisitions

EyeLock

Effective September 1, 2015 ("the Closing Date"), Voxx completed its acquisition of a 54% voting equity interest in substantially all of the assets and certain specified liabilities of Eyelock, Inc. and Eyelock Corporation (collectively the "Seller"), a market leader of iris-based identity authentication solutions, through a newly-formed entity Eyelock LLC. Eyelock LLC acquired substantially all of the assets and certain specified liabilities of the Seller for a total purchase consideration of $31,880 , which consisted of a cash payment of $15,504 , assignment of the fair value of the indebtedness owed to the Company by the Seller of $4,676 and the fair value of the non-controlling interest of $12,900 , reduced by $1,200 for amounts owed to the LLC by the selling shareholders. Additionally, units in Eyelock LLC were issued to certain executives of EyeLock LLC. The fair value of these units is recorded as compensation expense over the requisite service period of two years. This acquisition allows the Company to enter into the growing biometrics market. The fair value of the non-controlling interest was determined, with the assistance of a third party valuation expert, by grossing up the consideration transferred for the controlling interest by the voting equity interest percentage (adjusted for certain distribution thresholds required until a return of capital is achieved). The Company considered all the rights and preferences of the different classes of security holders and determined that there was no evidence of any disproportionate allocation of cash flow between the controlling and non-controlling interest at the date of acquisition. The adjusted controlling interest percentage in the fair value calculation amounted to 61% . The non-controlling interest of $12,900 , valued at 39% , did not contain any further discount for lack of control. The Company believes the bargain gain implied in the transaction would eliminate any further discount for lack of control.

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

Net sales attributable to EyeLock LLC in the Company's consolidated statements of operations for the year ended February 29, 2016 were approximately $143 .

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

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

The acquisition of substantially all of the assets of Eyelock Inc. and Eyelock Corporation resulted in a bargain purchase gain of $4,679 , which was recognized in the Company's Consolidated Statement of Operations and Comprehensive Income (Loss) for the year ended February 29, 2016 . Prior to the recognition of the bargain purchase gain, the Company reassessed the fair value of the tangible and identifiable intangible assets acquired and liabilities assumed in the acquisition. The Company believes it was able to acquire those assets of Eyelock Inc. and EyeLock Corporation for less than their fair value due to the distressed financial position of the company, its inability to secure additional financing to support its ongoing operations, and the lack of potential bidders for the entity prior to the Voxx's acquisition.

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

	September 1, 2015	Amortization Period (Years)
Developed technology	$ 31,290	11.5 years
Tradename	8,435	Indefinite
Customer relationships	3,470	15.5 years
Non-compete agreement	585	5.0 years
	$ 43,780	

The fair values of the intangible assets acquired are measured using Level 3 inputs and are determined using variations of the income approach such as the discounted cash flows, multi-period excess earnings and relief from royalty valuation

methods. Significant inputs and assumptions used in determining the fair values of the intangible assets acquired include management's projections of future revenues, earnings and cash flows from Eyelock LLC, a weighted average cost of capital and distributor rates, customer attrition rates, royalty rates and technological obsolescence rates. A change in these inputs and assumptions may cause a significant impact on the fair values of the intangible assets acquired and the resulting bargain purchase gain.

Acquisition related costs relating to this transaction of $800 were expensed as incurred during year ended February 29, 2016 , and are included in acquisition-related costs on the Consolidated Statements of Operations and Comprehensive Income (Loss).

Pro-forma Financial Information

The following unaudited pro-forma financial information for the years ended February 29, 2016 and February 28, 2015 represents the results of the Company's operations as if EyeLock LLC was included for the years of Fiscal 2016 and Fiscal 2015. The unaudited pro-forma financial information does not necessarily reflect the results of operations that would have occurred had the Company constituted a single entity during such periods.

	Year Ended	
	February 29, 2016	**February 28, 2015**
Net sales:		
As reported	$ 680,746	$ 757,498
Pro forma	681,861	763,317
Net loss:		
As reported	$ (2,682)	$ (942)
Pro forma	(12,098)	(6,073)
Basic loss per share:		
As reported	$ (0.11)	$ (0.04)
Pro forma	(0.50)	(0.25)
Diluted loss per share:		
As reported	$ (0.11)	$ (0.04)
Pro forma	(0.50)	(0.25)
Average shares - basic	24,172,710	24,330,361
Average shares - diluted	24,172,710	24,330,361

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

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

3) Variable Interest Entities

A variable interest entity ("VIE") is an entity that either (i) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support, or (ii) has equity investors who lack the characteristics of a controlling financial interest. Under ASC 810, an entity that holds a variable interest in a VIE and meets certain

requirements would be considered to be the primary beneficiary of the VIE and required to consolidate the VIE in its consolidated financial statements. In order to be considered the primary beneficiary of a VIE, an entity must hold a variable interest in the VIE and have both:

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

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

- our majority voting interest and ownership of substantially all of the assets and certain liabilities of the entity; and
- a loan agreement with EyeLock LLC, executed in conjunction with the acquisition, in which the subsidiary may borrow funds of up to $10,000 from Voxx for working capital purposes, which can be increased by $2,000 . The loan bears interest at 10% and has a maximum monthly borrowing capacity of $1,000 , The outstanding balance of the loan as of February 29, 2016 was $9,104 .

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

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

The following table sets forth the carrying values of assets and liabilities of EyeLock LLC that were included on our Consolidated Balance Sheet as of February 29, 2016 :

	February 29, 2016
Assets	
Current assets:	
Cash and cash equivalents	$ 20
Accounts receivable, net	195
Inventory, net	304
Prepaid expenses and other current assets	256
Total current assets	775
Property, plant and equipment, net	302
Intangible assets, net	42,249
Total assets	$ 43,326
Liabilities and Stockholders' Equity	
Current liabilities:	
Accounts payable	$ 746
Accrued expenses and other current liabilities	1,103
Total current liabilities	1,849
Long-term debt	9,104
Other long-term liabilities	1,200
Total liabilities	12,153
Commitments and contingencies	
Partners' equity:	
Capital	39,841
Retained earnings	(8,668)
Total partners' equity	31,173
Total liabilities and partners' equity	$ 43,326

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

Revenue and Expenses of EyeLock LLC The following table sets forth the revenue and expenses of EyeLock LLC that were included in our Consolidated Statements of Operations for the year ended February 29, 2016 :

	Year ended February 29, 2016
Net sales	$ 143
Cost of sales	11
Gross profit	132
Operating expenses:	
Selling	877
General and administrative	3,239
Engineering and technical support	4,393
Total operating expenses	8,509
Operating loss	(8,377)
Interest and bank charges	(294)
Other, net	3
Loss before income taxes	(8,668)
Income tax expense	—
Net loss	$ (8,668)

4) Receivables from Vendors

The Company has recorded receivables from vendors in the amount of $2,519 and $3,622 as of February 29, 2016 and February 28, 2015 , respectively. Receivables from vendors represent prepayments on product shipments and product reimbursements, as well as a balance due from one of the Company's suppliers related to the replacement of remote start devices for Subaru (refer to Note 1(o)).

5) Equity Investment

The Company has a 50% non-controlling ownership interest in ASA Electronics, LLC and Subsidiary ("ASA") which acts as a distributor of mobile electronics specifically designed for niche markets within the Automotive industry, including RV's; buses; and commercial, heavy duty, agricultural, construction, powersport, and marine vehicles. ASC 810 requires the Company to evaluate non-consolidated entities periodically, and as circumstances change, to determine if an implied controlling interest exists. During Fiscal 2016 , the Company evaluated this equity investment and concluded that this is still a variable interest entity and the Company is not the primary beneficiary. ASA's fiscal year end is November 30, 2015 , however, the results of ASA as of and through February 29, 2016 have been recorded in the consolidated financial statements.

The Company's share of income from ASA for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 was $6,538 , $5,866 and $6,070 , respectively. In addition, the Company received cash distributions from ASA totaling $6,237 , $4,846 and $2,960 during the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , respectively.

Undistributed earnings from equity investments included in retained earnings amounted to $16,623 and $16,322 at February 29, 2016 and February 28, 2015 , respectively.

Net sales transactions between the Company and ASA were $1,608 , $2,565 and $949 for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , respectively. Accounts receivable balances from ASA were $72 and $229 as of February 29, 2016 and February 28, 2015 , respectively.

6) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	February 29, 2016	February 28, 2015
Commissions	$ 818	$ 740
Employee compensation	21,514	24,356
Professional fees and accrued settlements	3,405	2,206
Future warranty	8,806	8,317
Freight and duty	2,935	3,291
Payroll and other taxes	2,071	2,406
Royalties, advertising and other	11,199	10,428
Total accrued expenses and other current liabilities	$ 50,748	$ 51,744

In August 2003, the Company entered into a call/put option agreement with certain employees of Voxx Germany, whereby these employees could acquire up to a maximum of 20% of the Company's stated share capital in Voxx Germany at a call price equal to the same proportion of the actual price paid by the Company for Voxx Germany. The agreement was amended in April 2014, fixing the put price at €3,000 and the call price at €0 , with the put subject only to downward adjustments for losses incurred by Voxx Germany, beginning in Fiscal 2015. The put options become immediately exercisable upon (i) the sale of Voxx Germany or (ii) the termination of employment or death of the employee. Beginning in Fiscal 2015 and for each fiscal year thereafter, the employees will also receive a dividend equal to 20% of Voxx Germany's net after tax profits. Accordingly, the Company recognizes compensation expense based on 20% of the after tax net profits of Voxx Germany, subject to certain tax treatment adjustments as defined in the agreement, representing the annual dividend. The balance of the call/put option included in Accrued Expenses and Other Current Liabilities on the Consolidated Balance Sheets at February 29, 2016 and February 28, 2015 was $3,614 and $3,765 , respectively, and is included within employee compensation in the table above. Compensation expense for these options amounted to $357 , $451 and $580 for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , respectively.

Also included in Accrued Expenses and Other Current Liabilities on the Consolidated Balance Sheet at February 28, 2015 was an accrual for restructuring charges of $1,134 . These charges represented termination benefits related to a headcount reduction announced by the Company in the fourth quarter of Fiscal 2015. The accrued benefits are included within employee compensation in the table above at February 28, 2015 . These benefits were paid in the first quarter of Fiscal 2016. There were no restructuring charges accrued at February 29, 2016 .

7) Financing Arrangements

The Company has the following financing arrangements:

	February 29, 2016	February 28, 2015
Domestic credit facility (a)	$ 72,300	$ 67,700
Construction loan (b)	9,223	—
Euro asset-based lending obligation (c)	5,412	4,087
Schwaiger mortgage (d)	892	1,152
Klipsch note (e)	262	421
Woodview Trace mortgage (f)	5,720	6,500
Voxx Germany mortgage (g)	4,710	5,627
Hirschmann line of credit (h)	998	—
Total debt	99,517	85,487
Less: current portion of long-term debt	8,826	6,032
Total long-term debt	$ 90,691	$ 79,455

a) *Domestic Bank Obligations*

From March 1, 2015 through January 14, 2016, the Company had a senior secured revolving credit facility (the "Credit Facility") with an aggregate availability of $200,000 , consisting of a revolving credit facility of $200,000 , with a $30,000 multicurrency revolving credit facility sublimit, a $25,000 sublimit for Letters of Credit and a $10,000 sublimit for Swingline Loans. On January 15, 2016, the Company amended and restated its credit agreement (the "Amended Facility"). The Amended Facility reduces the aggregate amount of the senior secured credit facility to $125,000 , which now consists of a revolving credit facility of $ 125,000 , with a $30,000 multicurrency revolving credit facility sublimit, a $15,625 sublimit for Letters of Credit and a $6,250 sublimit for Swingline Loans. The Credit Facility is due on January 9, 2019; however, it is subject to acceleration upon the occurrence of an Event of Default (as defined in the Credit Agreement).

Generally, the Company may designate specific borrowings under the Credit Facility as either Alternate Base Rate Loans or LIBOR Rate Loans, except that Swingline Loans may only be designated as Alternate Base Rate Loans. VOXX International (Germany) GmbH may only borrow euros, and only as LIBOR rate loans. Loans designated as LIBOR Rate Loans shall bear interest at a rate equal to the then applicable LIBOR rate plus a range of 1.00 - 2.00% based upon leverage, as defined in the agreement. Loans designated as Alternate Base Rate loans shall bear interest at a rate equal to the base rate plus an applicable margin ranging from 0.00 - 1.00% based on excess availability in the borrowing base. As of February 29, 2016 , the interest rate on the facility was 2.64% .

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

The Credit Facility contains covenants that limit the ability of certain entities of the Company to, among other things: (i) incur additional indebtedness; (ii) incur liens; (iii) merge, consolidate or exit a substantial portion of their respective businesses; (iv) make any material change in the nature of their business; (v) prepay or otherwise acquire indebtedness; (vi) cause any change of control; (vii) make any restricted payments; (viii) change their fiscal year or method of accounting; (ix) make advances, loans or investments; (x) enter into or permit any transaction with an affiliate of certain entities of the Company; or (xi) use proceeds for certain items. As of February 29, 2016 , the Company was in compliance with all debt covenants.

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

As of February 29, 2016 , $72,300 was outstanding under the line. Charges incurred on the unused portion of the Credit Facility and its predecessor revolving credit facility during the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 totaled $321 , $297 and $151 , respectively, and are included within Interest and Bank Charges on the Consolidated Statement of Operations and Comprehensive Income (Loss).

The Company incurred debt financing costs totaling approximately $8,200 as a result of entering into and amending the Credit Facility during Fiscal 2013 and Fiscal 2014, which were recorded as deferred financing costs. The Company accounted for these amendments as modifications of debt and added these costs to the remaining financing costs related to the original credit facility. The Fiscal 2016 amendment to the Credit Facility was also accounted for as a modification of debt; however, as the Company reduced the borrowing base of the Amended Facility, unamortized deferred financing costs of $1,309 were written off and charged to Interest and Bank Charges in the Consolidated Statement of Operations and Comprehensive Income (Loss). In conjunction with the Fiscal 2016 amendment of the Credit Facility, additional financing costs of $125 were incurred and have been added to the remaining unamortized deferred financing costs related the previous credit facilities. These deferred financing costs are included in other assets on the accompanying Consolidated Balance Sheets and are being amortized through Interest and Bank Charges in the Consolidated Statement of Operations and

Comprehensive Income (Loss) over the remaining term of the Amended Facility, which expires on January 9, 2019. During the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , the Company amortized $1,074 , $1,117 and $1,377 of these costs, respectively.

On April 26, 2016, the Company has amended and restated the Amended Facility ("Second Amended Facility"). The Second Amended Facility provides for a revolving credit facility with committed availability of up to $140,000 , which may be increased, at the option of the Company, up to a maximum of $175,000 ; a $15,000 sublimit for Letters of Credit; a $15,000 sublimit for Swingline Loans and a Term Loan in the amount of $15,000 .

The Term Loan shall be repayable in consecutive quarterly installments of $938 commencing on July 1, 2016 through April 1, 2020. All other amounts outstanding under the Second Amended Facility will mature and become due on April 26, 2021. The Company may prepay any amounts outstanding at any time, subject to payment of certain breakage and redeployment costs relating to LIBOR Rate Loans; provided that the Term Loan shall not be voluntarily prepaid except as set forth in the agreement. The commitments under the Second Amended Facility may be irrevocably reduced at any time, without premium or penalty as set forth in the agreement.

Generally, the Company may designate specific borrowings under the Second Amended Facility as either Base Rate Loans or LIBOR Rate Loans, except that Swingline Loans may only be designated as Base Rate Loans. Loans under the Second Amended Facility designated as LIBOR Rate Loans shall bear interest at a rate equal to the then-applicable LIBOR Rate plus a range of 1.75% - 2.25% . Loans under the Second Amended Facility designated as Base Rate Loans shall bear interest at a rate equal to the applicable margin for Base Rate Loans of 0.75% - 1.25% , as defined in the agreement. Amounts outstanding in respect of the Term Loan shall bear interest at a rate equal to either (as selected by the Company pursuant to the agreement) (a) the then-applicable LIBOR Rate (not to be less than 0.00%) plus 4.25% or (b) the then-applicable Base Rate plus 3.25% .

The Second Amended Facility requires compliance with financial covenants calculated as of the last day of each fiscal quarter consisting of a Fixed Charge Coverage Ratio. The Second Amended Facility also contains covenants that limit the ability of the Loan Parties and certain of their Subsidiaries which are not Loan Parties to, among other things: (i) incur additional indebtedness; (ii) incur liens; (iii) merge, consolidate or dispose of a substantial portion of their business; (iv) transfer or dispose of assets; (v) change their name, organizational identification number, state or province of organization or organizational identity; (vi) make any material change in their nature of business; (vii) prepay or otherwise acquire indebtedness; (viii) cause any Change of Control; (ix) make any Restricted Junior Payment; (x) change their fiscal year or method of accounting; (xi) make advances, loans or investments; (xii) enter into or permit any transaction with an Affiliate of any Borrower or any of their Subsidiaries; (xiii) use proceeds for certain items; (xiv) issue or sell any of their stock; (xv) consign or sell any of their inventory on certain terms.

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

b) *Construction Mortgage*

On July 1, 2015, VOXX HQ LLC, the Company’s wholly owned subsidiary, closed on a $9,995 industrial development revenue tax exempt bond under a loan agreement in favor of the Orange County Industrial Development Authority (the “Authority”) to finance the construction of the Company's manufacturing facility and executive offices in Lake Nona, Florida (the “Construction Loan”). Wells Fargo Bank, N.A. ("Wells Fargo") was the purchaser of the bond and U.S. Bank National Association is the trustee under an Indenture of Trust with the Authority. Voxx borrowed the proceeds of the bond purchase from the Authority and will make principal and interest payments to Wells Fargo beginning March 1, 2016 through March of 2026. The Construction Loan was considered a revolving loan during construction and became a permanent mortgage when the building was completed and ready for occupancy in January 2016. The Company made interest payments on the outstanding balance of the Construction Loan through February 29, 2016, at which time monthly principal and interest payments commenced and will continue to be made through the loan maturity date. The Construction Loan

bears interest at 70% of 1-month LIBOR plus 1.54% (1.35% at February 29, 2016) and is secured by a first mortgage on the property, a collateral assignment of leases and rents and a guaranty by the Company. The financial covenants of the Construction Loan are as defined in the Company's Credit Facility with Wells Fargo dated March 14, 2012.

The Company incurred debt financing costs totaling approximately $332 as a result of obtaining the Construction Loan, which are recorded as deferred financing costs and included in Other Assets on the accompanying Consolidated Balance Sheet and are being amortized through Interest and Bank Charges in the Consolidated Statement of Operations and Comprehensive Income (Loss) over the ten year term of the Construction Loan. During the year ended February 29, 2016 , the Company amortized $21 of these costs.

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

c) *Euro Asset-Based Lending Obligation*

Foreign bank obligations include a financing arrangement totaling 20,000 Euros and consisting of a Euro accounts receivable factoring arrangement (see Note 1(h)) and a Euro Asset-Based Lending ("ABL") (up to 60% of eligible non-factored accounts receivable) credit facility for the Company's subsidiary, Voxx Germany, which expires on October 31, 2016. The rate of interest is the three month Euribor plus 1.6% (1.4% at February 29, 2016). As of February 29, 2016 , the amount of non-factored accounts receivable exceeded the amounts outstanding under this obligation.

d) *Schwaiger Mortgage*

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

e) *Klipsch Notes*

This balance represents a mortgage on a facility included in the assets acquired in connection with the Klipsch acquisition on March 1, 2011 and assumed by Voxx. The balance at February 29, 2016 is $262 and will be fully paid by the end of Fiscal 2018.

f) *Woodview Trace Mortgage*

During Fiscal 2013, the Company purchased the building housing Klipsch's headquarters in Indianapolis, IN and in Fiscal 2014, the Company refinanced the mortgage with Wells Fargo for an amount totaling $7,800 . The mortgage is due in May 2023 and the interest rate is equal to the 1-month LIBOR plus 2.25% . The Company entered into an interest rate swap agreement in order to hedge interest rate exposure and pays a fixed rate of 3.92% under the agreement. On April 26, 2016, in conjunction with the amendment and restatement of the Company's Amended Facility ("Second Amended Facility"), the outstanding balance of this mortgage was paid in full.

g) *Voxx Germany Mortgage*

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

h) *Hirschmann Line of Credit*

In December, 2014, Hirschmann entered into an agreement for a €8,000 working capital line of credit with a financial institution. The line of credit is payable on demand and is mutually cancelable. The rate of interest is

the three month Euribor plus 2% (1.80% at February 29, 2016). Hirschmann and Voxx Germany are joint and severally liable for the line of credit balance, which is also guaranteed by VOXX International Corporation.

The following is a maturity table for debt and bank obligations outstanding at February 29, 2016 :

2017	$	8,826
2018		2,322
2019		2,322
2020		74,902
2021		2,602
Thereafter		8,543
Total	$	99,517

The weighted-average interest rate on short-term debt was 3.44% for both Fiscal 2016 and 2015 . Interest expense for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 was $4,336 , $4,522 and $5,210 , respectively, of which $2,126 and $1,957 was related to the Credit Facility for the years ended February 29, 2016 and February 28, 2015 , respectively.

8) Income Taxes

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

	Year Ended February 29, 2016	Year Ended February 28, 2015	Year Ended February 28, 2014
Domestic Operations	$ (11,499)	$ (3,278)	$ (27,488)
Foreign Operations	3,701	3,974	833
	$ (7,798)	$ 696	$ (26,655)

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

	Year Ended February 29, 2016	Year Ended February 28, 2015	Year Ended February 28, 2014
Current provision (benefit)			
Federal	$ (415)	$ (5,337)	$ 5,210
State	10	(428)	446
Foreign	3,530	4,722	2,923
Total current provision (benefit)	$ 3,125	$ (1,043)	$ 8,579
Deferred (benefit) provision			
Federal	$ (5,540)	$ 2,524	$ (5,235)
State	1,395	765	(778)
Foreign	(715)	(608)	(2,624)
Total deferred (benefit) provision	$ (4,860)	$ 2,681	$ (8,637)
Total (benefit) provision			
Federal	$ (5,955)	$ (2,813)	$ (25)
State	1,405	337	(332)
Foreign	2,815	4,114	299
Total (benefit) provision	$ (1,735)	$ 1,638	$ (58)

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

	Year Ended February 29, 2016		Year Ended February 28, 2015		Year Ended February 28, 2014	
Tax provision at Federal statutory rates	$ (2,729)	35.0 %	$ 243	35.0 %	$ (9,329)	35.0 %
State income taxes, net of Federal benefit	1,100	(14.0)	891	127.9	126	(0.5)
Change in valuation allowance	1,344	(17.2)	4,330	622.0	868	(3.3)
Change in tax reserves	101	(1.3)	(6,076)	(872.8)	(387)	1.5
Non-controlling interest	1,183	(15.2)	—	—	—	—
Bargain purchase gain	(1,638)	21	—	—	—	—
Worthless stock deduction	—	—	—	—	(2,664)	10.0
Impairment of non-deductible goodwill	—	—	—	—	11,257	(42.2)
US effects of foreign operations	(309)	3.9	1,503	215.9	(828)	3.1
Permanent differences and other	(442)	5.7	(1,371)	(196.9)	2,016	(7.6)
Venezuela TICC devaluation	—	—	2,486	357.1	—	—
Change in tax rate	172	(2.2)	198	28.4	(614)	2.3
Research & development credits	(453)	5.8	(272)	(39.1)	(248)	0.9
Tax credits	(64)	0.8	(294)	(42.2)	(255)	1.0
Effective tax rate	$ (1,735)	22.3 %	$ 1,638	235.3 %	$ (58)	0.2 %

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

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 29, 2016	February 28, 2015
Deferred tax assets:		
Accounts receivable	$ 388	$ 223
Inventory	3,711	2,668
Property, plant and equipment	—	2,680
Accruals and reserves	3,849	798
Deferred compensation	1,424	2,480
Warranty reserves	2,373	2,270
Unrealized gains and losses	614	1,750
Partnership investments	—	695
Foreign and state operating losses	6,440	5,202
Foreign tax credits	2,712	1,502
Other tax credits	2,393	1,200
Deferred tax assets before valuation allowance	23,904	21,468
Less: valuation allowance	(12,341)	(11,451)
Total deferred tax assets	11,563	10,017
Deferred tax liabilities:		
Property, plant and equipment	(1)	—
Intangible assets	(38,543)	(40,720)
Partnership investments	(1,678)	—
Prepaid expenses	(1,465)	(1,970)
Deferred financing fees	(227)	(274)
Total deferred tax liabilities	(41,914)	(42,964)
Net deferred tax liability	$ (30,351)	$ (32,947)

In assessing the realizability of deferred tax assets, Management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in those periods in which temporary differences become deductible and/or net operating loss carryforwards can be utilized. We consider the level of historical taxable income, scheduled reversal of temporary differences, tax planning strategies and projected future taxable income in determining whether a valuation allowance is warranted.

During Fiscal 2016, the Company concluded it could no longer realize its U.S. deferred tax asset on a more-likely-than-not basis. The Company recorded a valuation allowance against its U.S. deferred tax assets and maintains a valuation in certain foreign jurisdictions. The Company's valuation allowance increased by $890 during the year ended February 29, 2016 , or which $1,344 was recorded within the provision for income taxes in the accompanying Consolidated Statement of Operations. Any decline in the valuation allowance could have a favorable impact on our income tax provision and net income in the period in which such determination is made.

As of February 29, 2016 , the Company has not provided for U.S. federal and foreign withholding taxes of approximately $15,526 on its foreign subsidiaries, cumulative undistributed earnings in Germany as such earnings are indefinitely reinvested overseas. If these future earnings are repatriated to the United States, or if the Company determines that such earnings will be remitted in the foreseeable future, additional tax provisions may be required. Due to the complexities of the tax laws and the assumptions that would have to be made, it is not practicable to estimate the amounts of income tax provisions that may be required. The amount of unrecognized deferred tax liabilities for temporary differences related to investments in undistributed earnings is not practicable to determine at this time.

The Company has U.S. federal net operating losses of $21,443 , which expire in Fiscal 2036 if not utilized. The Company has foreign tax credits of $2,328 which expire in tax year 2025 and 2026. The Company has various foreign net operating loss carryforwards, state net operating loss carryforwards, and state tax credits that expire in various years and amounts through tax year 2036.

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

Balance at February 28, 2013	$	11,463
Additions based on tax positions taken in the current and prior years		4,210
Settlements		(29)
Lapse in statute of limitations		(77)
Recognition of excess tax benefits		(1,002)
Balance at February 28, 2014	$	14,565
Additions based on tax positions taken in the current and prior years		7,538
Settlements		(142)
Decreases based on tax positions taken in the prior years		(6,562)
Other		(824)
Balance at February 28, 2015	$	14,575
Additions based on tax positions taken in the current and prior years		1,366
Settlements		—
Decreases based on tax positions taken in prior years		(915)
Other		(554)
Balance at February 29, 2016	$	14,472

Of the amounts reflected in the table above at February 29, 2016 , $8,940 , if recognized, would reduce our effective tax rate. The Company records accrued interest and penalties related to income tax matters in the provision for income taxes in the accompanying Consolidated Statement of Operations and Comprehensive Income (Loss). For the years ended February 29, 2016 , February 28, 2015 and February 28, 2014, interest and penalties on unrecognized tax benefits were $23 , $(166) and $39 , respectively. The balance as of February 29, 2016 and February 28, 2015 was $648 and $626 , respectively. We do not expect the unrecognized tax benefits to change significantly in the next 12 months.

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

Jurisdiction	Tax Year
U.S.	2013
Netherlands	2012
Germany	2010

9) Other Long-Term Liabilities

Included in other long-term liabilities are the non-current portions of a pension liability for an employer defined pension plan covering certain eligible Hirschmann employees (see Note 11(f)), as well as a retirement incentive accrual for certain Hirschmann employees.

10) Capital Structure

The Company's capital structure is as follows:

Security	Par Value	Shares Authorized February 29, 2016	Shares Authorized February 28, 2015	Shares Outstanding February 29, 2016	Shares Outstanding February 28, 2015	Voting Rights per Share	Liquidation Rights
Preferred Stock	$ 50.00	50,000	50,000	—	—	—	$50 per share
Series Preferred Stock	$ 0.01	1,500,000	1,500,000	—	—	—	
Class A Common Stock	$ 0.01	60,000,000	60,000,000	21,899,370	21,873,790	one	Ratably with Class B
Class B Common Stock	$ 0.01	10,000,000	10,000,000	2,260,954	2,260,954	ten	Ratably with Class A

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

Stock held in treasury by the Company is accounted for using the cost method which treats stock held in treasury as a reduction to total stockholders' equity and amounted to 2,168,074 and 2,129,450 shares at February 29, 2016 and February 28, 2015 , respectively. The cost basis for subsequent sales of treasury shares is determined using an average cost method. During the years ended February 29, 2016 and February 28, 2015 , the Company repurchased 39,529 and 315,443 shares, respectively, for an aggregate cost of $227 and $2,620 , respectively. As of February 29, 2016 , 1,383,271 shares of the Company's Class A common stock are authorized to be repurchased in the open market. During the year ended February 28, 2014 , the Company did not purchase any shares.

11) Other Stock and Retirement Plans

a) *Restricted Stock Plan and Supplemental Executive Retirement 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. (See Note 1(u)).

As of February 29, 2016 , approximately 1,376,000 shares of the Company's Class A common stock are reserved for issuance under the Company's Restricted and Stock Option Plans.

During Fiscal 2014, the Company established a Supplemental Executive Retirement Plan ("SERP") to provide additional retirement income to its Chairman and select executive officers. Subject to certain performance criteria, service requirements and age restrictions, employees who participate in the SERP will receive restricted stock awards. The restricted stock awards vest on the later of three years from the date of participation in the SERP, or the grantee reaching the age of 65 years (refer to Note 1(u)).

b) *Profit Sharing Plans*

The Company has established two non-contributory employee profit sharing plans for the benefit of its eligible employees in the United States and Canada. The plans are administered by trustees appointed by the Company. No contributions were made during the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 . Contributions required by law to be made for eligible employees in Canada were not material for all periods presented.

c) *401(k) Plans*

The VOXX International 401(k) plan is for all eligible domestic 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. 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. During the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , the Company contributed, net of forfeitures, $623 , $629 and $215 to the 401(k) Plan.

d) *Cash Bonus Profit Sharing Plan*

During Fiscal 2009, the Board of Directors authorized a Cash Bonus Profit Sharing Plan that allows the Company to make profit sharing contributions for the benefit of eligible employees, for any fiscal year based on a pre-determined formula on the Company's pre-tax profits. The size of the contribution is dependent upon the performance of the Company. A participant's share of the contribution is determined pursuant to the participant's eligible wages for the fiscal year as a percentage of total eligible wages for all participants. There were no contributions made to the plan for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 .

e) *Deferred Compensation Plan*

Effective December 1, 1999, the Company adopted a Deferred Compensation Plan (the Plan) for Vice Presidents and above. 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) Plans. The Plan provides for a matching contribution equal to 25% of the employee deferrals up to $20 . On February 1, 2008, the Company temporarily suspended all matching contributions to contain operating expenses until economic conditions improve. The matching contributions have remained suspended for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 . The Plan is not intended to be a qualified plan under the provisions of the Internal Revenue Code. All compensation deferred under the Plan is held by the Company in an investment trust which is considered an asset of the Company. The Company has the option of amending or terminating the Plan at any time.

The investments, which amounted to $3,666 and $4,523 at February 29, 2016 and February 28, 2015 , respectively, have been classified as long-term marketable securities and are included in investment securities on the accompanying consolidated balance sheets and a corresponding liability is recorded with $250 recorded in accrued expenses and the balance in deferred compensation which is classified as a long-term liability. Unrealized gains and losses on the marketable securities and corresponding deferred compensation liability net to zero in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

f) *Defined Benefit Pension Plan*

The Company sponsors an employer financed defined benefit pension plan ("the plan") at its Hirschmann subsidiary, which covers eligible regular full-time employees. The plan provides for retirement and disability benefits for participating employees, which are only granted if the participating employee is at least 25 years of age and has completed ten years of service. The retirement age as it pertains to the plan is 65. Benefits available under the plan are generally determined by years of service and the levels of compensation during those years. In October 1994, the benefits under this plan were closed to new participants and pension benefits continue to accrue only for previously existing plan members still employed by Hirschmann. The discount rate used for the valuation of the pension obligation at February 29, 2016 and February 28, 2015 was 2.00% and 1.65% , respectively. No contributions were made to the plan during the years ended February 29, 2016 , February 28, 2015 or February 28, 2014 , and the plan has no assets. The unfunded balance of the plan at February 29, 2016 and February 28, 2015 is equal to the total plan liability of $7,379 and $8,072 , respectively.

Following is the reconciliation of the pension benefit obligation for the years ended February 29, 2016 and February 28, 2015 .

Pension benefit obligation	Fiscal 2016	Fiscal 2015
Beginning balance	$ 8,072	$ 7,846
Interest cost	129	208
Benefits paid	(159)	(130)
Actuarial (gain) loss	(426)	1,640
Effect of foreign exchange	(237)	(1,492)
Ending balance	$ 7,379	$ 8,072

As of February 29, 2016 and February 28, 2015 the following amounts were recognized in the balance sheet and in accumulated other comprehensive income:

Balance Sheet	February 29, 2016	February 28, 2015
As a current liability	$ 193	$ 180
As a non-current liability	$ 7,186	$ 7,892
Accumulated Other Comprehensive Income	**Fiscal 2016**	**Fiscal 2015**
Actuarial (gain) loss	$ (426)	$ 1,640

Pension expense for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 comprised the following:

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Interest cost	$ 129	$ 208	$ 262
	$ 129	$ 208	$ 262

Pension expense is recorded within General and Administrative Expenses on the Consolidated Statement of Operations and Comprehensive Income (Loss).

The benefits expected to be paid by the Company to retirees participating in the plan in each of the next five years and thereafter are as follows:

2016	$	193
2017		220
2018		220
2019		260
2020		260
Thereafter		6,226
	$	7,379

12) Lease Obligations

During 1996, the Company entered into a 30-year capital lease for a building with its principal shareholder and current chairman, which was the headquarters of the discontinued Cellular operation and had an expiration date of November 30, 2026. In December 2014, the building was purchased from Voxx's principal shareholder by an unrelated third party, causing the lease between Voxx and the shareholder to be terminated. As a result of the transaction, the Company realized a gain of $846 , net of tax and net of a termination penalty of $573 paid to the shareholder at the termination date. The gain is recorded in Paid in Capital on the accompanying Consolidated Balance Sheet as of February 28, 2015. Total rental

income earned from the sublease of this building for the years ended February 28, 2015 and February 28, 2014 was $462 and $634 , respectively. We also lease another facility from our principal shareholder which expires on November 30, 2016 and is accounted for as an operating lease.

The Company leases a facility from its principal shareholder. At February 29, 2016 , minimum annual rental payments on this related party operating lease are as follows:

2017	$	635
2018		—
Total	$	635

Total lease payments required under all related party leases for the five-year period ending February 28, 2019 are $635 .

At February 29, 2016 , the Company was obligated under non-cancellable capital and operating leases for equipment and warehouse facilities for minimum annual rental payments as follows:

		Operating Leases
2017	$	6,200
2018		2,319
2019		778
2020		598
2021		185
Thereafter		367
Total minimum lease payments	$	10,447

Rental expense for the above-mentioned operating lease agreements and other leases on a month-to-month basis was $5,143 , $5,648 and $5,474 for the years ended February 29, 2016 , February 28, 2015 and February 28, 2014 , respectively.

The Company has three capital leases with a total lease liability of $1,432 at February 29, 2016 . These leases have maturities through Fiscal 2021.

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 $0 open commercial letters of credit at February 29, 2016 and February 28, 2015 . Standby letters of credit amounted to $917 and $827 at February 29, 2016 and February 28, 2015 . The terms of these letters of credit are all less than one year. No material loss is anticipated due to nonperformance by the counter parties to these agreements. The fair value of the standby letters of credit is estimated to be the same as the contract values based on the short-term nature of the fee arrangements with the issuing banks.

At February 29, 2016 , the Company had unconditional purchase obligations for inventory commitments of $96,641 . These obligations are not recorded in the consolidated financial statements until commitments are fulfilled and such obligations are subject to change based on negotiations with manufacturers.

b) *Concentrations of Credit Risk*

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

Asia Pacific and consist of, among others, distributors, mass merchandisers, warehouse clubs and independent retailers. The Company generally grants credit based upon analyses of customers' financial conditions 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. Certain customers in Europe and Latin America have credit insurance equaling their credit limits.

At both February 29, 2016 and February 28, 2015 , one customer accounted for approximately 5% of accounts receivable. No one customer account for more than 10% of net sales during the years ended February 29, 2016 , February 28, 2015 or February 28, 2014 . The Company's five largest customers represented 31% of net sales during both of the years ended February 29, 2016 and February 28, 2015 and 29% for the year ended February 28, 2014 .

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.

14) Financial and Product Information About Foreign and Domestic Operations

Segment

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

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

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

Our Consumer Accessories segment designs and markets remote controls; rechargeable battery packs; wireless and Bluetooth speakers; Singtrix karaoke products; 360 Fly® Action Cameras; EyeLock iris identification and security related products; personal sound amplifiers and A/V connectivity, portable/home charging, reception and digital consumer products.

Each operating segment is individually reviewed and evaluated by our Chief Operating Decision Maker (CODM), who allocates resources and assesses performance of each segment individually. The Company's Chief Executive Officer has been identified as the CODM. The CODM evaluates performance and allocates resources based upon a number of factors, the primary profit measure being income before income taxes of each segment. Certain costs and royalty income are not allocated to the segments and are reported as Corporate/Eliminations. Costs not allocated to the segments include professional fees, public relations costs, acquisition costs and costs associated with executive and corporate management departments including salaries, benefits, depreciation, rent and insurance.

The segments share many common resources, infrastructures and assets in the normal course of business. Thus, the Company does not report assets or capital expenditures by segment to the CODM.

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

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

	Automotive	Premium Audio	Consumer Accessories	Corporate/ Eliminations	Total
Fiscal Year Ended February 29, 2016					
Net sales	$ 351,665	$ 140,508	$ 187,272	$ 1,301	$ 680,746
Equity in income of equity investees	6,538	—	—	—	6,538
Interest expense and bank charges	5,811	8,979	5,766	(12,481)	8,075
Depreciation and amortization expense	7,327	3,477	2,904	2,130	15,838
Income (loss) before income taxes (a)	17,729	(9,219)	(17,044)	736	(7,798)
Fiscal Year Ended February 28, 2015					
Net sales	$ 396,422	$ 165,812	$ 194,104	$ 1,160	$ 757,498
Equity in income of equity investees	5,866	—	—	—	5,866
Interest expense and bank charges	6,310	9,079	6,431	(14,969)	6,851
Depreciation and amortization expense	8,646	3,651	1,192	2,076	15,565
Income (loss) before income taxes (b)	2,196	2,979	(3,840)	(639)	696
Fiscal Year Ended February 28, 2014					
Net sales	$ 412,531	$ 189,208	$ 206,319	$ 1,651	$ 809,709
Equity in income of equity investees	6,070	—	—	—	6,070
Interest expense and bank charges	7,166	8,219	9,988	(17,979)	7,394
Depreciation and amortization expense	8,442	3,611	2,412	1,718	16,183
Income (loss) before income taxes (c)	18,873	(34,337)	(11,652)	461	(26,655)

(a) Included in the income (loss) before taxes for the year ended February 29, 2016 within the Consumer Accessories segment is the $4,679 gain on bargain purchase recognized in conjunction with the EyeLock transaction, as well as an impairment loss on intangible assets totaling $2,860 . Included in the income (loss) before taxes for the year ended February 29, 2016 within the Premium Audio segment is an impairment loss on intangible assets totaling $6,210

(b) Included in the income (loss) before taxes for the year ended February 28, 2015 within the Automotive segment is the $(7,396) remeasurement loss related to the Company's Venezuela government issued sovereign bonds and the impairment charge of $(9,304) related to investment properties in Venezuela.

(c) Included in the income (loss) before taxes for the year ended February 28, 2014 within the Premium Audio segment is an impairment loss on goodwill totaling $32,163 .

No one customer accounted for more than 10% of consolidated net sales during the years ended February 29, 2016 , February 28, 2015 or February 28, 2014 .

Geographic net sales information in the table below is based on the location of the selling entity. Long-lived assets, primarily fixed assets, are reported below based on the location of the asset.

	United States	Germany	Other	Total
Fiscal Year Ended February 29, 2016				
Net sales	$ 461,606	$ 211,701	$ 7,439	$ 680,746
Long-lived assets	47,092	28,341	3,989	79,422
Fiscal Year Ended February 28, 2015				
Net sales	$ 500,847	$ 246,173	$ 10,478	$ 757,498
Long-lived assets	35,835	29,952	3,996	69,783
Fiscal Year Ended February 28, 2014				
Net sales	$ 542,697	$ 249,754	$ 17,258	$ 809,709
Long-lived assets	35,440	33,879	13,903	83,222

15) Contingencies

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

The products the Company sells are continually changing as a result of improved technology. As a result, although the Company and its suppliers attempt to avoid infringing known proprietary rights, the Company may be subject to legal proceedings and claims for alleged infringement by patent, trademark or other intellectual property owners. Any claims relating to the infringement of third-party proprietary rights, even if not meritorious, could result in costly litigation, divert management's attention and resources, or require the Company to either enter into royalty or license agreements which are not advantageous to the Company, or pay material amounts of damages. As of February 29, 2016 , the Company has recorded approximately $800 related to the infringement or potential infringement of certain trademarks and patents for which the Company is currently in the process of litigating or negotiating settlement. The Company believes the accrual is a reasonable estimate of the expenditures required to resolve these matters.

The Company was a plaintiff in a class action lawsuit against several defendants relating to the alleged price fixing of certain thin film transistor liquid crystal display flat panels and certain products containing these panels purchased between the years 1999 and 2006, and the violation of U.S. antitrust laws. This class action suit was decided in favor of the plaintiffs and in July 2013, the judge in the case ordered the distribution of the settlement funds that had been ordered to be put aside by the defendants. Voxx received a sum of $5,643 during Fiscal 2014, which is recorded in "Other Income (Expense)" in the Consolidated Statement of Operations and Comprehensive Income (Loss).

Securities and Derivative Proceedings:

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

On November 25, 2015, the Defendants moved to dismiss the Amended Complaint for failure to state a claim. The motion to dismiss is presently pending before the Court.

16) Unaudited Quarterly Financial Data

Selected unaudited, quarterly financial data of the Company for the years ended February 29, 2016 and February 28, 2015 appear below:

	Quarters Ended			
	Feb 29, 2016	**Nov 30, 2015**	**Aug 31, 2015**	**May 31, 2015**
2016				
Net sales	$ 169,683	$ 192,506	$ 154,174	$ 164,383
Gross profit	46,824	55,843	44,975	48,043
Net (loss) income attributable to Voxx International Corporation (a)	(5,351)	7,777	(4,394)	(714)
Net (loss) income per common share (basic)	(0.22)	0.32	(0.18)	(0.03)
Net (loss) income per common share (diluted)	(0.22)	0.32	(0.18)	(0.03)

	Quarters Ended			
	Feb 28, 2015	**Nov 30, 2014**	**Aug 31, 2014**	**May 31, 2014**
2015				
Net sales	$ 169,900	$ 223,356	$ 177,343	$ 186,899
Gross profit	49,456	68,957	52,404	53,053
Net (loss) income attributable to Voxx International Corporation (b)	(14,371)	15,622	(2,682)	489
Net (loss) income per common share (basic)	(0.60)	0.64	(0.11)	0.02
Net (loss) income per common share (diluted)	(0.60)	0.64	(0.11)	0.02

Net income per common share is computed separately for each quarter. Therefore, the sum of such quarterly per share amounts may differ from the total for the years.

(a) Included in net (loss) income for the quarter ended August 31, 2015 are impairment charges of $6,210 related to intangible assets. Included in net (loss) income for the quarter ended November 30, 2015 is the gain on bargain purchase of $4,679 related to the EyeLock transaction. Included in net (loss) income for the quarter ended February 29, 2016 are impairment charges of $2,860 related to intangible assets.

(b) Included in net (loss) income for the quarter ended February 28, 2015 is the impairment charge of $(9,304) related to investment properties in Venezuela.

17) Subsequent Events

Refer to Note 7 for discussion of the amendment and restatement of the Company's Amended Facility on April 26, 2016.

Venezuela Currency

On March 9, 2016, Venezuela's Vice President for Economic Area announced a new exchange agreement No. 35 (the "Exchange Agreement No. 35"). Exchange Agreement No. 35 became effective on March 10, 2016 and will have a dual exchange rate for a controlled rate ("DIPRO") fixed at 10 Bolivar Fuerte/$1 for priority goods and services and a complimentary rate ("DICOM") starting at 206.92 Bolivar Fuerte/$1 for travel and other non-essential goods. Exchange Agreement No. 35 will be effective for the Company's first quarter of Fiscal 2017 and we believe the Company will use the non-essential rate.

SCHEDULE II

VOXX INTERNATIONAL CORPORATION AND SUBSIDIARIES
Valuation and Qualifying Accounts
Years ended February 29, 2016 , February 28, 2015 and February 28, 2014
(In thousands)

Column A	Column B	Column C	Column D (b)		Column E
Description	Balance at Beginning of Year	Gross Amount Charged to Costs and Expenses	Reversals of Previously Established Accruals	Deductions (a)	Balance at End of Year
Year ended February 29, 2016					
Allowance for doubtful accounts	$ 6,491	$ 1,044	$ —	$ 755	$ 6,780
Cash discount allowances	1,190	24,630	—	24,743	1,077
Accrued sales incentives	14,097	28,428	(77)	30,009	12,439
Reserve for warranties and product repair costs	10,012	8,028	—	8,320	9,720
	$ 31,790	$ 62,130	$ (77)	$ 63,827	$ 30,016
Year ended February 28, 2015					
Allowance for doubtful accounts	$ 6,889	$ (375)	$ —	$ 23	$ 6,491
Cash discount allowances	1,189	29,040	—	29,039	1,190
Accrued sales incentives	17,401	34,159	(111)	37,352	14,097
Reserve for warranties and product repair costs	12,478	7,948	—	10,414	10,012
	$ 37,957	$ 70,772	$ (111)	$ 76,828	$ 31,790
Year ended February 28, 2014					
Allowance for doubtful accounts	$ 7,840	$ 673	$ —	$ 1,624	$ 6,889
Cash discount allowances	1,231	28,993	—	29,035	1,189
Accrued sales incentives	16,821	35,991	(867)	34,544	17,401
Reserve for warranties and product repair costs	14,551	10,048	—	12,121	12,478
	$ 40,443	$ 75,705	$ (867)	$ 77,324	$ 37,957

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

(b) Column D includes $100 of liabilities acquired during our EyeLock acquisition.

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Company as filed with the Delaware Secretary of State on April 17, 2000 (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended November 30, 2000).
3.2	Certificate of Ownership and Merger (incorporated by reference to the Company's Form 8-K filed on December 6, 2011).
3.3	Amended and Restated Bylaws of the Company (incorporated by reference to the Company's Form 8-K filed on December 6, 2011).
10.1	Second Amended and Restated Credit Agreement by and among Voxx Accessories Corp., Voxx Electronics Corp., Code Systems Inc., Invision Automotive Systems Inc. and Klipsch Group Inc., as Borrowers, the Company, as Parent, the Lenders that are signatories, as the Lenders and Wells Fargo Bank, National Association, as Administrative Agent dated as of April 26, 2016
10.2	Security Agreement, dated as of April 26, 2016, by and among VOXX International Corporation and certain of its wholly owned subsidiaries as Obligors and Wells Fargo Bank, National Association as Administrative Agent.
21	Subsidiaries of the Registrant (filed herewith).
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act of 1934 (filed herewith).
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act of 1934 (filed herewith).
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
99.1	Consolidated Financial Report of Audiovox Specialized Applications LLC (ASA) as of November 30, 2015 and 2014 and for the Years Ended November 30, 2015, 2014 and 2013 (filed herewith).
99.2	Audit Opinion of Grant Thornton LLP for Audiovox Specialized Applications LLC (ASA) as of and for the year ended November 30, 2014 (filed herewith).
99.3	Audit Opinion of Grant Thornton LLP for Audiovox Specialized Applications LLC (ASA) as of and for the year ended November 30, 2013 (filed herewith).
101	The following materials from VOXX International Corporation's Annual Report on Form 10-K for the period ended February 29, 2016, formatted in eXtensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets , (ii), the Consolidated Statements of Income, (iii) the Consolidated Statements of Cash Flows, and (iv) Notes to Consolidated Financial Statements.

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

SIGNATURES

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

VOXX INTERNATIONAL CORPORATION

May 16, 2016

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

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

Signature	Title	Date
/s/ Patrick M. Lavelle Patrick M. Lavelle	President; Chief Executive Officer (Principal Executive Officer) and Director	May 16, 2016
/s/ Charles M. Stoehr Charles M. Stoehr	Senior Vice President, Chief Financial Officer (Principal Financial and Accounting Officer) and Director	May 16, 2016
/s/ John J. Shalam John J. Shalam	Chairman of the Board of Directors	May 16, 2016
/s/ Paul C. Kreuch, Jr. Paul C. Kreuch, Jr.	Director	May 16, 2016
/s/ Denise Gibson Denise Gibson	Director	May 16, 2016
/s/ Peter A. Lesser Peter A. Lesser	Director	May 16, 2016
/s/ Ari Shalam Ari Shalam	Director	May 16, 2016
/s/ Fred Klipsch Fred Klipsch	Director	May 16, 2016

[Execution]

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

by and among

VOXX ACCESSORIES CORP.

VOXX ELECTRONICS CORP.

CODE SYSTEMS, INC.

INVISION AUTOMOTIVE SYSTEMS INC.

KLIPSCH GROUP, INC.

as Borrowers,

VOXX INTERNATIONAL CORPORATION

as Parent

THE LENDERS THAT ARE SIGNATORIES HERETO

as the Lenders,

WELLS FARGO BANK, NATIONAL ASSOCIATION

as Administrative Agent

and

WELLS FARGO BANK, NATIONAL ASSOCIATION

as Sole Lead Arranger and Sole Bookrunner

Dated as of April 26, 2016

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EXHIBITS AND SCHEDULES

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this " Agreement "), is entered into as of April 26, 2016, by and among the lenders identified on the signature pages hereof (each of such lenders, together with their respective successors and permitted assigns, are referred to hereinafter as a " Lender ", as that term is hereinafter further defined), **WELLS FARGO BANK, NATIONAL ASSOCIATION** , a national banking association, as agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, " Agent "), **VOXX ACCESSORIES CORP.** , a Delaware corporation ("ACC"), **VOXX ELECTRONICS CORP.** , a Delaware corporation ("AEC"), **CODE SYSTEMS, INC.** , a Delaware corporation ("CSI"), **INVISION AUTOMOTIVE SYSTEMS INC.** , a Delaware corporation ("IAS") and **KLIPSCH GROUP, INC.** , an Indiana corporation ("Klipsch", together with ACC, AEC, CSI and IAS, are referred to hereinafter each individually as a " Borrower ", and individually and collectively, jointly and severally, as the " Borrowers ") and **VOXX INTERNATIONAL CORPORATION** , Delaware corporation ("Parent").

WHEREAS, the parties to the Existing Credit Agreement (as defined below) desire to amend and restate the Existing Credit Agreement as provided herein;

WHEREAS, Borrowers and Guarantors have requested that Agent and Lenders enter into such amended and restated financing arrangements with Borrowers and Guarantors pursuant to which Lenders may make loans and provide other financial accommodations to Borrowers and certain Guarantors; and

WHEREAS, each Lender is willing to agree (severally and not jointly) to make such loans and provide such financial accommodations to Borrowers and certain Guarantors on a pro rata basis according to its Commitment (as defined below) on the terms and conditions set forth herein and Agent is willing to act as agent for Lenders on the terms and conditions set forth herein and the other Loan Documents;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree that the Existing Credit Agreement shall be (and hereby is) amended and restated as follows:

1. **DEFINITIONS AND CONSTRUCTION.**

1. **Definitions**

. Capitalized terms used in this Agreement shall have the meanings specified therefor on Schedule 1.1.

2. **Accounting Terms**

. Any accounting term used in this Agreement shall have, unless otherwise specifically provided herein, the meaning customarily given in accordance with GAAP, and all financial computations hereunder shall be computed unless otherwise specifically provided herein, in accordance with GAAP as consistently applied and using the same method for inventory valuation as used in the preparation of the financial statements of Parent for the quarter ending November 30, 2015. Notwithstanding anything to the contrary contained in GAAP or any interpretations or other pronouncements by the Financial Accounting Standards Board or otherwise, the term "unqualified opinion" as used herein to refer to opinions or reports provided by accountants shall mean an opinion or report that is unqualified and also does not include any explanation, supplemental comment or other comment concerning the ability of the applicable person to continue as a going concern or the scope of the audit. When used herein, the term "financial statements" shall include the notes and schedules thereto. Whenever the term "Parent" or "Borrowers" is used in respect of a financial covenant or a related definition, it shall be understood to mean the Loan Parties on a consolidated basis, unless the context clearly requires otherwise.

3. **Code**

. Any terms used in this Agreement that are defined in the Code and pertaining to Collateral located in the United States shall be construed and defined as set forth in the Code unless otherwise defined herein and any terms used in this Agreement that are defined in the PPSA and pertaining to Collateral located in Canada shall be

construed and defined as set forth in the PPSA unless otherwise defined herein; provided , that , to the extent that the Code is used to define any term herein and such term is defined differently in different Articles of the Code, the definition of such term contained in Article 9 of the Code shall govern.

4. **Construction**

. Unless the context of this Agreement or any other Loan Document clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms "includes" and "including" are not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Loan Document, as the case may be. Section, subsection, clause, schedule, and exhibit references herein are to this Agreement unless otherwise specified. Any reference in this Agreement or in any other Loan Document to any agreement, instrument, or document shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). The words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts, and contract rights. Any reference herein or in any other Loan Document to the satisfaction, repayment, or payment in full of the Obligations shall mean, subject to Section 3.4 , the repayment in full in cash or immediately available funds of all of the Obligations (including the payment of any termination amount then applicable (or which would or could become applicable as a result of the repayment of the other Obligations) under Hedge Agreements provided by Hedge Providers) other than unasserted contingent indemnification Obligations or, (a) in the case of contingent reimbursement obligations with respect to Letters of Credit, providing Letter of Credit Collateralization, and (b) in the case of obligations with respect to Bank Products (other than Hedge Obligations, providing Bank Product Collateralization) other than (i) any Bank Product Obligations (other than Hedge Obligations) that, at such time, are allowed by the applicable Bank Product Provider to remain outstanding without being required to be repaid or cash collateralized, and (ii) any Hedge Obligations that, at such time, are allowed by the applicable Hedge Provider to remain outstanding without being required to be repaid. Any reference herein to any Person shall be construed to include such Person's successors and permitted assigns. Any requirement of a writing contained herein or in any other Loan Document shall be satisfied by the transmission of a Record.

5. **Schedules and Exhibits**

. All of the schedules and exhibits attached to this Agreement shall be deemed incorporated herein by reference.

6. **Dutch Terms**

. In relation to any entity that is incorporated, or where applicable, has its centre of main interest in the Netherlands, a reference to:

(a) a "moratorium of any indebtedness" includes (*voorlopige) surseance van betaling* and a "moratorium is declared in respect of any indebtedness" includes *surseance verleend;*

(b) "winding up", "liquidation", "administration", "dissolution" and "reorganization" (and any of those terms) includes an entity being declared bankrupt (*failliet verklaard*), dissolved (*ontbonden*) or subjected to emergency regulations (*noodregeling*) on the basis of the Dutch Act on Financial Supervision (*Wet op het Financieel Toezicht*);

(c) admitting the inability to pay its debts as they fall due includes with respect to an entity the filing of any notice under section 36 of the Tax Collection Act of the Netherlands (*Invorderingswet 1990*) ("TCA") or section 60 paragraphs 2 and/or 3 of the Social Insurance Financing Act of the Netherlands (*Wet Financiering Sociale Verzekeringen*) in conjunction with section 36 of the TCA

(d) a Lien includes any mortgage (*hypotheek*), pledge (*pandrecht*), retention of title arrangement (*eigendomsvoorbehoud*), privilege (*voorrecht*), right of retention (*recht van retentie*), right to reclaim

goods (*recht van reclame*) , and any other rights is rem (*zakelijke rechten*) or other rights created for the purpose of granting security;

(e) a "liquidator" or a "trustee" in bankruptcy includes a *curator* and a *beoogd* curator;

(f) an "administrator" includes a *bewindvoerder* and a *stille bewindvoerder* ;

(g) an "attachment" includes *conservatoir* and *executoriaal beslag* ;

(h) a "distribution" or "dividend" includes any distribution of profits (*winstuitkering*) or the distribution of reserves *(uitkering uit reserves*);

(i) Governing Documents means a copy of:

(i) the articles of association (*statuten*);

(ii) the deed of incorporation (*akte van oprichting*); and

(iii) an up-to-date extract (*uittreksel*) from the trade register (*Handelsregister*) of the Dutch chamber of commerce (*Kamer van Koophandel*); and

(j) an "officer" includes a managing director of a Dutch entity.

2. **LOANS AND TERMS OF PAYMENT.**

1. **Revolver Advances.**

(a) Subject to the terms and conditions of this Agreement, and during the term of this Agreement, each Revolving Lender agrees (severally, not jointly or jointly and severally) to make revolving loans to Borrowers which in the aggregate at any one time outstanding are not to exceed the lesser of:

(i) such Revolving Lender's Revolver Commitment, or

(ii) such Revolving Lender's Pro Rata Share of an amount equal to the lesser of:

(A) the amount equal to (1) the Maximum Revolver Amount less (2) the sum of the Letter of Credit Usage at such time plus the principal amount of Swing Loans outstanding at such time, and

(B) the amount equal to (1) the Borrowing Base at such time less (2) the sum of the Letter of Credit Usage at such time plus the principal amount of Swing Loans outstanding at such time.

(b) [Reserved].

(c) The aggregate principal amount of Revolver Usage based on the Eligible Accounts, Eligible Inventory and Eligible In-Transit Inventory of Dutch Guarantor outstanding at any time shall not exceed $10,000,000.

(d) The aggregate principal amount of Revolver Usage based on the Eligible In-Transit Inventory shall not exceed $15,000,000.

(e) Amounts borrowed pursuant to this Section 2.1 and Section 2.3(b) may be repaid and, subject to the terms and conditions of this Agreement, reborrowed at any time during the term of this Agreement. The outstanding principal amount of the Advances, together with interest accrued thereon, shall be due and payable on the Maturity Date or, if earlier, on the date on which they are declared due and payable pursuant to the terms of this Agreement.

(f) Anything to the contrary in this Section 2.1 notwithstanding, Agent shall have the right (but not the obligation) to establish, increase, reduce, eliminate, or otherwise adjust reserves from time to time against the Borrowing Base, the Maximum Revolver Amount or the Maximum Credit in such amounts, and with respect to such matters as Agent, in its Permitted Discretion, shall deem necessary or appropriate, including (i) reserves in an amount equal to the Bank Product Reserve Amount, (ii) reserves in the amount of the Dilution Reserve, (iii) the Real Property Reserve, (iv) the Orange County IRB Reserve, (v) reserves with respect to (A) sums that any Borrower is or its Subsidiaries are required to pay under any Section of this Agreement or any other Loan Document (such as taxes, assessments, insurance premiums, or, in the case of leased assets, rents or other amounts payable under such leases) and has failed to pay when due, and (B) amounts owing by any Borrower or its Subsidiaries to any Person to the extent secured by a Lien on, or trust over, any of the Collateral (other than a Permitted Lien which is a permitted purchase money Lien or the interest of a lessor under a Capital Lease), which Lien or trust, in the Permitted Discretion of Agent likely would be pari passu with or have a priority superior to Agent's Liens (such as Liens or trusts in favor of landlords, warehousemen, carriers, mechanics, materialmen, laborers, or suppliers, or Liens or trusts for ad valorem, excise, sales, or other taxes where given priority under applicable law) in and to such item of the Collateral, (vi) returns, discounts, claims, credits and allowances of any nature that are not paid pursuant to the reduction of Accounts, (vii) sales, excise or similar taxes included in the amount of any Accounts reported to Agent, (viii) a change in the turnover, age or mix of the categories of Inventory that adversely affects the aggregate value of all Inventory, (ix) amounts due or to become due to owners and lessors

of premises where any Collateral is located, other than for those locations where Agent has received a Collateral Access Agreement that Agent has accepted in writing, (x) amounts due or to become due to owners and licensors of trademarks and other Intellectual Property used by any Borrower, (xi) in respect of any state of facts which Agent determines in good faith constitutes an Event of Default, (xii) Priority Payables and any obligations of Borrowers or Guarantors subject to superpriority liens under the BIA and the Wage Earner Protection Program Act (Canada), (xiii) reserves for in-transit Inventory, including freight, taxes, duty and other amounts which Agent reasonably estimates must be paid in connection with such Inventory upon arrival and for delivery to one of the locations of a Borrower, a Canadian Guarantor or Dutch Guarantor for Eligible In-Transit Inventory within the United States of America, Canada or the Netherlands, (xiv) to reflect Agent's good faith estimate of the amount of any reserve necessary to reflect changes adverse to Lenders in applicable currency exchange rates or currency exchange markets, (xv) reserves for matters that adversely affect the Collateral, its value or the amount that Agent might receive from the sale or other disposition thereof or the ability of Agent to realize thereon and (xvi) reserves in the amount, at any time, by which the outstanding principal amount of the Term Loan exceeds the Term Loan Availability. To the extent that an event, condition or matter as to any Eligible Accounts, Eligible Inventory, Eligible In-Transit Inventory, Eligible Trademarks or Eligible Real Property is addressed pursuant to the treatment thereof within the applicable definitions of such terms, Agent shall not also establish a reserve to address the same event, condition or matter.

2. **Term Loan.**

(a) Subject to the terms and conditions of this Agreement, on the Closing Date each Lender with a Term Loan Commitment agrees (severally, not jointly or jointly and severally) to make term loans (collectively, " Term Loan ") to Borrowers in an amount equal to such Lender's Pro Rata Share of the Term Loan Availability. The principal of the Term Loan shall be repaid in sixteen (16) consecutive quarterly installments (or earlier as provided herein) payable on the first day of each fiscal quarter commencing on July 1, 2016, of which the first fifteen (15) installments shall each be in the amount of $937,500 and the last installment shall be in the amount of the entire unpaid principal balance of the Term Loan (the date of such last quarterly installment, being referred to herein as the "Term Loan Maturity Date") ; provided , that , the outstanding unpaid principal balance and all accrued and unpaid interest on the Term Loan shall be due and payable on the earlier of (i) the Term Loan Maturity Date, and (ii) the date of the acceleration of the Term Loan in accordance with the terms hereof. Any principal amount of the Term Loan that is repaid or prepaid may not be reborrowed. All principal of, interest on, and other amounts payable in respect of the Term Loan shall constitute Obligations hereunder.

(b) In the event that, at any time, the amount of the outstanding Term Loan exceeds the Term Loan Availability, to the extent that there shall be Excess Availability after giving effect thereto, a reserve in an amount equal to such excess shall be established as provided in Section 2.1(f) , and, otherwise, Borrowers shall, upon demand by Agent at its option or at the direction of the Required Lenders, which may be made at any time or from time to time, repay to Agent the entire amount of any such excess(es) for which payment is demanded (and including breakage or similar costs, if any) within one (1) Business Day of such demand.

3. **Borrowing Procedures and Settlements.**

(a) **Procedure for Borrowing** . Each Borrowing shall be made by a written request by an Authorized Person delivered to Agent (which may be delivered through Agent's electronic platform or portal). Such notice must be received by Agent no later than 12:00 noon (Eastern time) on the Business Day that is the requested Funding Date specifying (i) the amount of such Borrowing, and (ii) the requested Funding Date, which shall be a Business Day; provided , that , if Swing Lender is not obligated to make a Swing Loan as to a requested Borrowing, such notice must be received by Agent no later than 11:00 a.m. (Eastern time) on the Business Day prior to the date that is the requested Funding Date. At Borrower Agent's election, instead of delivering such written request, any Authorized Person may give Agent telephonic notice of such request by the required time except on and after such time as Agent shall notify Borrower Agent that written requests will be required. In such circumstances, each Borrower agrees that any such telephonic notice will be confirmed in writing within 24 hours of the giving of such telephonic notice, but the failure to provide such written confirmation shall not affect the validity of the request (subject to the provision below). All Borrowing requests which are not made on-line via Agent's electronic platform or portal shall be subject to (and unless Agent elects otherwise in the exercise of its sole discretion, such Borrowings shall not be made until the completion of) Agent's authentication process (with results satisfactory to Agent) prior to the funding of any such Advance.

(b) **Making of Swing Loans** . In the case of a request for an Advance and so long as after giving effect thereto the aggregate amount of the outstanding Swing Loans would not exceed $15,000,000, Swing Lender shall make an Advance in the amount of such requested Borrowing (any such Advance made solely by Swing Lender pursuant to this Section 2.3(b) being referred to as a " Swing Loan " and such Advances being referred to as " Swing Loans ") to Borrowers on the Funding Date applicable thereto by transferring immediately available funds to the Designated Account. Anything contained herein to the contrary notwithstanding, the Swing Lender may, but shall not be obligated to, make Swing Loans at any time that one or more of the Lenders is a Defaulting Lender. Each Swing Loan shall be deemed to be an Advance hereunder and shall be subject to all the terms and conditions (including Section 3) applicable to other Advances, except that all payments on any Swing Loan shall be payable to Swing Lender solely for its own account. Subject to the provisions of Section 2.3(d)(ii) , Swing Lender shall not make, and shall not be obligated to make, any Swing Loan if Swing Lender has actual knowledge that (i) one or more of the applicable conditions precedent set forth in Section 3 will not be satisfied on the requested Funding Date for the applicable Borrowing, or (ii) the requested Borrowing would exceed the Availability on such Funding Date. Swing Lender shall not otherwise be required to determine whether the applicable conditions precedent set forth in Section 3 have been satisfied on the Funding Date applicable thereto prior to making any Swing Loan. The Swing Loans shall be secured by Agent's Liens, constitute Advances and Obligations hereunder, and bear interest at the rate applicable from time to time to Advances that are Base Rate Loans.

(c) **Making of Loans** .

(i) In the event that Swing Lender is not obligated to make a Swing Loan, then promptly after receipt of a request for a Borrowing pursuant to Section 2.3(a) , Agent shall notify the Lenders, not later than 1:00 p.m. (Eastern time) on the Business Day immediately preceding the Funding Date applicable thereto, by telecopy, telephone, or other similar form of transmission, of the requested Borrowing. Each Lender shall make the amount of such Lender's Pro Rata Share of the requested Borrowing available to Agent in immediately available funds, to Agent Payment Account, not later than 10:00 a.m. (Eastern time) on the Funding Date applicable thereto. After Agent's receipt of the proceeds of such Advances, Agent shall make the proceeds thereof available to Borrowers on the applicable Funding Date by transferring immediately available funds equal to such proceeds received by Agent to the Designated Account; provided , that , subject to the provisions of Section 2.3(d)(ii) , Agent shall not request any Lender to make, and no Lender shall have the obligation to make, any Advance if (A) one or more of the applicable conditions precedent set forth in Section 3 will not be satisfied on the requested Funding Date for the applicable Borrowing unless such condition has been waived, or (B) the requested Borrowing would exceed the Availability on such Funding Date.

(ii) Unless Agent receives notice from a Lender prior to 9:00 a.m. (Eastern time) on the date of a Borrowing, that such Lender will not make available as and when required hereunder to Agent for the account of Borrowers the amount of that Lender's Pro Rata Share of the Borrowing, Agent may assume that each Lender has made or will make such amount available to Agent in immediately available funds on the Funding Date and Agent may (but shall not be so required), in reliance upon such assumption, make available to Borrowers on such date a corresponding amount. If any Lender shall not have made its full amount available to Agent in immediately available funds and if Agent in such circumstances has made available to Borrowers such amount, that Lender shall on the Business Day following such Funding Date make such amount available to Agent, together with interest at the Defaulting Lender Rate for each day during such period. A notice submitted by Agent to any Lender with respect to amounts owing under this Section 2.3(c)(ii) shall be conclusive, absent manifest error. If such amount is so made available, such payment to Agent shall constitute such Lender's Advance on the date of Borrowing for all purposes of this Agreement. If such amount is not made available to Agent on the Business Day following the Funding Date, Agent will notify Borrowers of such failure to fund and, upon demand by Agent, Borrowers shall pay such amount to Agent for Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Advances composing such Borrowing.

(d) **Protective Advances and Optional Overadvances** .

(i) Any contrary provision of this Agreement or any other Loan Document notwithstanding, but subject to Section 2.3(d)(iv) , Agent is hereby authorized by Borrowers and the Lenders, from time to time, at Agent's option (but Agent shall have no obligation or liability if it elects not to), to make Advances to, or for the benefit of, Borrowers on behalf of the Lenders that Agent, in its Permitted Discretion deems necessary or desirable (A) to preserve or protect the Collateral, or any portion thereof, or (B) to enhance the likelihood of repayment of the

Obligations (other than the Bank Product Obligations) (any of the Advances described in this Section 2.3(d)(i) shall be referred to as "Protective Advances") at any time (1) after the occurrence and during the continuance of a Default or an Event of Default, or (2) that any of the other applicable conditions precedent set forth in Section 3 are not satisfied.

(ii) Any contrary provision of this Agreement or any other Loan Document notwithstanding, but subject to Section 2.3(d)(iv) , the Lenders hereby authorize Agent or Swing Lender, as applicable, and either Agent or Swing Lender, as applicable, may, but is not obligated to, knowingly and intentionally, continue to make Advances (including Swing Loans) to Borrowers notwithstanding that an Overadvance exists or thereby would be created, so long as after giving effect to such Advances, the outstanding Revolver Usage (except for and excluding amounts charged to the Loan Account for interest, fees, or Lender Group Expenses) does not exceed the Maximum Revolver Amount. In the event Agent obtains actual knowledge that the Revolver Usage exceeds the amounts permitted by the immediately foregoing provisions, regardless of the amount of, or reason for, such excess, Agent shall notify the Lenders as soon as practicable (and prior to making any (or any additional) intentional Overadvances (except for and excluding amounts charged to the Loan Account for interest, fees, or Lender Group Expenses) unless Agent determines that prior notice would result in imminent harm to the Collateral or its value, in which case Agent may make such Overadvances and provide notice as promptly as practicable thereafter), and the Lenders thereupon shall, together with Agent, jointly determine the terms of arrangements that shall be implemented with Borrowers intended to reduce, within a reasonable time, the outstanding principal amount of the Advances to Borrowers to an amount permitted by the preceding sentence. In such circumstances, if any Lender objects to the proposed terms of reduction or repayment of any Overadvance, the terms of reduction or repayment thereof shall be according to the determination of the Required Lenders. In any event: (A) if any unintentional Overadvance remains outstanding for more than thirty (30) days, unless otherwise agreed to by the Required Lenders, Borrowers shall immediately repay Advances in an amount sufficient to eliminate all such unintentional Overadvances, and (2) after the date all such Overadvances have been eliminated, there must be at least five (5) consecutive days before intentional Overadvances are made. The foregoing provisions are meant for the benefit of the Lenders and Agent and are not meant for the benefit of Borrowers, which shall continue to be bound by the provisions of Section 2.5 . Each Lender shall be obligated to settle with Agent as provided in Section 2.3(e) (or Section 2.3(g) , as applicable) for the amount of such Lender's Pro Rata Share of any unintentional Overadvances by Agent reported to such Lender, any intentional Overadvances made as permitted under this Section 2.3(d)(ii) , and any Overadvances resulting from the charging to the Loan Account of interest, fees, or Lender Group Expenses.

(iii) Each Protective Advance and each Overadvance shall be deemed to be an Advance hereunder, except that no Protective Advance or Overadvance shall be a LIBOR Rate Loan and, prior to Settlement therefor, all payments on the Protective Advances shall be payable to Agent solely for its own account. The Protective Advances and Overadvances shall be repayable on demand and repaid within one (1) Business Day of such demand, secured by Agent's Liens, constitute Obligations hereunder, and bear interest at the rate applicable from time to time to Advances that are Base Rate Loans. The ability of Agent to make Protective Advances is separate and distinct from its ability to make Overadvances and its ability to make Overadvances is separate and distinct from its ability to make Protective Advances. For the avoidance of doubt, the limitations on Agent's ability to make Protective Advances do not apply to Overadvances and the limitations on Agent's ability to make Overadvances do not apply to Protective Advances. The provisions of this Section 2.3(d) are for the exclusive benefit of Agent, Swing Lender, and the Lenders and are not intended to benefit Borrowers in any way.

(iv) Notwithstanding anything contained in this Agreement or any other Loan Document to the contrary: (A) no Overadvance or Protective Advance may be made by Agent if such Advance would cause the aggregate principal amount of Overadvances and Protective Advances outstanding to exceed an amount equal to ten percent (10%) of the Maximum Credit; and (B) to the extent any Protective Advance causes the aggregate Revolver Usage to exceed the Maximum Revolver Amount, each such Protective Advance shall be for Agent's sole and separate account and not for the account of any Lender and shall be entitled to priority in repayment in accordance with Section 2.4(b) .

(e) **Settlement** . It is agreed that each Lender's funded portion of the Advances is intended by the Lenders to equal, at all times, such Lender's Pro Rata Share of the outstanding Advances. Such agreement notwithstanding, Agent, Swing Lender, and the other Lenders agree (which agreement shall not be for the benefit of Borrowers) that in order to facilitate the administration of this Agreement and the other Loan Documents,

settlement among the Lenders as to the Advances (including the Swing Loans and the Protective Advances) shall take place on a periodic basis in accordance with the following provisions:

(i) Agent shall request settlement (" Settlement ") with the Lenders on a weekly basis, or on a more frequent basis, upon the reasonable request of Borrower Agent or, otherwise, if so determined by Agent (A) on behalf of Swing Lender, with respect to the outstanding Swing Loans, (B) for itself, with respect to the outstanding Protective Advances, and (C) with respect to Borrowers' or their Subsidiaries' Collections or payments received, as to each by notifying the Lenders by telecopy, telephone, or other similar form of transmission, of such requested Settlement, no later than 2:00 p.m. (Eastern time) on the Business Day immediately prior to the date of such requested Settlement (the date of such requested Settlement being the " Settlement Date "). Such notice of a Settlement Date shall include a summary statement of the amount of outstanding Advances, Swing Loans, and Protective Advances for the period since the prior Settlement Date. Subject to the terms and conditions contained herein (including Section 2.3(g)) : (1) if the amount of the Advances (including Swing Loans and Protective Advances) made by a Lender that is not a Defaulting Lender exceeds such Lender's Pro Rata Share of the Advances (including Swing Loans and Protective Advances) as of a Settlement Date, then Agent shall, by no later than 12:00 p.m. (Eastern time) on the Settlement Date, transfer in immediately available funds to a Deposit Account of such Lender (as such Lender may designate), an amount such that each such Lender shall, upon receipt of such amount, have as of the Settlement Date, its Pro Rata Share of the Advances (including Swing Loans and Protective Advances), and (2) if the amount of the Advances (including Swing Loans and Protective Advances) made by a Lender is less than such Lender's Pro Rata Share of the Advances (including Swing Loans and Protective Advances) as of a Settlement Date, such Lender shall no later than 12:00 p.m. (Eastern time) on the Settlement Date transfer in immediately available funds to Agent Payment Account, an amount such that each such Lender shall, upon transfer of such amount, have as of the Settlement Date, its Pro Rata Share of the Advances (including Swing Loans and Protective Advances). Such amounts made available to Agent under clause (2) of the immediately preceding sentence shall be applied against the amounts of the applicable Swing Loans or Protective Advances and, together with the portion of such Swing Loans or Protective Advances representing Swing Lender's Pro Rata Share thereof, shall constitute Advances of such Lenders. If any such amount is not made available to Agent by any Lender on the Settlement Date applicable thereto to the extent required by the terms hereof, Agent shall be entitled to recover for its account such amount on demand from such Lender together with interest thereon at the Defaulting Lender Rate.

(ii) In determining whether a Lender's balance of the Advances (including Swing Loans and Protective Advances) is less than, equal to, or greater than such Lender's Pro Rata Share of the Advances (including Swing Loans and Protective Advances) as of a Settlement Date, Agent shall, as part of the relevant Settlement, apply to such balance the portion of payments actually received in good funds by Agent with respect to principal, interest, fees payable by Borrowers and allocable to the Lenders hereunder, and proceeds of Collateral.

(iii) Between Settlement Dates, Agent, to the extent Protective Advances or Swing Loans are outstanding, may pay over to Agent or Swing Lender, as applicable, any Collections or payments received by Agent, that in accordance with the terms of this Agreement would be applied to the reduction of the Advances, for application to the Protective Advances or Swing Loans. Between Settlement Dates, Agent, to the extent no Protective Advances or Swing Loans are outstanding, may pay over to Swing Lender any Collections or payments received by Agent, that in accordance with the terms of this Agreement would be applied to the reduction of the Advances, for application to Swing Lender's Pro Rata Share of the Advances. If, as of any Settlement Date, Collections or payments of Borrowers or their Subsidiaries received since the then immediately preceding Settlement Date have been applied to Swing Lender's Pro Rata Share of the Advances other than to Swing Loans, as provided for in the previous sentence, Swing Lender shall pay to Agent for the accounts of the Lenders, and Agent shall pay to the Lenders (other than a Defaulting Lender if Agent has implemented the provisions of Section 2.3(g)), to be applied to the outstanding Advances of such Lenders, an amount such that each such Lender shall, upon receipt of such amount, have, as of such Settlement Date, its Pro Rata Share of the Advances. During the period between Settlement Dates, Swing Lender with respect to Swing Loans, Agent with respect to Protective Advances, and each Lender (subject to the effect of agreements between Agent and individual Lenders) with respect to the Advances other than Swing Loans and Protective Advances, shall be entitled to interest at the applicable rate or rates payable under this Agreement on the daily amount of funds employed by Swing Lender, Agent, or the Lenders, as applicable.

(iv) Anything in this Section 2.3(e) to the contrary notwithstanding, in the event that a Lender is a Defaulting Lender, Agent shall be entitled to refrain from remitting settlement amounts to the Defaulting Lender and, instead, shall be entitled to elect to act in accordance with Section 2.3(g) .

(f) **Notation** . Agent, as a non-fiduciary agent for Borrowers, shall maintain a register showing the principal amount of the Advances (and the Term Loans, as applicable) owing to each Lender, including the Swing Loans owing to Swing Lender, and Protective Advances owing to Agent, and the interests therein of each Lender, from time to time and such register shall, absent manifest error, conclusively be presumed to be correct and accurate.

(g) **Defaulting Lenders** . Agent shall not be obligated to transfer to a Defaulting Lender any payments made by any Borrower to Agent for the Defaulting Lender's benefit or any Collections or proceeds of Collateral that would otherwise be remitted hereunder to the Defaulting Lender, and, in the absence of such transfer to the Defaulting Lender, Agent shall transfer any such payments (A) first, to Swing Lender to the extent of any Swing Loans that were made by Swing Lender and that were required to be, but were not, repaid by the Defaulting Lender, (B) second, to the Issuing Lender, to the extent of the portion of a Letter of Credit Disbursement that was required to be, but was not, repaid by the Defaulting Lender, (C) third, to each non-Defaulting Lender ratably in accordance with their Commitments (but, in each case, only to the extent that such Defaulting Lender's portion of an Advance (or other funding obligation) was funded by such other non-Defaulting Lender), (D) to a suspense account maintained by Agent, the proceeds of which shall be retained by Agent and may be made available to be re-advanced to or for the benefit of Borrowers as if such Defaulting Lender had made its portion of Advances (or other funding obligations) hereunder, and (E) from and after the date on which all other Obligations have been paid in full, to such Defaulting Lender in accordance with clause (O) of Section 2.4(b)(ii) . Subject to the foregoing, Agent may hold and, in its Permitted Discretion, re-lend to Borrowers for the account of such Defaulting Lender the amount of all such payments received and retained by Agent for the account of such Defaulting Lender. Solely for the purposes of voting or consenting to matters with respect to the Loan Documents (including the calculation of Pro Rata Share in connection therewith) and for the purpose of calculating the fee payable under Section 2.10(b) , such Defaulting Lender shall be deemed not to be a "Lender" and such Lender's Commitment shall be deemed to be zero; provided , that , the foregoing shall not apply to any of the matters governed by Section 14.1(a)(i) through (iv) and this Section 2.3(g) . The provisions of this Section 2.3(g) shall remain effective with respect to such Defaulting Lender until the earlier of (1) the date on which the Agent and Borrowers shall have waived, in writing, the application of this Section 2.3(g) to such Defaulting Lender, or (2) the date on which such Defaulting Lender makes payment of all amounts that it was obligated to fund hereunder, pays to Agent all amounts owing by Defaulting Lender in respect of the amounts that it was obligated to fund hereunder, and, if requested by Agent, provides adequate assurance of its ability to perform its future obligations hereunder. The operation of this Section 2.3(g) shall not be construed to increase or otherwise affect the Commitment of any Lender, to relieve or excuse the performance by such Defaulting Lender or any other Lender of its duties and obligations hereunder, or to relieve or excuse the performance by Borrowers of their duties and obligations hereunder to Agent or to the Lenders other than such Defaulting Lender. Any failure by a Defaulting Lender to fund amounts that it was obligated to fund hereunder shall constitute a material breach by such Defaulting Lender of this Agreement and shall entitle Borrowers, at their option, upon written notice to Agent, to arrange for a substitute Lender to assume the Commitment of such Defaulting Lender, such substitute Lender to be reasonably acceptable to Agent. In connection with the arrangement of such a substitute Lender, the Defaulting Lender shall have no right to refuse to be replaced hereunder, and agrees to execute and deliver a completed form of Assignment and Acceptance in favor of the substitute Lender (and agrees that it shall be deemed to have executed and delivered such document if it fails to do so) subject only to being repaid its share of the outstanding Obligations (other than Bank Product Obligations, but including (1) all interest, fees, and other amounts that may be due and payable in respect thereof, and (2) an assumption of its Pro Rata Share of the Letters of Credit); provided , that , any such assumption of the Commitment of such Defaulting Lender shall not be deemed to constitute a waiver of any of the Lender Groups' or any Borrower's rights or remedies against any such Defaulting Lender arising out of or in relation to such failure to fund. In the event of a direct conflict between the priority provisions of this Section 2.3(g) and any other provision contained in this Agreement or any other Loan Document, it is the intention of the parties hereto that such provisions be read together and construed, to the fullest extent possible, to be in concert with each other. In the event of any actual, irreconcilable conflict that cannot be resolved as aforesaid, the terms and provisions of this Section 2.3(g) shall control and govern.

(h) **Independent Obligations** . All Advances (other than Swing Loans and Protective Advances) shall be made by the Lenders contemporaneously and in accordance with their Pro Rata Shares. It is understood that (i) no Lender shall be responsible for any failure by any other Lender to perform its obligation to make any Advance (or other extension of credit) hereunder, nor shall any Commitment of any Lender be increased or decreased as a result of any failure by any other Lender to perform its obligations hereunder, and (ii) no failure by any Lender to perform its obligations hereunder shall excuse any other Lender from its obligations hereunder.

4. **Payments; Reductions of Commitments; Prepayments.**

(a) **Payments by Borrowers** .

(i) Except as otherwise expressly provided herein, all payments by any Borrower or Guarantor shall be made to Agent Payment Account for the account of the Lender Group and shall be made in immediately available funds, no later than 2:00 p.m. (Eastern time) on the date specified herein. Any payment received by Agent later than 2:00 p.m. (Eastern time) shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue until such following Business Day.

(ii) Unless Agent receives notice from Borrower Agent prior to the date on which any payment is due to the Lenders that Borrowers will not make such payment in full as and when required, Agent may assume that Borrowers have made (or will make) such payment in full to Agent on such date in immediately available funds and Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent Borrowers do not make such payment in full to Agent on the date when due, each Lender severally shall repay to Agent within one (1) day of such demand such amount distributed to such Lender, together with interest thereon at the Defaulting Lender Rate for each day from the date such amount is distributed to such Lender until the date repaid.

(b) **Apportionment and Application** .

(i) So long as no Application Event has occurred and is continuing and except as otherwise provided herein with respect to Defaulting Lenders, all principal and interest payments received by Agent shall be apportioned ratably among the Lenders (according to the unpaid principal balance of the Obligations to which such payments relate held by each Lender) and all payments of fees and expenses received by Agent (other than fees or expenses that are for Agent's separate account or for the separate account of the Issuing Lender) shall be apportioned ratably among the Lenders having a Pro Rata Share of the type of Commitment or Obligation to which a particular fee or expense relates. All payments to be made hereunder by Borrowers shall be remitted to Agent and all (subject to Section 2.4(b)(v) , Section 2.4(d) , and Section 2.4(e)) such payments, and all proceeds of Collateral received by Agent, shall be applied, so long as no Application Event has occurred and is continuing, to reduce the balance of the Advances outstanding and, thereafter, to Borrowers (to be wired to the Designated Account) or such other Person entitled thereto under applicable law.

(ii) At any time that an Application Event has occurred and is continuing and except as otherwise provided herein with respect to Defaulting Lenders, all payments remitted to Agent and all proceeds of Collateral received by Agent shall be applied as follows:

(A) first , to pay any Lender Group Expenses (including cost or expense reimbursements) or indemnities then due to Agent under the Loan Documents, until paid in full,

(B) second , to pay any fees then due to Agent under the Loan Documents until paid in full,

(C) third , to pay interest due in respect of all Protective Advances until paid in full,

(D) fourth , to pay the principal of all Protective Advances until paid in full,

(E) fifth , ratably, to pay any Lender Group Expenses (including cost or expense reimbursements) or indemnities then due to any of the Lenders under the Loan Documents, until paid in full,

(F) sixth , ratably, to pay any fees then due to any of the Lenders under the Loan Documents until paid in full,

(G) seventh , to pay interest accrued in respect of the Swing Loans until paid in full,

(H) eighth , to pay the principal of all Swing Loans until paid in full,

(I) ninth , ratably, to pay interest accrued in respect of the Advances (other than Protective Advances and Swing Loans) until paid in full (provided , that , proceeds of Eligible Trademarks may, at the option, of the Agent, be applied first to interest accrued in respect of the Term Loans),

(J) tenth , ratably (i) to Agent (for the account of Lenders), to pay the principal of all Advances until paid in full (provided , that , proceeds of Eligible Trademarks may, at the option, of the Agent, be applied first to principal in respect of the Term Loans), (ii) to Agent, to be held by Agent, for the benefit of Issuing Lender (and for

the ratable benefit of each of the Lenders that have an obligation to pay to Agent, for the account of the Issuing Lender, a share of each Letter of Credit Disbursement), as cash collateral in an amount up to one hundred five percent (105%) of the Letter of Credit Usage (to the extent permitted by applicable law, such cash collateral shall be applied to the reimbursement of any Letter of Credit Disbursement as and when such disbursement occurs and, if a Letter of Credit expires undrawn, the cash collateral held by Agent in respect of such Letter of Credit shall, to the extent permitted by applicable law, be reapplied pursuant to this Section 2.4(b)(ii) , beginning with clause (A) hereof), and (iii) ratably, to the Bank Product Providers based upon amounts then certified by the applicable Bank Product Provider to Agent (in form and substance satisfactory to Agent) to be due and payable to such Bank Product Providers on account of Bank Product Obligations but only to the extent of the then Bank Product Reserve Amount then in effect with respect to such Bank Product Obligations,

(K) eleventh , ratably, to pay interest accrued in respect of the Term Loans until paid in full ,

(L) twelfth , ratably, to pay the principal in respect of the Term Loans until paid in full,

(M) thirteenth , ratably, to the Bank Product Providers based upon amounts certified by the applicable Bank Product Provider to Agent (in form and substance satisfactory to Agent) to be due and payable on account of Bank Product Obligations (other than Bank Product Obligations paid pursuant to clause (J) above),

(N) fourteenth , to pay any other Obligations other than Obligations owed to Defaulting Lenders,

(O) fifteenth , ratably to pay any Obligations owed to Defaulting Lenders; and

(P) sixteenth , to Borrowers (to be wired to the Designated Account) or such other Person entitled thereto under applicable law.

(iii) Notwithstanding anything to the contrary set forth in this Agreement or in any of the other Loan Documents, all payments made under this Agreement or any of the other Loan Documents shall be deemed to be applied first , to payment of the portion of the Obligations in excess of the amount secured by the New York Mortgage, and second , to the portion of the Obligations secured by the New York Mortgage.

(iv) Notwithstanding anything to the contrary set forth in this Agreement or in any of the other Loan Documents, (A) the Net Cash Proceeds from any voluntary or involuntary sale or disposition by VOXX HQ of the Orange County Real Property, from any refinancing of any Indebtedness (including the Orange County IRB Bond) secured by the Orange County Real Property or from any casualty losses or condemnation proceedings related to the Orange County Real Property, shall be applied first , to Indebtedness in respect of the Orange County IRB and, second , to the other Obligations and (B) the Net Cash Proceeds from any voluntary or involuntary sale or disposition by any Loan Party of any Collateral (other than the Orange County Real Property) or from any other mandatory prepayment shall be applied first , to the Obligations (other than in respect of the Orange County IRB) and, second , upon and during the continuance of an Event of Default, to Indebtedness in respect of the Orange County IRB.

(v) Agent promptly shall distribute to each Lender, pursuant to the applicable wire instructions received from each Lender in writing, such funds as it may be entitled to receive, subject to a Settlement delay as provided in Section 2.3(e) .

(vi) In each instance, so long as no Application Event has occurred and is continuing, Section 2.4(b)(ii) shall not apply to any payment made by any Borrower to Agent and specified by such Borrower to be for the payment of specific Obligations then due and payable (or prepayable) under any provision of this Agreement or any other Loan Document.

(vii) For purposes of Section 2.4(b)(ii) , "paid in full" of a type of Obligation means payment in cash or immediately available funds of all amounts owing on account of such type of Obligation, including interest accrued after the commencement of any Insolvency Proceeding, default interest, interest on interest, and expense reimbursements, irrespective of whether any of the foregoing would be or is allowed or disallowed in whole or in part in any Insolvency Proceeding.

(viii) In the event of a direct conflict between the priority provisions of this Section 2.4 and any other provision contained in this Agreement or any other Loan Document, it is the intention of the parties hereto that such provisions be read together and construed, to the fullest extent possible, to be in concert with each other. In the event of any actual, irreconcilable conflict that cannot be resolved as aforesaid, if the conflict relates to the provisions of Section 2.3(g) and this Section 2.4 , then the provisions of Section 2.3(g) shall control and govern, and if otherwise, then the terms and provisions of this Section 2.4 shall control and govern.

(c) **Reduction of Commitments** .

(i) **Revolver Commitments** . The Revolver Commitments shall terminate on the Maturity Date. Borrowers may reduce the Revolver Commitments, without premium or penalty, to an amount not less than (other than in connection with the payment in full of the Obligations and the termination of all Commitments) the greater of (i) the sum of (A) the Revolver Usage as of such date, plus (B) the principal amount of all Advances not yet made as to which a request has been given by Borrowers under Section 2.3(a) , plus (C) the amount of all Letters of Credit not yet issued as to which a request has been given by Borrowers pursuant to Section 2.11(a) and (ii) $100,000,000. Each such reduction shall be in an amount which is not less than $5,000,000, shall be made by providing not less than ten (10) Business Days prior written notice to Agent and shall be irrevocable. Once reduced, the Revolver Commitments may not be increased. Each such reduction of the Revolver Commitments shall reduce the Revolver Commitment of each Lender proportionately in accordance with its Pro Rata Share thereof.

(ii) **Term Loan Commitments** . The Term Loan Commitments shall terminate upon the making of the Term Loan.

(d) **Optional Prepayments** .

(i) **Advances** . Borrowers may prepay the principal of any Advance at any time in whole or in part, without premium or penalty.

(ii) **Term Loans.** Borrowers may, upon at least three (3) Business Days prior written notice to Agent, prepay the principal of the Term Loans, in whole or in part; provided , that , the Term Loans shall not be voluntarily prepaid unless, as of the date of such prepayment and after giving effect thereto, (A) no Default or Event of Default shall exist or have occurred and be continuing and (B) Excess Availability shall be not less than twelve and one-half percent (12.5%) of the Maximum Revolver Amount. Each prepayment made pursuant to this Section 2.4(d)(ii) shall be accompanied by the payment of accrued interest to the date of such payment on the amount prepaid. Each such prepayment shall be applied to the installments due under the Term Loans on a pro rata basis so long as no Default or Event of Default shall exist or have occurred and be continuing at such time, and shall otherwise be applied against the remaining installments of principal due on the Term Loans in the inverse order of maturity (for the avoidance of doubt, any amount that is due and payable on the Maturity Date shall constitute an installment). Each such prepayment of a Term Loan shall be in an amount which is not less than $500,000.

(iii) **Order of Prepayments.** Subject to Section 2.4(d)(ii) above, each prepayment made pursuant to this Section 2.4(d) shall be applied first , to the Advances, and second , to the Term Loans **.**

(e) **Mandatory Prepayments** .

(i) **Borrowing Base** . If, at any time, (A) the Revolver Usage on such date exceeds the lesser of the Borrowing Base or the Maximum Revolver Amount (any such excess being referred to as the " Overadvance ") or (B) the aggregate principal amount of Advances based on Real Property Availability exceeds the then applicable Real Property Availability, in each case, then Borrowers shall, within one (1) Business Day, prepay the Obligations in accordance with Section 2.4(f) in an aggregate amount equal to any such excess, as applicable, except as otherwise provided with respect to any Protective Advance or Overadvance by Agent made in accordance with Section 2.3(d) . Notwithstanding anything to the contrary set forth in this Agreement or any of the other Loan Documents, Borrower Agent and the other Borrowers shall not request, and Agent and Lenders shall not be required to make or provide, Advances or Letters of Credit, at any time that there exists an Overadvance.

(ii) **Dispositions** . Within one (1) Business Day of the date of receipt by any Loan Party of the Net Cash Proceeds in excess of $100,000 in the aggregate during the term of this Agreement (or all such proceeds at any time while an Event of Default exists) of any voluntary or involuntary sale or disposition by any Loan Party of assets (including casualty losses or condemnations but excluding sales or dispositions which qualify as Permitted Dispositions under clauses (a), (b), (c), (d), or (g) of the definition of Permitted Dispositions), such Borrower shall prepay the outstanding principal amount of the Obligations in accordance with Section 2.4(f) in an amount equal to one hundred percent (100%) of such Net Cash Proceeds (including condemnation awards and payments in lieu thereof) received by such Person in connection with such sales or dispositions; provided , that , (A) on the date of any such sale or other disposition arising from casualty losses or condemnation proceedings and after giving effect thereto, no Default or Event of Default exists or shall have occurred and be continuing, (B) such Borrower shall have given Agent prior written notice of such Borrower's intention to apply such monies to the costs of replacement of the properties or assets that are the subject of such sale or disposition arising from casualty losses or condemnation proceedings or the cost of purchase or construction of other assets useful in the business of such Borrower or its Subsidiaries, (C) the monies are held in a Deposit Account in which Agent has a perfected first-

priority security interest, and (D) such Borrower or its Subsidiaries, as applicable, complete such replacement, purchase, or construction within one hundred eighty (180) days after the initial receipt of such monies, then the Loan Party whose assets were the subject of such disposition arising from casualty losses or condemnation proceedings shall have the option to apply such monies to the costs of replacement of the assets that are the subject of such sale or disposition or the costs of purchase or construction of other assets useful in the business of such Loan Party unless and to the extent that such applicable period shall have expired without such replacement, purchase, or construction being made or completed, in which case, any amounts remaining in the Deposit Account referred to in clause (C) above shall be paid to Agent and applied in accordance with Section 2.4(f)(ii) ; provided , that , no Loan Party nor any of its Subsidiaries shall have the right to use such Net Cash Proceeds to make such replacements, purchases, or construction in excess of $2,000,000 in any given fiscal year. Nothing contained in this Section 2.4(e)(ii) shall permit any Loan Party to sell or otherwise dispose of any assets other than in accordance with Section 6.4 .

(iii) **Extraordinary Receipts** . At any time during a Cash Dominion Event, within one (1) Business Day of the date of receipt by any Loan Party of any Extraordinary Receipts, Borrowers shall prepay the outstanding principal amount of the Obligations in accordance with Section 2.4(f) in an amount equal to one hundred percent (100%) of such Extraordinary Receipts, net of any reasonable expenses incurred in collecting such Extraordinary Receipts.

(iv) **Indebtedness** . At any time during a Cash Dominion Event, within one (1) Business Day of the date of incurrence by any Loan Party of any Indebtedness (other than Capital Lease Obligations), Borrowers shall prepay the outstanding principal amount of the Obligations in accordance with Section 2.4(f) in an amount equal to one hundred percent (100%) of the Net Cash Proceeds received by such Person in connection with such incurrence. The provisions of this Section 2.4(e)(iv) shall not be deemed to be consent to any such incurrence otherwise prohibited by the terms and conditions of this Agreement.

(v) **Equity** . At any time during a Cash Dominion Event, within (1) Business Day of the date of the issuance by any Loan Party of any shares of its or their Stock or of the receipt by any Loan Party of any capital contribution, such Borrower shall prepay the outstanding principal amount of the Obligations in accordance with Section 2.4(f) in an amount equal to one hundred percent (100%) of the Net Cash Proceeds received by such Person in connection with such issuance or such capital contribution (other than (A) in the event that such Borrower or any its Subsidiaries forms any Subsidiary in accordance with the terms hereof, the issuance by such Subsidiary of Stock to such Borrowers or any of its Subsidiaries, as applicable, (B) the issuance of Stock of Parent to directors, officers and employees of Parent pursuant to employee stock option plans (or other employee incentive plans or other compensation arrangements) approved by the Board of Directors, and (C) the issuance of Stock of Parent in order to finance the purchase consideration (or a portion thereof) in connection with a Permitted Acquisition). The provisions of this Section 2.4(e)(v) shall not be deemed to be implied consent to any such issuance or capital contribution otherwise prohibited by the terms and conditions of this Agreement.

(f) **Application of Payments**

. Subject to Sections 2.4(b)(iii) and (iv), each prepayment pursuant to Section 2.4(e)(i) through (v) shall, (i) so long as no Application Event shall have occurred and be continuing, be applied, first , to the outstanding principal amount of the Advances until paid in full (without a permanent reduction in the Lenders' commitment to lend or extend credit under this Agreement), second , only if an Event of Default exists, to cash collateralize the Letters of Credit in an amount equal to one hundred five percent (105%) of the then outstanding Letter of Credit Usage, and third , to the outstanding principal amount of the Term Loans until paid in full to be applied against the remaining installments of principal due on the Term Loans in the inverse order of maturity, provided , that , in the case of prepayments pursuant to Sections 2.4(e)(ii) (with respect to Net Cash Proceeds arising from casualty losses or condemnation proceedings), (e)(iv) and (e)(v) above, the Borrower Agent may, at its option, upon prior written notice to Agent, have such prepayments applied to the Term Loans as provided in " third " above prior to being applied in the manner as set forth in Section 2.4(b)(iii) , and (ii) if an Application Event shall have occurred and be continuing, be applied in the manner set forth in Section 2.4(b)(ii) .

5. **Intentionally Omitted.**

6. **Interest Rates and Letter of Credit Fee: Rates, Payments, and Calculations.**

(a) **Interest Rates** . Except as provided in Section 2.6(c) , all Obligations (except for undrawn Letters of Credit) that have been charged to the Loan Account pursuant to the terms hereof shall bear interest on the Daily Balance thereof as follows:

(i) if the relevant Obligation is a LIBOR Rate Loan, at a per annum rate equal to the LIBOR Rate plus the Applicable Margin for such LIBOR Rate Loans, and

(ii) otherwise, at a per annum rate equal to the Base Rate plus the Applicable Margin for such Base Rate Loans.

(b) **Letter of Credit Fee** . Borrowers shall pay Agent (for the ratable benefit of the Revolving Lenders, subject to any agreements between Agent and individual Revolving Lenders), a Letter of Credit fee (in addition to the charges, commissions, fees, and costs set forth in Section 2.11(e)) which shall accrue at a per annum rate equal to the Applicable Margin for LIBOR Rate Loans times the Daily Balance of the undrawn amount of all outstanding Letters of Credit.

(c) **Default Rate** . Upon the occurrence and during the continuation of an Event of Default,

(i) all Obligations (except for undrawn Letters of Credit) that have been charged to the Loan Account pursuant to the terms hereof shall, upon two (2) Business Days' prior written notice by Agent to Borrower Agent, bear interest on the Daily Balance thereof at a per annum rate equal to two (2) percentage points above the per annum rate otherwise applicable thereunder, and

(ii) the Letter of Credit fee provided for in Section 2.6(b) shall, upon two (2) Business Days' prior written notice by Agent to Borrower Agent, be increased to two (2) percentage points above the per annum rate otherwise applicable hereunder.

(d) **Payment** . Except to the extent provided to the contrary in Section 2.10 or Section 2.12(a) , all interest, all Letter of Credit fees, all usage charges, all other fees payable hereunder or under any of the other Loan Documents, and all costs, expenses, and Lender Group Expenses payable hereunder or under any of the other Loan Documents shall be due and payable, in arrears, on the first day of each month at any time that Obligations or Commitments are outstanding. Each Borrower hereby authorizes Agent, from time to time without prior notice to such Borrower, to charge all interest, Letter of Credit fees, and all other fees payable hereunder or under any of the other Loan Documents (in each case, as and when due and payable), all costs, expenses, and Lender Group Expenses payable hereunder or under any of the other Loan Documents (in each case, as and when incurred), all charges, commissions, fees, and costs provided for in Section 2.11(g) (as and when accrued or incurred and due and payable), all fees and costs provided for in Section 2.10 (as and when accrued or incurred and due and payable), and all other payments as and when due and payable under any Loan Document or any Bank Product Agreement (including any amounts due and payable to the Bank Product Providers in respect of Bank Products) to the Loan Account, which amounts thereafter shall constitute Advances hereunder and shall accrue interest at the rate then applicable to Advances that are Base Rate Loans. Any interest, fees, costs, expenses, Lender Group Expenses, or other amounts payable hereunder or under any other Loan Document or under any Bank Product Agreement that are charged to the Loan Account shall thereafter constitute Advances hereunder and shall initially accrue interest at the rate then applicable to Advances that are Base Rate Loans (unless and until converted into LIBOR Rate Loans in accordance with the terms of this Agreement).

(e) **Computation** . All interest and fees chargeable under the Loan Documents shall be computed on the basis of a three hundred sixty (360) day year (or three hundred sixty-five (365) or three hundred sixty-six (366) days, in the case of Advances for which the Base Rate is used), in each case, for the actual number of days elapsed in the period during which the interest or fees accrue. In the event the Base Rate is changed from time to time hereafter, the rates of interest hereunder based upon the Base Rate automatically and immediately shall be increased or decreased by an amount equal to such change in the Base Rate.

(f) **Intent to Limit Charges to Maximum Lawful Rate** . In no event shall the interest rate or rates payable under this Agreement, plus any other amounts paid in connection herewith, exceed the highest rate permissible under any law that a court of competent jurisdiction shall, in a final determination, deem applicable. Each Borrower and the Lender Group, in executing and delivering this Agreement, intend legally to agree upon the rate or rates of interest and manner of payment stated within it; provided , that , anything contained herein to the contrary notwithstanding, if said rate or rates of interest or manner of payment exceeds the maximum allowable under applicable law, then, *ipso facto* , as of the date of this Agreement, Borrowers are and shall be liable only for the payment of such maximum as allowed by law, and payment received from Borrowers in excess of such legal

maximum, whenever received, shall be applied to reduce the principal balance of the Obligations to the extent of such excess.

7. **Crediting Payments**

. The receipt of any payment item by Agent shall not be considered a payment on account unless such payment item is a wire transfer of immediately available federal funds made to the Agent Payment Account or unless and until such payment item is honored when presented for payment. Should any payment item not be honored when presented for payment, then Borrowers shall be deemed not to have made such payment and interest shall be calculated accordingly. Anything to the contrary contained herein notwithstanding, any payment item shall be deemed received by Agent only if it is received into the Agent Payment Account on a Business Day on or before 2:00 p.m. (Eastern time). If any payment item is received into the Agent Payment Account on a non-Business Day or after 12:00 noon (Eastern time) on a Business Day, it shall be deemed to have been received by Agent as of the opening of business on the immediately following Business Day.

8. **Designated Account**

. Agent is authorized to make the Advances, and Issuing Lender is authorized to issue the Letters of Credit, under this Agreement based upon telephonic or other instructions received from anyone purporting to be an Authorized Person or, without instructions, if pursuant to Section 2.6(d) . Borrowers agree to establish and maintain the Designated Account with the Designated Account Bank for the purpose of receiving the proceeds of the Advances requested by Borrowers and made by Agent or the Lenders hereunder. Unless otherwise agreed by Agent and Borrowers, any Advance or Swing Loan requested by Borrowers and made by Agent or the Lenders hereunder shall be made to the Designated Account.

9. **Maintenance of Loan Account; Statements of Obligations**

. Agent shall maintain an account on its books in the name of Borrowers (the " Loan Account ") on which Borrowers will be charged with all Term Loans and Advances (including Protective Advances and Swing Loans) made by Agent, Swing Lender, or the Lenders to Borrowers or for Borrowers' account, the Letters of Credit issued or arranged by Issuing Lender for Borrowers' account, and with all other payment Obligations hereunder or under the other Loan Documents, including, accrued interest, fees and expenses, and Lender Group Expenses. In accordance with Section 2.7 , the Loan Account will be credited with all payments received by Agent from Borrowers or for any Borrower's account. Agent shall render monthly statements regarding the Loan Account to Borrowers, including principal, interest, fees, and including an itemization of all charges and expenses constituting Lender Group Expenses owing, and such statements, absent manifest error, shall be conclusively presumed to be correct and accurate and constitute an account stated between Borrowers and the Lender Group unless, within thirty (30) days after receipt thereof by Borrowers, Borrowers shall deliver to Agent written objection thereto describing the error or errors contained in any such statements.

10. **Fees.**

(a) Borrowers shall pay to Agent, for the account of Agent, as and when due and payable under the terms of the Fee Letter, the fees set forth in the Fee Letter.

(b) Borrowers shall pay to Agent, for the account of Revolving Lenders, a monthly unused line fee payable in arrears on the first day of each month from and after the Closing Date up to the first day of the month prior to the Payoff Date and on the Payoff Date, in an amount equal to, commencing on the Closing Date and ending on August 31, 2017, one-half of one percent (0.50%) per annum times the result of (i) the aggregate amount of the Revolver Commitments, less (ii) the average Daily Balance of the Revolver Usage during the immediately preceding month (or portion thereof), which rate shall be adjusted thereafter as of the first day of each fiscal quarter to an amount equal to (A) one half of one percent (0.50%) per annum if the average Daily Balance of the Revolver Usage in any month during the immediately preceding fiscal quarter was less than forty percent (40%) of the Maximum Revolver Amount and (ii) three hundred and seventy-five one-thousandths of one percent (0.375%) per annum if the average Daily Balance of the Revolver Usage in any month during the immediately preceding fiscal quarter was equal to or greater than forty percent (40%) of the Maximum Revolver Amount. For purposes of the calculation of the unused line fee, the Revolver Usage shall include the amount of the Orange County IRB Reserve. Swing Loans shall not be considered in the calculation of the unused line fee.

(c) Borrowers shall pay to Agent, for the account of Revolving Lenders, a monthly fee payable in arrears on the first day of each month, which shall accrue at a per annum rate equal to two percent (2%) times the amount of the Orange County IRB Reserve then in effect.

11. **Letters of Credit.**

(a) Subject to the terms and conditions of this Agreement, upon the request of Borrower Agent made in accordance herewith, the Issuing Lender agrees to issue, or to cause an Underlying Issuer (including, as Issuing Lender's agent) to issue, a requested Letter of Credit. Issuing Lender shall not, and shall be under no obligation to, issue or cause to be issued any Letter of Credit if any of the conditions set forth in Section 3.2 herein will not be satisfied immediately prior to, or immediately after giving effect to, the issuance of such Letter of Credit. If Issuing Lender, at its option, elects to cause an Underlying Issuer to issue a requested Letter of Credit, then Issuing Lender agrees that it will enter into arrangements relative to the reimbursement of such Underlying Issuer (which may include, among, other means, by becoming an applicant with respect to such Letter of Credit or entering into undertakings which provide for reimbursements of such Underlying Issuer with respect to such Letter of Credit; each such obligation or undertaking, irrespective of whether in writing, a " Reimbursement Undertaking ") with respect to Letters of Credit issued by such Underlying Issuer. By submitting a request to Issuing Lender for the issuance of a Letter of Credit, Borrowers shall be deemed to have requested that Issuing Lender issue or that an Underlying Issuer issue the requested Letter of Credit and to have requested Issuing Lender to issue a Reimbursement Undertaking with respect to such requested Letter of Credit if it is to be issued by an Underlying Issuer (it being expressly acknowledged and agreed by each Borrower that Borrowers are and shall be deemed to be applicants (within the meaning of Section 5-102(a)(2) of the Code) with respect to each Underlying Letter of Credit). Each request for the issuance of a Letter of Credit, or the amendment, renewal, or extension of any outstanding Letter of Credit, shall be made in writing by an Authorized Person and delivered to the Issuing Lender via hand delivery, telefacsimile, or other electronic method of transmission reasonably in advance of the requested date of issuance, amendment, renewal, or extension. Each such request shall be in form and substance reasonably satisfactory to the Issuing Lender and shall specify (i) the amount of such Letter of Credit, (ii) the date of issuance, amendment, renewal, or extension of such Letter of Credit, (iii) the expiration date of such Letter of Credit (which shall not be later than the date that is five (5) Business Days prior to the Maturity Date), (iv) the name and address of the beneficiary of the Letter of Credit, and (v) such other information (including, in the case of an amendment, renewal, or extension, identification of the Letter of Credit to be so amended, renewed, or extended) as shall be necessary to prepare, amend, renew, or extend such Letter of Credit. Anything contained herein to the contrary notwithstanding, the Issuing Lender may, but shall not be obligated to, issue or cause the issuance of a Letter of Credit or to issue a Reimbursement Undertaking in respect of an Underlying Letter of Credit, in either case, that supports the obligations of a Loan Party (A) in respect of a lease of Real Property or an employment contract, (1) in the case of a Letter of Credit in connection with such a lease, with a face amount in excess of the amount equal to (x) the amount of rent under such lease, without acceleration, for the greater of one year or fifteen percent (15%), not to exceed three (3) years, of the remaining term of such lease minus (y) the amount of any cash or other collateral to secure the obligations of a Loan Party in respect of such lease and (2) in the case of a Letter of Credit in connection with an employment contract, with a face amount in excess of the compensation provided by such contract, without acceleration, for a one year period, or (B) at any time that one or more of the Lenders is a Defaulting Lender.

(b) The Issuing Lender shall have no obligation to issue a Letter of Credit or a Reimbursement Undertaking in respect of an Underlying Letter of Credit, in either case, if any of the following would result after giving effect to the requested issuance:

(i) the Letter of Credit Usage (including Swing Loans) would exceed the Borrowing Base less the outstanding amount of Advances (including Swing Loans), or

(ii) the Letter of Credit Usage would exceed $15,000,000, or

(iii) the Letter of Credit Usage would exceed the Maximum Revolver Amount less the outstanding amount of Advances (including Swing Loans).

(c) Borrowers and the Lender Group hereby acknowledge and agree that all Existing Letters of Credit shall constitute Letters of Credit under this Agreement on and after the Closing Date with the same effect as if such Existing Letters of Credit were issued by Issuing Lender or an Underlying Issuer at the request of Borrowers on the Closing Date. Each Letter of Credit shall be in form and substance reasonably acceptable to the Issuing Lender, including the requirement that the amounts payable thereunder must be payable in Dollars. If Issuing

Lender makes a payment under a Letter of Credit or an Underlying Issuer makes a payment under an Underlying Letter of Credit, Borrowers shall pay to Agent an amount equal to the applicable Letter of Credit Disbursement on the date such Letter of Credit Disbursement is made and, in the absence of such payment, the amount of the Letter of Credit Disbursement immediately and automatically shall be deemed to be an Advance hereunder and, initially, shall bear interest at the rate then applicable to Advances that are Base Rate Loans. If a Letter of Credit Disbursement is deemed to be an Advance hereunder, Borrowers' obligation to pay the amount of such Letter of Credit Disbursement to Issuing Lender shall be discharged and replaced by the resulting Advance. Promptly following receipt by Agent of any payment from Borrowers pursuant to this paragraph, Agent shall distribute such payment to the Issuing Lender or, to the extent that Lenders have made payments pursuant to Section 2.11(d) to reimburse the Issuing Lender, then to such Lenders and the Issuing Lender as their interests may appear.

(d) Promptly following receipt of a notice of a Letter of Credit Disbursement pursuant to Section 2.11(a) , each Revolving Lender agrees to fund its Pro Rata Share of any Advance deemed made pursuant to Section 2.11(a) on the same terms and conditions as if Borrowers had requested the amount thereof as an Advance and Agent shall promptly pay to Issuing Lender the amounts so received by it from the Revolving Lenders. By the issuance of a Letter of Credit or a Reimbursement Undertaking (or an amendment to a Letter of Credit or a Reimbursement Undertaking increasing the amount thereof) and without any further action on the part of the Issuing Lender or the Revolving Lenders, the Issuing Lender shall be deemed to have granted to each Revolving Lender, and each Revolving Lender shall be deemed to have purchased, a participation in each Letter of Credit issued by Issuing Lender and each Reimbursement Undertaking, in an amount equal to its Pro Rata Share of such Letter of Credit or Reimbursement Undertaking, and each such Revolving Lender agrees to pay to Agent, for the account of the Issuing Lender, such Revolving Lender's Pro Rata Share of any Letter of Credit Disbursement made by Issuing Lender or an Underlying Issuer under the applicable Letter of Credit. In consideration and in furtherance of the foregoing, each Revolving Lender hereby absolutely and unconditionally agrees to pay to Agent, for the account of the Issuing Lender, such Revolving Lender's Pro Rata Share of each Letter of Credit Disbursement made by Issuing Lender or an Underlying Issuer and not reimbursed by Borrowers on the date due as provided in Section 2.11(a) , or of any reimbursement payment required to be refunded to Borrowers for any reason. Each Revolving Lender acknowledges and agrees that its obligation to deliver to Agent, for the account of the Issuing Lender, an amount equal to its respective Pro Rata Share of each Letter of Credit Disbursement pursuant to this Section 2.11(d) shall be absolute and unconditional and such remittance shall be made notwithstanding the occurrence or continuation of an Event of Default or Default or the failure to satisfy any condition set forth in Section 3 . If any such Revolving Lender fails to make available to Agent the amount of such Revolving Lender's Pro Rata Share of a Letter of Credit Disbursement as provided in this Section, such Revolving Lender shall be deemed to be a Defaulting Lender and Agent (for the account of the Issuing Lender) shall be entitled to recover such amount on demand from such Revolving Lender together with interest thereon at the Defaulting Lender Rate until paid in full.

(e) Each Borrower hereby agrees to indemnify, save, defend, and hold the Lender Group and each Underlying Issuer harmless from any damage, loss, cost, expense, or liability (other than Taxes, which shall be governed by Section 16), and reasonable attorneys fees incurred by Issuing Lender, any other member of the Lender Group, or any Underlying Issuer arising out of or in connection with any Reimbursement Undertaking or any Letter of Credit; provided , that , no Borrower shall be obligated hereunder to indemnify for any loss, cost, expense, or liability that a court of competent jurisdiction finally determines to have resulted from the gross negligence or willful misconduct of the Issuing Lender, any other member of the Lender Group, or any Underlying Issuer. Each Borrower agrees to be bound by the Underlying Issuer's regulations and interpretations of any Letter of Credit or by Issuing Lender's interpretations of any Reimbursement Undertaking even though this interpretation may be different from such Borrower's own, and each Borrower understands and agrees that none of the Issuing Lender, the Lender Group, or any Underlying Issuer shall be liable for any error, negligence, or mistake, whether of omission or commission (except to the extent caused by the gross negligence or willful misconduct of the Issuing Lender, any other member of the Lender Group or any Underlying Issuer as determined pursuant to a final, non-appealable order of a court of competent jurisdiction), in following any Borrower's instructions or those contained in the Letter of Credit or any modifications, amendments, or supplements thereto. Each Borrower understands that the Reimbursement Undertakings may require Issuing Lender to indemnify the Underlying Issuer for certain costs or liabilities arising out of claims by a Borrower against such Underlying Issuer. Each Borrower hereby agrees to indemnify, save, defend, and hold Issuing Lender and the other members of the Lender Group harmless with respect to any loss, cost, expense (including reasonable attorneys fees), or liability (other than Taxes, which shall be

governed by Section 16) incurred by them as a result of the Issuing Lender's indemnification of an Underlying Issuer; provided , that , no Borrower shall be obligated hereunder to indemnify for any such loss, cost, expense, or liability to the extent that it is caused by the gross negligence or willful misconduct of the Issuing Lender or any other member of the Lender Group as determined pursuant to a final, non-appealable order of a court of competent jurisdiction. Each Borrower hereby acknowledges and agrees that none of the Issuing Lender, any other member of the Lender Group, or any Underlying Issuer shall be responsible for delays, errors, or omissions resulting from the malfunction of equipment in connection with any Letter of Credit.

(f) Each Borrower hereby authorizes and directs any Underlying Issuer to deliver to the Issuing Lender all instruments, documents, and other writings and property received by such Underlying Issuer pursuant to such Underlying Letter of Credit and to accept and rely upon the Issuing Lender's instructions with respect to all matters arising in connection with such Underlying Letter of Credit and the related application.

(g) Any and all customary issuance charges, commissions, fees, and costs incurred by the Issuing Lender relating to Underlying Letters of Credit shall be Lender Group Expenses for purposes of this Agreement and shall be reimbursable immediately (but, in any event, paid by Borrowers not later than within one (1) Business Day of the incurrence of such Lender Group Expenses) by Borrowers to Agent for the account of the Issuing Lender. The parties hereto acknowledge and agree that the usage charge imposed by the Underlying Issuer is twenty-five one-hundredths percent (.25%) per annum times the undrawn amount of each Underlying Letter of Credit (payable in accordance with Section 2.6(d) hereof) and that the Underlying Issuer also imposes a schedule of charges for amendments, extensions, drawings, and renewals.

(h) If by reason of (i) any change after the Closing Date in any applicable law, treaty, rule, or regulation or any change in the interpretation or application thereof by any Governmental Authority, or (ii) compliance by the Issuing Lender, any other member of the Lender Group, or Underlying Issuer with any direction, request, or requirement (irrespective of whether having the force of law) of any Governmental Authority or monetary authority after the Closing Date including, Regulation D of the Federal Reserve Board as from time to time in effect (and any successor thereto):

(i) any reserve, deposit, or similar requirement is or shall be imposed or modified in respect of any Letter of Credit issued or caused to be issued hereunder or hereby, or

(ii) there shall be imposed on the Issuing Lender, any other member of the Lender Group, or Underlying Issuer any other condition regarding any Letter of Credit or Reimbursement Undertaking,

and the result of the foregoing is to increase, directly or indirectly, the cost to the Issuing Lender, any other member of the Lender Group, or an Underlying Issuer of issuing, making, guaranteeing, or maintaining any Reimbursement Undertaking or Letter of Credit or to reduce the amount receivable in respect thereof, then, and in any such case, Agent may, at any time within a reasonable period after the additional cost is incurred or the amount received is reduced, notify Borrower Agent, and Borrowers shall pay within thirty (30) days after demand therefor, such amounts as Agent may specify to be necessary to compensate the Issuing Lender, any other member of the Lender Group, or an Underlying Issuer for such additional cost or reduced receipt, together with interest on such amount from the date of such demand until payment in full thereof at the rate then applicable to Base Rate Loans hereunder; provided , that , (A) no Borrower shall be required to provide any compensation pursuant to this Section 2.11(h) for any such amounts incurred more than one hundred eighty (180) days prior to the date on which the demand for payment of such amounts is first made to Borrowers and (B) if an event or circumstance giving rise to such amounts is retroactive, then the one hundred eighty (180) day period referred to above shall be extended to include the period of retroactive effect thereof. The determination by Agent of any amount due pursuant to this Section 2.11(f) , as set forth in a certificate setting forth the calculation thereof in reasonable detail, shall, in the absence of manifest or demonstrable error, be final and conclusive and binding on all of the parties hereto.

12. **LIBOR Option.**

(a) **Interest and Interest Payment Dates** . In lieu of having interest charged at the rate based upon the Base Rate, Borrowers shall have the option, subject to Section 2.12(b) below (the " LIBOR Option ") to have interest on all or a portion of the Advances be charged (whether at the time when made (unless otherwise provided herein), upon conversion from a Base Rate Loan to a LIBOR Rate Loan, or upon continuation of a LIBOR Rate Loan as a LIBOR Rate Loan) at a rate of interest based upon the LIBOR Rate. Interest on LIBOR Rate Loans shall be payable on the earliest of (i) the last day of the Interest Period applicable thereto; provided , that , subject to the following clauses (ii) and (iii), in the case of any Interest Period greater than three (3) months in duration,

interest shall be payable at three (3) month intervals after the commencement of the applicable Interest Period and on the last day of such Interest Period); (ii) the date on which all or any portion of the Obligations are accelerated pursuant to the terms hereof, or (iii) the date on which this Agreement is terminated pursuant to the terms hereof. On the last day of each applicable Interest Period, unless Borrowers have properly exercised the LIBOR Option with respect thereto, the interest rate applicable to such LIBOR Rate Loan automatically shall convert to the rate of interest then applicable to Base Rate Loans of the same type hereunder. At any time that an Event of Default has occurred and is continuing, Borrowers no longer shall have the option to request that Advances bear interest at a rate based upon the LIBOR Rate.

(b) **LIBOR Election** .

(i) Borrowers may, at any time and from time to time, so long as Borrower Agent has not received a notice from Agent, after the occurrence and during the continuance of an Event of Default, of the election of the Required Lenders to terminate the right of Borrowers to exercise the LIBOR Option during the continuance of such Event of Default, elect to exercise the LIBOR Option by notifying Agent prior to 11:00 a.m. (Eastern time) at least three (3) Business Days prior to the commencement of the proposed Interest Period (the " LIBOR Deadline "). Notice of Borrowers' election of the LIBOR Option for a permitted portion of the Advances and an Interest Period pursuant to this Section shall be made by delivery to Agent of a LIBOR Notice received by Agent before the LIBOR Deadline, or by telephonic notice received by Agent before the LIBOR Deadline (to be confirmed by delivery to Agent of a LIBOR Notice received by Agent prior to 5:00 p.m. (Eastern time) on the same day). Promptly upon its receipt of each such LIBOR Notice, Agent shall provide a copy thereof to each of the affected Lenders.

(ii) Each LIBOR Notice shall be irrevocable and binding on each Borrower. In connection with each LIBOR Rate Loan, each Borrower shall indemnify, defend, and hold Agent and the Lenders harmless against any loss, cost, or expense actually incurred by Agent or any Lender as a result of (A) the payment of any principal of any LIBOR Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (B) the conversion of any LIBOR Rate Loan other than on the last day of the Interest Period applicable thereto, or (C) the failure to borrow, convert, continue or prepay any LIBOR Rate Loan on the date specified in any LIBOR Notice delivered pursuant hereto (such losses, costs, or expenses, " Funding Losses "); provided , that , two (2) times in any calendar year, to the extent any of such events described in clauses (A), (B) or (C) shall occur, Borrowers shall not be required to indemnify Agent and Lenders for any loss, cost or expense as a result thereof. A certificate of Agent or a Lender delivered to Borrowers setting forth in reasonable detail any amount or amounts that Agent or such Lender is entitled to receive pursuant to this Section 2.12 shall be conclusive absent manifest error. Borrowers shall pay such amount to Agent or the Lender, as applicable, within thirty (30) days of the date of its receipt of such certificate. If a payment of a LIBOR Rate Loan on a day other than the last day of the applicable Interest Period would result in a Funding Loss, Agent may, in its discretion at the request of Borrowers, hold the amount of such payment as cash collateral in support of the Obligations until the last day of such Interest Period and apply such amounts to the payment of the applicable LIBOR Rate Loan on such last day, it being agreed that Agent has no obligation to so defer the application of payments to any LIBOR Rate Loan and that, in the event that Agent does not defer such application, Borrowers shall be obligated to pay any resulting Funding Losses.

(iii) Borrowers shall have not more than seven (7) LIBOR Rate Loans in effect at any given time. Borrowers only may exercise the LIBOR Option for proposed LIBOR Rate Loans of at least $1,000,000.

(c) **Conversion** . Borrowers may convert LIBOR Rate Loans to Base Rate Loans at any time; provided , that , in the event that LIBOR Rate Loans are converted or prepaid on any date that is not the last day of the Interest Period applicable thereto, including as a result of any automatic prepayment through the required application by Agent of proceeds of Borrowers' and their Subsidiaries' Collections in accordance with Section 2.4(b) or for any other reason, including early termination of the term of this Agreement or acceleration of all or any portion of the Obligations pursuant to the terms hereof, each Borrower shall indemnify, defend, and hold Agent and the Lenders and their Participants harmless against any and all Funding Losses subject to and in accordance with Section 2.12 (b)(ii) .

(d) **Special Provisions Applicable to LIBOR Rate** .

(i) The LIBOR Rate may be adjusted by Agent with respect to any Lender on a prospective basis to take into account any additional or increased costs to such Lender of maintaining or obtaining any eurodollar deposits or increased costs, in each case, due to changes in applicable law (other than changes in laws

relative to Taxes, which shall be governed by Section 16) occurring subsequent to the commencement of the then applicable Interest Period, including changes in tax laws (except changes of general applicability in corporate income tax laws and changes in laws relative to Taxes, which shall be governed by Section 16) and changes in the reserve requirements after the Closing Date imposed by the Board of Governors of the Federal Reserve System (or any successor), which additional or increased costs would increase the cost of funding or maintaining loans bearing interest at the LIBOR Rate. In any such event, the affected Lender shall give Borrowers and Agent notice of such a determination and adjustment and Agent promptly shall transmit the notice to each other Lender and, upon its receipt of the notice from the affected Lender, Borrowers may, by notice to such affected Lender (A) require such Lender to furnish to Borrowers a statement setting forth the basis for adjusting such LIBOR Rate and the method for determining the amount of such adjustment, or (B) repay the LIBOR Rate Loans with respect to which such adjustment is made (together with any amounts due under Section 2.12(b)(ii)).

(ii) In the event that any change after the Closing Date in market conditions or any law, regulation, treaty, or directive, or any change therein or in the interpretation or application thereof, shall at any time after the date hereof, in the reasonable opinion of any Lender, make it unlawful or impractical for such Lender to fund or maintain LIBOR Rate Loans or to continue such funding or maintaining, or to determine or charge interest rates at the LIBOR Rate, such Lender shall give notice of such changed circumstances to Agent and Borrowers and Agent promptly shall transmit the notice to each other Lender and (A) in the case of any LIBOR Rate Loans of such Lender that are outstanding, the date specified in such Lender's notice shall be deemed to be the last day of the Interest Period of such LIBOR Rate Loans, and interest upon the LIBOR Rate Loans of such Lender thereafter shall accrue interest at the rate then applicable to Base Rate Loans, and (B) Borrowers shall not be entitled to elect the LIBOR Option until such Lender determines that it would no longer be unlawful or impractical to do so.

(iii) For purposes of this Section 2.12(d) , the Dodd-Frank Wall Street Reform and Consumer Protection Act and all rules, regulations, orders, requests, guidelines or directives in connection therewith are deemed to have been enacted and become effective after the Closing Date.

(e) **No Requirement of Matched Funding** . Anything to the contrary contained herein notwithstanding, neither Agent, nor any Lender, nor any of their Participants, is required actually to acquire eurodollar deposits to fund or otherwise match fund any Obligation as to which interest accrues at the LIBOR Rate.

13. **Capital Requirements.**

(a) If, after the date hereof, any Lender determines that (i) the adoption of or change in any law, rule, regulation or guideline regarding capital, reserve or liquidity requirements for banks or bank holding companies, or any change, after the Closing Date, in the interpretation, implementation, or application thereof by any Governmental Authority charged with the administration thereof, or (ii) compliance by such Lender or its parent bank holding company with any guideline, request or directive of any such entity after the Closing Date regarding capital adequacy or liquidity (whether or not having the force of law), has the effect of reducing the return on such Lender's or such holding company's capital as a consequence of such Lender's Commitments hereunder to a level below that which such Lender or such holding company could have achieved but for such adoption, change, or compliance (taking into consideration such Lender's or such holding company's then existing policies with respect to capital adequacy or liquidity and assuming the full utilization of such entity's capital) by any amount deemed by such Lender to be material, then such Lender may notify Borrower Agent and Agent thereof. Following receipt of such notice, Borrowers agree to pay such Lender on demand the amount of such reduction of return of capital as and when such reduction is determined, payable within thirty (30) days after presentation by such Lender of a statement in the amount and setting forth in reasonable detail such Lender's calculation thereof and the assumptions upon which such calculation was based (which statement shall be deemed true and correct absent manifest error). In determining such amount, such Lender may use any reasonable averaging and attribution methods. Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided , that , (A) no Borrower shall be required to compensate a Lender pursuant to this Section for any reductions in return incurred more than one hundred eighty (180) days prior to the date that such Lender notifies Borrowers of such law, rule, regulation or guideline giving rise to such reductions and of such Lender's intention to claim compensation therefore and (B) that if such claim arises by reason of the adoption of or change in any law, rule, regulation or guideline that is retroactive, then the one hundred eighty (180) day period referred to above shall be extended to include the period of retroactive effect thereof. For purposes of this Section 2.13(a) , the Dodd-Frank Wall Street Reform and

Consumer Protection Act and all rules, regulations, orders, requests, guidelines or directives in connection therewith are deemed to have been enacted and become effective after the Closing Date.

(b) If any Lender requests additional or increased costs referred to in Section 2.12(d)(i) or amounts under Section 2.13(a) or sends a notice under Section 2.12(d)(ii) relative to changed circumstances (any such Lender, an " Affected Lender "), then such Affected Lender shall use reasonable efforts to promptly designate a different one of its lending offices or to assign its rights and obligations hereunder to another of its offices or branches, if (i) in the reasonable judgment of such Affected Lender, such designation or assignment would eliminate or reduce amounts payable pursuant to Section 2.12(d)(i) or Section 2.13(a) , as applicable, or would eliminate the illegality or impracticality of funding or maintaining LIBOR Rate Loans and (ii) in the reasonable judgment of such Affected Lender, such designation or assignment would not subject it to any material unreimbursed cost or expense and would not otherwise be materially disadvantageous to it. Borrowers agree to pay all reasonable out-of-pocket costs and expenses incurred by such Affected Lender in connection with any such designation or assignment. If, after such reasonable efforts, such Affected Lender does not so designate a different one of its lending offices or assign its rights to another of its offices or branches so as to eliminate Borrowers' obligation to pay any future amounts to such Affected Lender pursuant to Section 2.12(d)(i) or Section 2.13(a) , as applicable, or to enable Borrowers to obtain LIBOR Rate Loans, then Borrowers (without prejudice to any amounts then due to such Affected Lender under Section 2.12(d)(i) or Section 2.13(a) , as applicable) may, unless prior to the effective date of any such assignment the Affected Lender withdraws its request for such additional amounts under Section 2.12(d)(i) or Section 2.13(a) , as applicable, or indicates that it is no longer unlawful or impractical to fund or maintain LIBOR Rate Loans, may seek a substitute Lender for such Lender reasonably acceptable to Agent to purchase the Obligations owed to such Affected Lender and such Affected Lender's Commitments hereunder (a " Replacement Lender "), and if such Replacement Lender agrees to such purchase, such Affected Lender shall assign to the Replacement Lender its Obligations and Commitments, pursuant to an Assignment and Acceptance Agreement, and upon such purchase by the Replacement Lender, such Replacement Lender shall be deemed to be a "Lender" for purposes of this Agreement and such Affected Lender shall cease to be a "Lender" for purposes of this Agreement.

14. **Increase in Maximum Revolver Amount.**

(a) Borrower Agent may, at any time, deliver a written request to Agent to increase the Maximum Revolver Amount. Any such written request shall specify the amount of the increase in the Maximum Revolver Amount that Borrowers are requesting, provided , that , (i) in no event shall the aggregate amount of any such increase cause the Maximum Revolver Amount to exceed $175,000,000, (ii) such request shall be for an increase of not less than $5,000,000, (iii) any such request shall be irrevocable, (iv) in no event shall there be more than one such increase in any calendar quarter, (v) in no event shall there be more than three such increases during the term of this Agreement, (vi) no Default or Event of Default shall exist or have occurred and be continuing and (vii) in no event shall there be any such increase after the date on which the Commitments have been reduced pursuant to Section 2.4(c) of this Agreement.

(b) Upon the receipt by Agent of any such written request, Agent shall notify each of the Lenders of such request and each Lender shall have the option (but not the obligation) to increase the amount of its Commitment by an amount up to its Pro Rata Share of the amount of the increase thereof requested by Borrower Agent as set forth in the notice from Agent to such Lender. Each Lender shall notify Agent within fifteen (15) days after the receipt of such notice from Agent whether it is willing to so increase its Commitment, and if so, the amount of such increase; provided , that , (i) the minimum increase in the Commitments of each such Lender providing the additional Commitments shall equal or exceed $250,000, and (ii) no then-existing Lender shall be obligated to provide such increase in its Commitment and the determination to increase the Commitment of a Lender shall be within the sole and absolute discretion of such Lender. If the aggregate amount of the increases in the Commitments received from the then-existing Lenders does not equal or exceed the amount of the increase in the Maximum Revolver Amount requested by Borrowers, Agent or Borrowers shall seek additional increases from new Lenders or Commitments from such Eligible Transferees reasonably satisfactory to Agent and Borrowers. In the event Lenders (or Lenders and any such Eligible Transferees, as the case may be) have committed in writing to provide increases in their Commitments or new Commitments in an aggregate amount in excess of the increase in the Maximum Revolver Amount requested by Borrower or permitted hereunder, Agent shall then have the right to allocate such commitments, first to Lenders and then to Eligible Transferees, in such amounts and manner as Agent may determine, after consultation with Borrowers. Notwithstanding anything to the contrary contained in this Agreement, if, in connection with arranging for such additional Commitments, Borrowers agree to pay to any such

Lender or Eligible Transferee interest on such additional Commitments at rate that is greater than that paid to the other Lenders, such higher interest rate shall apply to all Lenders on all Commitments.

(c) The Maximum Revolver Amount shall be increased by the amount of the increase in the applicable Revolver Commitments from Revolving Lenders or new Revolver Commitments from Eligible Transferees, in each case selected in accordance with Section 2.14(b) above, for which Agent has received Assignment and Acceptances thirty (30) days after the date of the request by Borrowers for the increase or such earlier date as Agent and Borrowers may agree (but subject to the satisfaction of the conditions set forth below), whether or not the aggregate amount of the increase in Revolver Commitments and new Revolver Commitments, as the case may be, equal or exceed the amount of the increase in the Maximum Revolver Amount requested by Borrower Agent in accordance with the terms hereof, effective on the date that each of the following conditions have been satisfied:

(i) Agent shall have received from each Lender or Eligible Transferee that is providing an additional Revolver Commitment as part of the increase in the Maximum Revolver Amount, an Assignment and Acceptance duly executed by such Lender or Eligible Transferee and Borrower, provided , that , the aggregate Revolver Commitments set forth in such Assignment and Acceptance(s) shall be not less than $1,000,000;

(ii) the conditions precedent to the making of Advances set forth in Section 3.2 shall be satisfied as of the date of the increase in the Maximum Revolver Amount, both before and after giving effect to such increase;

(iii) such increase in the Maximum Revolver Amount, on the date of the effectiveness thereof, shall not violate any applicable law, regulation or order or decree of any court or other Governmental Authority and shall not be enjoined, temporarily, preliminarily or permanently;

(iv) there shall have been paid to each Lender and Eligible Transferee providing an additional Commitment in connection with such increase in the Maximum Revolver Amount all fees and expenses due and payable to such Person on or before the effectiveness of such increase; and

(v) there shall have been paid to Agent, for the account of the Agent and Lenders (in accordance with any agreement among them) all fees and expenses (including reasonable fees and expenses of counsel) due and payable pursuant to any of the Loan Documents on or before the effectiveness of such increase.

(d) As of the effective date of any such increase in the Maximum Revolver Amount, each reference to the term Commitments, Maximum Revolver Amount and Maximum Credit herein, as applicable, and in any of the other Loan Documents shall be deemed amended to mean the amount of the Revolver Commitments, Maximum Revolver Amount and Maximum Credit specified in the most recent written notice from Agent to Borrower Agent of the increase in the Revolver Commitments, Maximum Revolver Amount and Maximum Credit, as applicable.

(e) Effective on the date of each increase in the Maximum Revolver Amount pursuant to this Section 2.14 , each reference in this Agreement to an amount of Excess Availability shall, automatically and without any further action, be deemed to be increased so that the ratio of each amount of Excess Availability to the amount of the Maximum Revolver Amount or Maximum Credit, as applicable, after such increase in the Maximum Revolver Amount and Maximum Credit remains the same as the ratio of such the amount of Maximum Revolver Amount or Excess Availability, as applicable, to the amount of the Maximum Revolver Amount and Maximum Credit prior to such increase in the Maximum Revolver Amount and the Maximum Credit.

15. **Joint and Several Liability of Borrowers.**

(a) Each Borrower is accepting joint and several liability hereunder and under the other Loan Documents in consideration of the financial accommodations to be provided by the Lender Group under this Agreement, for the mutual benefit, directly and indirectly, of each Borrower and in consideration of the undertakings of the other Borrowers to accept joint and several liability for the Obligations.

(b) Each Borrower, jointly and severally, hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Borrowers, with respect to the payment and performance of all of the Obligations (including any Obligations arising under this Section 2.15), it being the intention of the parties hereto that all the Obligations shall be the joint and several obligations of each Borrower without preferences or distinction among them.

(c) If and to the extent that any Borrower shall fail to make any payment with respect to any of the Obligations as and when due or to perform any of the Obligations in accordance with the terms thereof, then in each such event the other Borrowers will make such payment with respect to, or perform, such Obligation until such time as all of the Obligations are paid in full.

(d) The Obligations of each Borrower under the provisions of this Section 2.15 constitute the absolute and unconditional, full recourse Obligations of each Borrower enforceable against each Borrower to the full extent of its properties and assets, irrespective of the validity, regularity or enforceability of the provisions of this Agreement (other than this Section 2.15(d)) or any other circumstances whatsoever.

(e) Except as otherwise expressly provided in this Agreement, each Borrower hereby waives notice of acceptance of its joint and several liability, notice of any Advances or Letters of Credit issued under or pursuant to this Agreement, notice of the occurrence of any Default, Event of Default, or of any demand for any payment under this Agreement, notice of any action at any time taken or omitted by Agent or Lenders under or in respect of any of the Obligations, any requirement of diligence or to mitigate damages and, generally, to the extent permitted by applicable law, all demands, notices and other formalities of every kind in connection with this Agreement (except as otherwise provided in this Agreement). Except as otherwise expressly provided in this Agreement, each Borrower hereby assents to, and waives notice of, any extension or postponement of the time for the payment of any of the Obligations, the acceptance of any payment of any of the Obligations, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by Agent or Lenders at any time or times in respect of any default by any Borrower in the performance or satisfaction of any term, covenant, condition or provision of this Agreement, any and all other indulgences whatsoever by Agent or Lenders in respect of any of the Obligations, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of the Obligations or the addition, substitution or release, in whole or in part, of any Borrower. Without limiting the generality of the foregoing, except as otherwise expressly provided in this Agreement, each Borrower assents to any other action or delay in acting or failure to act on the part of any Agent or Lender with respect to the failure by any Borrower to comply with any of its respective Obligations, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder, which might, but for the provisions of this Section 2.15 afford grounds for terminating, discharging or relieving any Borrower, in whole or in part, from any of its Obligations under this Section 2.15 , it being the intention of each Borrower that, so long as any of the Obligations hereunder remain unsatisfied, the Obligations of each Borrower under this Section 2.15 shall not be discharged except by performance and then only to the extent of such performance. The Obligations of each Borrower under this Section 2.15 shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, reconstruction or similar proceeding with respect to any other Borrower or any Agent or Lender.

(f) Each Borrower represents and warrants to Agent and Lenders that such Borrower is currently informed of the financial condition of Borrowers and of all other circumstances which a diligent inquiry would reveal and which bear upon the risk of nonpayment of the Obligations. Each Borrower further represents and warrants to Agent and Lenders that such Borrower has read and understands the terms and conditions of the Loan Documents. Each Borrower hereby covenants that such Borrower will continue to keep informed of Borrowers' financial condition and of all other circumstances which bear upon the risk of nonpayment or nonperformance of the Obligations.

(g) The provisions of this Section 2.15 are made for the benefit of Agent, each member of the Lender Group, each Bank Product Provider, and their respective successors and assigns, and, subject to Section 9 herein may be enforced by it or them from time to time against any or all Borrowers as often as occasion therefor may arise and without requirement on the part of Agent, any member of the Lender Group, any Bank Product Provider, or any of their successors or assigns first to marshal any of its or their claims or to exercise any of its or their rights against any Borrower or to exhaust any remedies available to it or them against any Borrower or to resort to any other source or means of obtaining payment of any of the Obligations hereunder or to elect any other remedy. The provisions of this Section 2.15 shall remain in effect until all of the Obligations shall have been paid in full or otherwise fully satisfied. If at any time, any payment, or any part thereof, made in respect of any of the Obligations, is rescinded or must otherwise be restored or returned by Agent or any Lender upon the insolvency, bankruptcy or reorganization of any Borrower, or otherwise, the provisions of this Section 2.15 will forthwith be reinstated in effect, as though such payment had not been made.

(h) Each Borrower hereby agrees that it will not enforce any of its rights of contribution or subrogation against any other Borrower with respect to any liability incurred by it hereunder or under any of the other Loan Documents, any payments made by it to Agent or Lenders with respect to any of the Obligations or any collateral security therefor until such time as all of the Obligations have been paid in full in cash. Any claim which any Borrower may have against any other Borrower with respect to any payments to any Agent or any member of

the Lender Group hereunder or under any of the Bank Product Agreements are hereby expressly made subordinate and junior in right of payment, without limitation as to any increases in the Obligations arising hereunder or thereunder, to the prior payment in full in cash of the Obligations and, in the event of any insolvency, bankruptcy, receivership, liquidation, reorganization or other similar proceeding under the laws of any jurisdiction relating to any Borrower, its debts or its assets, whether voluntary or involuntary, all such Obligations shall be paid in full in cash before any payment or distribution of any character, whether in cash, securities or other property, shall be made to any other Borrower therefor.

(i) Each Borrower hereby agrees that after the occurrence and during the continuance of any Default or Event of Default, such Borrower will not demand, sue for or otherwise attempt to collect any Indebtedness of any other Borrower owing to such Borrower until the Obligations shall have been paid in full in cash or otherwise with the consent of Agent. If, notwithstanding the foregoing sentence, such Borrower shall collect, enforce or receive any amounts in respect of such indebtedness, such amounts shall be collected, enforced and received by such Borrower as trustee for Agent, and such Borrower shall deliver any such amounts to Agent for application to the Obligations in accordance with Section 2.4(b) .

3. **CONDITIONS; TERM OF AGREEMENT.**

1. **Conditions Precedent to the Initial Extension of Credit**

. The obligation of each Lender to make its initial extension of credit provided for hereunder is subject to the fulfillment, to the satisfaction of Agent and each Lender, of each of the conditions precedent set forth on Schedule 3.1 (the making of such initial extension of credit by a Lender being conclusively deemed to be its satisfaction or waiver of the conditions precedent).

2. **Conditions Precedent to all Extensions of Credit**

. The obligation of the Lender Group (or any member thereof) to make any Advances hereunder (or to extend any other credit hereunder) at any time shall be subject to the following conditions precedent:

(a) the representations and warranties of the Loan Parties contained in this Agreement or in the other Loan Documents shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date of such extension of credit, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date);

(b) no Default or Event of Default shall have occurred and be continuing on the date of such extension of credit, nor shall either result from the making thereof; and

(c) after giving effect to the requested Advance or other extension of credit hereunder, the Revolver Usage shall not exceed the lesser of the Maximum Revolver Amount or the Borrowing Base as then in effect.

3. **Maturity**

. This Agreement shall continue in full force and effect for a term ending on April 26, 2021 (the " Maturity Date "). The foregoing notwithstanding, the Lender Group, upon the election of the Required Lenders, shall have the right to terminate its obligations under this Agreement immediately and without notice to Borrower Agent or any other Loan Party upon the occurrence and during the continuation of an Event of Default.

4. **Effect of Maturity**

. On the Maturity Date, all commitments of the Lender Group to provide additional credit hereunder shall automatically be terminated and all of the Obligations immediately shall become due and payable without notice or demand and Borrowers shall be required to repay all of the Obligations in full; provided , that , the Borrower Agent may elect, at its option, not to repay the Obligations in respect of the Orange County IRB so long as each of the following conditions is satisfied on the Maturity Date: (a) all of the other Obligations are paid in full, (b) each of the Orange County IRB Documents remain in full force and effect and (c) either (i) Wells Fargo shall have received cash collateral (pursuant to documentation reasonably satisfactory to Wells Fargo) to be held by Wells Fargo in an amount equal to one hundred five percent (105%) of the then outstanding principal amount of the Orange County IRB Bond or (ii) Wells Fargo shall have received a standby letter of credit, in form and substance reasonably satisfactory to Wells Fargo, issued by a commercial bank acceptable to Wells Fargo payable to Wells Fargo as beneficiary in an amount equal to one hundred five percent (105%) of the then outstanding principal amount of the

Orange County IRB Bond. No termination of the obligations of the Lender Group (other than payment in full of the Obligations and termination of the Commitments) shall relieve or discharge any Loan Party of its duties, obligations, or covenants hereunder or under any other Loan Document and Agent's Liens in the Collateral shall continue to secure the Obligations and shall remain in effect until all Obligations have been paid in full and the Commitments have been terminated. When all of the Obligations have been paid in full and the Lender Group's obligations to provide additional credit under the Loan Documents have been terminated irrevocably, Agent will, at Borrowers' sole expense, execute and deliver any termination statements, lien releases, discharges of security interests, and other similar discharge or release documents (and, if applicable, in recordable form) as are reasonably necessary to release, as of record, Agent's Liens and all notices of security interests and liens previously filed by Agent and Loan Parties shall execute and deliver to Agent a general release of Agent and Lenders in form and substance reasonably satisfactory to Agent.

5. **Early Termination by Borrowers**

. Borrowers have the option, at any time upon five (5) Business Days prior written notice to Agent, to terminate this Agreement and terminate the Commitments hereunder by repaying to Agent all of the Obligations in full in cash.

4. **REPRESENTATIONS AND WARRANTIES.**

In order to induce the Lender Group to enter into this Agreement, each Borrower makes the following representations and warranties to the Lender Group for itself and each of the other Loan Parties which shall be true, correct, and complete, in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof), as of the Closing Date, and shall be true, correct, and complete, in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof), as of the date of the making of each Advance (or other extension of credit) made thereafter, as though made on and as of the date of such Advance (or other extension of credit) (except to the extent that such representations and warranties relate solely to an earlier date) and such representations and warranties shall survive the execution and delivery of this Agreement:

1. **Due Organization and Qualification; Subsidiaries.**

(a) Each Loan Party (i) is duly organized and existing and, to the extent applicable, in good standing under the laws of the jurisdiction of its organization, (ii) is qualified to do business in any state where the failure to be so qualified could reasonably be expected to result in a Material Adverse Change, and (iii) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into the Loan Documents to which it is a party and to carry out the transactions contemplated thereby.

(b) Set forth on Schedule 4.1(b) is a complete and accurate description of the authorized capital Stock of each Borrower, by class, and, as of the Closing Date, a description of the number of shares of each such class that are issued and outstanding. Other than as described on Schedule 4.1(b), there are no subscriptions, options, warrants, or calls relating to any shares of any Borrower's capital Stock, including any right of conversion or exchange under any outstanding security or other instrument. No Borrower is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its capital Stock or any security convertible into or exchangeable for any of its capital Stock.

(c) Set forth on Schedule 4.1(c) (as such Schedule may be updated from time to time to reflect changes resulting from transactions permitted under this Agreement), is a complete and accurate list of the Loan Parties' direct and indirect Subsidiaries, showing: (i) the number of shares of each class of common and preferred Stock authorized for each of such Subsidiaries, and (ii) the number and the percentage of the outstanding shares of each such class owned directly or indirectly by such Borrower. All of the outstanding capital Stock of each such Subsidiary has been validly issued and is fully paid and non-assessable.

(d) Except as set forth on Schedule 4.1(c) , there are no subscriptions, options, warrants, or calls relating to any shares of Parent's Subsidiaries' capital Stock, including any right of conversion or exchange under any outstanding security or other instrument. Neither Parent nor any of its Subsidiaries are subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of Parent's Subsidiaries' capital Stock or any security convertible into or exchangeable for any such capital Stock.

2. **Due Authorization; No Conflict.**

(a) As to each Loan Party, the execution, delivery, and performance by such Loan Party of the Loan Documents to which it is a party have been duly authorized by all necessary action on the part of such Loan Party.

(b) As to each Loan Party, the execution, delivery, and performance by such Loan Party of the Loan Documents to which it is a party do not and will not (i) violate any material provision of any material federal, state, or local law or regulation applicable to any Loan Party or its Subsidiaries, the Governing Documents of any Loan Party or its Subsidiaries, or any order, judgment, or decree of any court or other Governmental Authority binding on any Loan Party or its Subsidiaries, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any Material Contract of any Loan Party or its Subsidiaries except to the extent that any such conflict, breach or default could not individually or in the aggregate reasonably be expected to have a Material Adverse Change, (iii) result in or require the creation or imposition of any Lien of any nature whatsoever upon any assets of any Loan Party, other than Permitted Liens, or (iv) require any approval of any holders of any Stock of any Loan Party or any approval or consent of any Person under any Material Contract of any Loan Party, other than consents or approvals that have been obtained and that are still in force and effect and except, in the case of Material Contracts, for consents or approvals, the failure to obtain could not individually or in the aggregate reasonably be expected to cause a Material Adverse Change.

3. **Governmental Consents**

. The execution, delivery, and performance by each Loan Party of the Loan Documents to which such Loan Party is a party and the consummation of the transactions contemplated by the Loan Documents do not and will not require any registration with, consent, or approval of, or notice to, or other action with or by, any Governmental Authority, other than registrations, consents, approvals, notices, or other actions that have been obtained and that are still in force and effect and except for filings and recordings with respect to the Collateral to be made, or otherwise delivered to Agent for filing or recordation, as of the Closing Date.

4. **Binding Obligations; Perfected Liens.**

(a) Each Loan Document has been duly executed and delivered by each Loan Party that is a party thereto and is the legally valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.

(b) Agent's Liens are validly created, perfected (other than (i) in respect of motor vehicles that are subject to a certificate of title and as to which Agent has not caused its Lien to be noted on the applicable certificate of title, and (ii) any Deposit Accounts and Securities Accounts not subject to a Control Agreement as permitted by Section 6.11 , and subject only to the filing of financing statements and the recordation of the Copyright Security Agreement, in each case, in the appropriate filing offices), and first priority Liens, subject only to Permitted Liens which are either permitted purchase money Liens or the interests of lessors under Capital Leases.

5. **Title to Assets; No Encumbrances**

. Each of the Loan Parties has (a) good, sufficient and legal title to (in the case of fee interests in Real Property), (b) valid leasehold interests in (in the case of leasehold interests in real or personal property), and (c) good and marketable title to (in the case of all other personal property), all of their respective assets reflected in their most recent financial statements delivered pursuant to Section 5.1 , in each case except for assets disposed of since the date of such financial statements to the extent permitted hereby. All of such assets are free and clear of Liens except for Permitted Liens.

6. **Jurisdiction of Organization; Location of Chief Executive Office; Organizational Identification Number; Commercial Tort Claims.**

(a) The name of (within the meaning of Section 9-503 of the Code or within the PPSA, as applicable) and jurisdiction of organization of each Loan Party and each of its Subsidiaries is set forth on Schedule 4.6(a) (as such Schedule may be updated from time to time to reflect changes resulting from transactions permitted under this Agreement).

(b) The chief executive office of each Loan Party and each of its Subsidiaries is located at the address indicated on Schedule 4.6(b) (as such Schedule may be updated from time to time to reflect changes resulting from transactions permitted under this Agreement).

(c) Each Loan Party's and each of its Subsidiaries' tax identification numbers and organizational identification numbers, if any, are identified on Schedule 4.6(c) (as such Schedule may be updated from time to time to reflect changes resulting from transactions permitted under this Agreement).

(d) As of the Closing Date, no Loan Party holds any commercial tort claims that exceed $1,000,000 in amount, except as set forth on Schedule 4.6(d) .

7. **Litigation.**

(a) Except as set forth on Schedule 4.7(a) , there are no actions, suits, or proceedings pending or, to the knowledge of Borrowers, after due inquiry, threatened in writing against a Loan Party or any of its Subsidiaries that either individually or in the aggregate could reasonably be expected to result in a Material Adverse Change.

(b) Schedule 4.7(b) sets forth a complete and accurate description, with respect to each of the actions, suits, or proceedings with asserted liabilities in excess of, or that could reasonably be expected to result in liabilities in excess of $2,500,000 that, as of the Closing Date, is pending or, to the knowledge of Borrowers, after due inquiry, threatened against a Loan Party or any of its Subsidiaries, of (i) the parties to such actions, suits, or proceedings, (ii) the nature of the dispute that is the subject of such actions, suits, or proceedings, (iii) the status, as of the Closing Date, with respect to such actions, suits, or proceedings, and (iv) whether any liability of the Loan Parties' and their Subsidiaries in connection with such actions, suits, or proceedings is covered by insurance.

8. **Compliance with Laws**

. No Loan Party nor any of its Subsidiaries (a) is in violation of any applicable laws, rules, regulations, executive orders, or codes (including Environmental Laws) that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Change, or (b) is subject to or in default with respect to any final judgments, writs, injunctions, decrees, rules or regulations of any court or any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Change.

9. **No Material Adverse Change**

. All historical financial statements relating to the Loan Parties and their Subsidiaries that have been delivered by any Loan Party to Agent have been prepared in accordance with GAAP (except, in the case of unaudited financial statements, for the lack of footnotes and being subject to year-end audit adjustments) and present fairly in all material respects, the Loan Parties' and their Subsidiaries' consolidated financial condition as of the date thereof and results of operations for the period then ended. Since November 30, 2015, no event, circumstance, or change has occurred that has or could reasonably be expected to result in a Material Adverse Change with respect to the Loan Parties and their Subsidiaries.

10. **Fraudulent Transfer.**

(a) The Loan Parties (taken as a whole) are Solvent and, after the execution and delivery of the Loan Documents and the consummation of the transactions contemplated thereby, will be Solvent.

(b) Dutch Guarantor is solvent (which for this purpose in accordance with the laws of the Netherlands means that it is able to repay its debts as they mature) and, after the execution and delivery of the Loan Documents and the consummation of the transactions contemplated thereby, will be solvent (which for this purpose in accordance with the laws of the Netherlands means that it is able to repay its debts as they mature).

(c) No transfer of property is being made by any Loan Party and no obligation is being incurred by any Loan Party in connection with the transactions contemplated by this Agreement or the other Loan Documents with the intent to hinder, delay, or defraud either present or future creditors of such Loan Party.

11. **Employee Benefits**

. No Loan Party, none of their Subsidiaries, nor any of their ERISA Affiliates maintains or contributes to any Benefit Plan.

12. **Environmental Condition**

. Except as set forth on Schedule 4.12 , (a) to Borrowers' knowledge, no Loan Party's nor any of its Subsidiaries' properties or assets has ever been used by a Loan Party, its Subsidiaries, or by previous owners or

operators in the disposal of, or to produce, store, handle, treat, release, or transport, any Hazardous Materials, where such disposal, production, storage, handling, treatment, release or transport was in violation, in any material respect, of any applicable Environmental Law, (b) to Borrowers' knowledge, after due inquiry, no Loan Party's nor any of its Subsidiaries' properties or assets has ever been designated or identified in any manner pursuant to any environmental protection statute as a Hazardous Materials disposal site, (c) no Loan Party nor any of its Subsidiaries has received notice that a Lien arising under any Environmental Law has attached to any revenues or to any Real Property owned or operated by a Loan Party or its Subsidiaries, and (d) no Loan Party nor any of its Subsidiaries nor any of their respective facilities or operations is subject to any outstanding written order, consent decree, or settlement agreement with any Person relating to any Environmental Law or Environmental Liability that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Change.

13. **Intellectual Property**

. Each Loan Party owns, or holds licenses in, all trademarks, trade names, copyrights, patents, and licenses that are necessary to the conduct of its business as currently conducted, and attached hereto as Schedule 4.13 (as updated from time to time) is a true, correct, and complete listing of all material trademarks, trade names, copyrights, patents, and licenses as to which any Loan Party is the owner or is an exclusive licensee; provided , that , any Borrower may amend Schedule 4.13 to add additional intellectual property so long as such amendment occurs by written notice to Agent at the time that such Borrower provides its Compliance Certificate pursuant to Section 5.1 .

14. **Leases**

. Each Loan Party enjoy peaceful and undisturbed possession under all leases material to their business and to which they are parties or under which they are operating, and, subject to Permitted Protests, all of such material leases are valid and subsisting and no material default by the applicable Loan Party exists under any of them.

15. **Deposit Accounts and Securities Accounts**

. Set forth on Schedule 4.15 (as updated pursuant to the provisions of the Security Agreement from time to time) is a listing of all of the Loan Parties' and their Subsidiaries' Deposit Accounts and Securities Accounts, including, with respect to each bank or securities intermediary (a) the name and address of such Person, and (b) the account numbers of the Deposit Accounts or Securities Accounts maintained with such Person.

16. **Complete Disclosure**

. All factual information taken as a whole (other than forward-looking information and projections and information of a general economic nature and general information about Borrowers' industry) furnished by or on behalf of a Loan Party or its Subsidiaries in writing to Agent or any Lender (including all information contained in the Schedules hereto or in the other Loan Documents) for purposes of or in connection with this Agreement or the other Loan Documents, and all other such factual information taken as a whole (other than forward-looking information and projections and information of a general economic nature and general information about Borrowers' industry) hereafter furnished by or on behalf of a Loan Party or its Subsidiaries in writing to Agent or any Lender will be, true and accurate, in all material respects, on the date as of which such information is dated or certified and not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading in any material respect at such time in light of the circumstances under which such information was provided. The Projections delivered to Agent on March 8, 2016 represent, and as of the date on which any other Projections are delivered to Agent, such additional Projections represent, Borrowers' good faith estimate, on the date such Projections are delivered, of the Loan Parties' and their Subsidiaries' future performance for the periods covered thereby based upon assumptions believed by Borrowers to be reasonable at the time of the delivery thereof to Agent (it being understood that such Projections are subject to uncertainties and contingencies, many of which are beyond the control of the Loan Parties and their Subsidiaries, that no assurances can be given that such Projections will be realized, and that actual results may differ in a material manner from such Projections).

17. **Material Contracts**

. Set forth on Schedule 4.17 (as such Schedule may be updated from time to time in accordance herewith) is a reasonably detailed description of the Material Contracts of each Loan Party as of the most recent date on which Borrowers provided their Compliance Certificate pursuant to Section 5.1 ; provided , that , any Borrower may amend

Schedule 4.17 to add additional Material Contracts so long as such amendment occurs by written notice to Agent on the date that such Borrower provides its Compliance Certificate. Except for matters which, either individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Change, each Material Contract (other than those that have expired at the end of their normal terms) (a) is in full force and effect and is binding upon and enforceable against the applicable Loan Party and, to Borrowers' knowledge, after due inquiry, each other Person that is a party thereto in accordance with its terms, (b) has not been otherwise amended or modified (other than amendments or modifications permitted by Section 6.7(b)), and (c) is not in default due to the action or inaction of the applicable Loan Party.

18. **Patriot Act ; Anti-Corruption Laws** . To the extent applicable, each Loan Party is in compliance, in all material respects, with the (a) Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (b) Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act of 2001) (the " Patriot Act "). The Loan Parties have implemented and maintain in effect policies and procedures designed to provide for compliance by the Loan Parties and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable sanctions instituted by Sanctions Authorities, and the Loan Parties, and to the knowledge of the Loan Parties, their respective employees and agents, are in compliance with Anti-Corruption Laws and applicable sanctions instituted by Sanctions Authorities in all material respects. No part of the proceeds of the Advances made, or Letters of Credit issued, hereunder will be used by any Loan Party or any of their Affiliates, directly or indirectly, (i) for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended or (ii) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws.

19. **Indebtedness** . Set forth on Schedule 4.19 is a true and complete list of all Indebtedness of each Loan Party and each of its Subsidiaries outstanding immediately prior to the Closing Date that is to remain outstanding immediately after giving effect to the closing hereunder on the Closing Date and such Schedule accurately sets forth the aggregate principal amount of such Indebtedness as of the Closing Date.

20. **Payment of Taxes** . Except as set forth on Schedule 4.20 and as otherwise permitted under Section 5.5 , all tax returns and reports of each Loan Party and its Subsidiaries required to be filed by any of them have been timely filed, and all taxes shown on such tax returns to be due and payable and all assessments, fees and other governmental charges upon a Loan Party and its Subsidiaries and upon their respective assets, income, businesses and franchises that are due and payable have been paid when due and payable. Except as set forth on Schedule 4.20 , each Loan Party and each of its Subsidiaries have made adequate provision in accordance with GAAP for all taxes not yet due and payable. No Borrower knows of any proposed tax assessment against a Loan Party or any of its Subsidiaries that is not being actively contested by such Loan Party or such Subsidiary diligently, in good faith, and by appropriate proceedings; provided such reserves or other appropriate provisions, if any, as shall be required in conformity with GAAP shall have been made or provided therefor.

21. **Margin Stock** . No Loan Party nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. No part of the proceeds of the Advances made to, or the Letters of Credit issued at the request of, Borrowers will be used to purchase or carry any such Margin Stock or to extend credit to others for the purpose of purchasing or carrying any such Margin Stock or for any purpose that violates the provisions of Regulation T, U or X of the Board of Governors of the United States Federal Reserve.

22. **Governmental Regulation**

. No Loan Party is subject to regulation under the Federal Power Act or the Investment Company Act of 1940 or under any other federal or state statute or regulation which may limit its ability to incur Indebtedness or which may otherwise render all or any portion of the Obligations unenforceable. No Loan Party nor any of its Subsidiaries is a "registered investment company" or a company "controlled" by a "registered investment company" or a "principal underwriter" of a "registered investment company" as such terms are defined in the Investment Company Act of 1940.

23. **OFAC /Sanctions** . No Loan Party nor any of its Subsidiaries, nor, to the knowledge of any Loan Party, any officer, director, employee, agent or Affiliate thereof, is in violation of any of the country or list based economic and trade sanctions administered and enforced by any Sanctions Authorities. No Loan Party nor any of its Subsidiaries, nor, to the knowledge of any Loan Party, any officer, director, employee, agent or Affiliate thereof, (a) is a Sanctioned Person or a Sanctioned Entity, (b) has its assets located in Sanctioned Entities, or (c) derives revenues from investments in, or transactions with Sanctioned Persons or Sanctioned Entities. No proceeds of any Advances made, or Letter of Credit issued, hereunder will be used, directly or indirectly, (i) to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or a Sanctioned Entity or (ii) in any manner that would result in the violation of any sanctions instituted by Sanctions Authorities applicable to any Loan Party.

24. **Employee and Labor Matters**

. There is (i) no unfair labor practice complaint pending or, to the knowledge of Borrowers, threatened against any Loan Party before any Governmental Authority and no grievance or arbitration proceeding pending or threatened against any Loan Party which arises out of or under any collective bargaining agreement and that could reasonably be expected to result in a material liability, (ii) no strike, labor dispute, slowdown, stoppage or similar action or grievance pending or threatened in writing against any Loan Party or its Subsidiaries that could reasonably be expected to result in a material liability, or (iii) except as set forth on Schedule 4.24 , to the knowledge of Borrowers, after due inquiry, no union representation question existing with respect to the employees of any Loan Party and no union organizing activity taking place with respect to any of the employees of any Loan Party. No Borrowers and no Subsidiary of any Borrower has incurred any liability or obligation under the Worker Adjustment and Retraining Notification Act or similar state law, which remains unpaid or unsatisfied. The hours worked and payments made to employees of each Loan Party have not been in violation of the Fair Labor Standards Act or any other applicable legal requirements, except to the extent such violations could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change. All material payments due from any Borrower or its Subsidiaries on account of wages and employee health and welfare insurance and other benefits have been paid or accrued as a liability on the books of any Borrower, except where the failure to do so could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change.

25. **Intentionally Deleted**

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26. **Intentionally Deleted**

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27. **Eligible Accounts**

. As to each Account (other than respect to Accounts in a *de minimis* amount relative to the aggregate amount of all Eligible Accounts at any time) that is identified by any Borrower, any Canadian Guarantor or Dutch Guarantor, as applicable, as an Eligible Account in a Borrowing Base Certificate submitted to Agent, such Account is (a) a bona fide existing payment obligation of the applicable Account Debtor created by the sale and delivery of Inventory or the rendition of services to such Account Debtor in the ordinary course of Borrowers' business, (b) owed to one or more of the Borrowers, and (c) to the extent that any officer of any Loan Party has knowledge or reasonably should have had knowledge, not excluded as ineligible by virtue of one or more of the excluding criteria (other than Agent-discretionary criteria) set forth in the definition of Eligible Accounts.

28. **Eligible Inventory**

. As to each item of Inventory (other than Inventory having a *de minimis* Value relative to the aggregate Value of all Eligible Inventory at any time) that is identified by any Borrower, any Canadian Guarantor or Dutch Guarantor, as applicable, as Eligible Inventory or Eligible In-Transit Inventory in a Borrowing Base Certificate submitted to Agent, such Inventory is (a) of good and merchantable quality, free from known defects, and (b) to the extent that any officer of any Loan Party has knowledge or reasonably should have had knowledge, not excluded as ineligible by virtue of one or more of the excluding criteria (other than Agent-discretionary criteria) set forth in the definition of Eligible Inventory and Eligible In-Transit Inventory.

29. **Eligible Trademarks**

. As to each Trademark that is identified by any Borrower as Eligible Trademarks in a Borrowing Base Certificate submitted to Agent, such Trademarks, to the extent that any officer of any Loan Party has knowledge or reasonably should have had knowledge, is not excluded as ineligible by virtue of one or more of the excluding criteria (other than Agent discretionary criteria) set forth in the definition of Eligible Trademarks.

30. **Eligible Real Property**

. As to each parcel of Real Property that is identified by any Borrower as Eligible Real Property in a Borrowing Base Certificate submitted to Agent, such Real Property, to the extent that any officer of any Loan Party has knowledge or reasonably should have had knowledge, is not excluded as ineligible by virtue of one or more of the excluding criteria (other than Agent discretionary criteria) set forth in the definition of Eligible Real Property.

31. **Locations of Inventory and Equipment**

. The Inventory and Equipment (other than vehicles or Equipment out for repair) of the Loan Parties are not stored with a bailee, warehouseman, or similar party other than those identified on Schedule 4.31(a) and are otherwise located only at, or in-transit between or to, the locations identified on Schedule 4.31(b) (as such Schedules may be updated pursuant to Section 5.15) .

32. **Inventory Records**

. Each Loan Party keeps correct and accurate records itemizing and describing the type, quality, and quantity of its and its Subsidiaries' Inventory and the book value thereof.

5. **AFFIRMATIVE COVENANTS.**

Each Borrower covenants and agrees that, until termination of all of the Commitments and payment in full of the Obligations, the Loan Parties shall comply with each of the following:

1. **Financial Statements, Reports, Certificates**

. Deliver to Agent, with copies to each Lender, each of the financial statements, reports, and other items set forth on Schedule 5.1 no later than the times specified therein. In addition, each Borrower agrees that no Subsidiary of a Loan Party will have a fiscal year different from that of Borrowers. In addition, each Borrower agrees to maintain a system of accounting that enables such Borrower to produce financial statements in accordance with GAAP. Each Loan Party shall also (a) keep a reporting system that shows all additions, sales, claims, returns, and allowances with respect to its sales, and (b) maintain its billing systems/practices substantially as in effect as of the Closing Date and shall only make material modifications thereto with notice to, and with the consent of, Agent.

2. **Collateral Reporting**

. Provide Agent (and if so requested by Agent, with copies for each Lender) with each of the reports set forth on Schedule 5.2 at the times specified therein. In addition, each Borrower agrees to use commercially reasonable efforts in cooperation with Agent to facilitate and implement a system of electronic collateral reporting in order to provide electronic reporting of each of the items set forth on such Schedule.

3. **Existence**

. Except as otherwise permitted under Section 6.3 or Section 6.4 , at all times maintain and preserve in full force and effect its existence (including being in good standing in its jurisdiction of organization) and all rights and franchises, licenses and permits material to its business.

4. **Maintenance of Properties**

. Maintain and preserve all of its assets (other than assets having a *de minimis* value) that are necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear, tear, and casualty excepted and Permitted Dispositions excepted (and except where the failure to so maintain and preserve assets could not reasonably be expected to result in a Material Adverse Change), and comply with the material provisions of all material leases to which it is a party as lessee, so as to prevent the loss or forfeiture thereof, unless such provisions are the subject of a Permitted Protest and except where the failure to so comply with such provisions could not reasonably be expected to result in a Material Adverse Change.

5. **Taxes**

. Cause all assessments and taxes imposed, levied, or assessed against any Loan Party or its Subsidiaries, or any of their respective assets or in respect of any of its income, businesses, or franchises to be paid in full, before delinquency or before the expiration of any extension period, except to the extent that the validity of such assessment or tax shall be the subject of a Permitted Protest and so long as, in the case of an assessment or tax that has or may become a Lien against any of the Collateral, such contest proceedings conclusively operate to stay the sale of any portion of the Collateral to satisfy such assessment or tax (and except where the failure to so pay such assessments and taxes could not reasonably be expected to result in a Material Adverse Change). Each Borrower will and will cause each of its Subsidiaries to make timely payment or deposit of all tax payments and withholding taxes required of it and them by applicable laws, including those laws concerning F.I.C.A., F.U.T.A., state disability, and local, state, and federal income taxes, and will, upon request, furnish Agent with proof reasonably satisfactory to Agent indicating that each Borrower and its Subsidiaries have made such payments or deposits, except where the failure to so pay such taxes could not reasonably be expected to result in a Material Adverse Change.

6. **Insurance.**

(a) At Borrowers' expense, maintain insurance respecting each of the Loan Parties' and their Subsidiaries' assets wherever located, covering loss or damage by fire, theft, explosion, and all other hazards and risks as ordinarily are insured against by other Persons engaged in the same or similar businesses. Borrowers also shall maintain (with respect to each of the Loan Parties and their Subsidiaries) workers' compensation, business interruption (only to the extent the Loan Parties begin maintaining business interruption insurance after the Closing Date), general liability, product liability insurance, director's and officer's liability insurance, fiduciary liability insurance, and employment practices liability insurance, as well as insurance against larceny, embezzlement, and criminal misappropriation. All such policies of insurance shall be with responsible and reputable insurance companies reasonably acceptable to Agent and in such amounts as is carried generally in accordance with sound business practice by companies in similar businesses similarly situated and located and in any event in amount, adequacy and scope reasonably satisfactory to Agent. All property insurance policies covering the Collateral are to be made payable to Agent for the benefit of Agent and the Lenders, as their interests may appear, in case of loss, pursuant to a standard loss payable endorsement with a standard non contributory "lender" or "secured party" clause and are to contain such other provisions as Agent may reasonably require to fully protect the Lenders' interest in the Collateral and to any payments to be made under such policies. All certificates of property and general liability insurance are to be delivered to Agent, with the loss payable (but only in respect of Collateral) and additional insured endorsements in favor of Agent, which endorsements shall provide for not less than thirty (30) days (ten (10) days in the case of non-payment) prior written notice to Agent of the exercise of any right of cancellation. If any Borrower fails to maintain such insurance, Agent may arrange for such insurance, but at such Borrower's expense and without any responsibility on Agent's part for obtaining the insurance, the solvency of the insurance companies, the adequacy of the coverage, or the collection of claims. Borrowers shall give Agent prompt notice of any loss exceeding $1,000,000 covered by its casualty or business interruption insurance (only to the extent the Loan Parties begin maintaining business interruption insurance after the Closing Date). Upon the occurrence and during the continuance of an Event of Default, Agent shall have the sole right to file claims under any property and general liability insurance policies in respect of the Collateral, to receive, receipt and give acquittance for any payments that may be payable thereunder, and to execute any and all endorsements, receipts, releases, assignments, reassignments or other documents that may be necessary to effect the collection, compromise or settlement of any claims under any such insurance policies. Unless and until the occurrence and continuance of an Event of Default, Borrowers shall solely have such rights (including to receive payments) set forth in the

immediately preceding sentence. Notwithstanding anything to the contrary herein or in any other Loan Document, the Loan Parties may self-insure with respect to medical insurance, in which case, no insurance certificates and endorsements will be required for such type of insurance.

(b) If any portion of any Collateral is at any time located in an area identified by the Federal Emergency Management Agency (or any successor agency) as a "flood hazard area" with respect to which flood insurance has been made available under any of the Flood Insurance Laws, then Borrowers shall (i) with respect to such Collateral maintain with responsible and reputable insurance companies acceptable to Agent, flood insurance in an amount and otherwise sufficient to comply with all applicable rules and regulations promulgated pursuant to the Flood Insurance Laws and (ii) deliver to Agent evidence of such compliance in form and substance reasonably acceptable to Agent. All premiums on any of the insurance referred to in this Section 5.6(b) shall be paid when due by Borrowers and if requested by Agent, summaries of the policies shall be provided to Agent annually or as it may otherwise request. Without limiting the rights of Agent provided for above, if Borrowers fail to obtain or maintain any insurance required under the Flood Insurance Laws, Agent may obtain it at Borrower's expense. By purchasing any of the insurance referred to in this Section 5.6(b) , Agent shall not be deemed to have waived any Default or Event of Default arising from Borrower's failure to maintain such insurance or pay any such premiums in respect thereof.

7. **Inspection**

. Permit Agent and each of its duly authorized representatives or agents to visit any of its properties and inspect any of its assets or books and records, to conduct appraisals and valuations, to examine and make copies of its books and records, and to discuss its affairs, finances, and accounts with, and to be advised as to the same by, its officers and employees at such reasonable times and intervals as Agent may designate and, so long as no Default or Event of Default exists, with reasonable prior notice to Borrower Agent, all at such times and intervals as the Agent may reasonably request, all at the Borrower's reasonable expense; provided , that , (a) as to field examinations, (i) no more than two (2) field examinations in any twelve (12) month period at the expense of Borrowers so long as Excess Availability at any time during such twelve (12) month period is not less than twelve and one-half percent (12.5%) of the Maximum Revolver Amount, (ii) no more than three (3) field examinations in any twelve (12) month period at the expense of Borrowers if at any time Excess Availability during such twelve (12) months is less than twelve and one-half percent (12.5%) of the Maximum Revolver Amount, and (iii) such other field examinations as Agent may request at any time a Default or an Event of Default exists or has occurred and is continuing at the expense of Borrowers or otherwise at any other times at the expense of Agent and Lenders and (b) as to appraisals, (i) unless a Default or Event of Default exists or has occurred and is continuing, no more than one (1) appraisal of Real Property during the term of this Agreement (but not to be conducted prior to the date that is eighteen (18) months after the Closing Date) at reasonable times at the expense of Borrowers, (ii) no more than two (2) appraisals of Inventory in any twelve (12) month period at reasonable times at the expense of Borrowers so long as Excess Availability at any time during such twelve (12) month period is not less than twelve and one-half percent (12.5%) of the Maximum Revolver Amount, (iii) no more than three (3) appraisals of Inventory in any twelve (12) month period at reasonable times at the expense of Borrowers if at any time Excess Availability during such twelve (12) month period is less than twelve and one-half percent (12.5%) of the Maximum Revolver Amount, and (iv) such other appraisals as Agent may request at any time a Default or an Event of Default exists or has occurred and is continuing at the expense of Borrowers or otherwise at any other times at the expense of Agent and Lenders.

8. **Compliance with Laws**

. Comply with the requirements of all applicable laws, rules, regulations, and orders of any Governmental Authority, other than laws, rules, regulations, and orders the non-compliance with which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Change.

9. **Environmental.**

(a) Keep any property either owned or operated by Borrowers or their Subsidiaries free of any Environmental Liens or post bonds or other financial assurances sufficient to satisfy the obligations or liability evidenced by such Environmental Liens,

(b) Comply, in all material respects, with Environmental Laws and provide to Agent documentation of such compliance which Agent reasonably requests,

(c) Promptly notify Agent of any release of which any Borrower has knowledge of a Hazardous Material in any reportable quantity from or onto property owned or operated by any Borrower or its Subsidiaries and take any Remedial Actions required to abate said release or otherwise to come into compliance, in all material respects, with applicable Environmental Law, and

(d) Promptly, but in any event within five (5) Business Days of its receipt thereof, provide Agent with written notice of any of the following: (i) notice that an Environmental Lien has been filed against any of the real or personal property of any Borrower or its Subsidiaries, (ii) commencement of any Environmental Action or written notice that an Environmental Action will be filed against any Borrower or its Subsidiaries, and (iii) written notice of a violation, citation, or other administrative order from a Governmental Authority.

10. **Disclosure Updates**

. Promptly and in no event later than five (5) Business Days after obtaining knowledge thereof, notify Agent if any written information, exhibit, or report furnished to Agent or the Lenders contained, at the time it was furnished, any untrue statement of a material fact or omitted to state any material fact necessary to make the statements contained therein not misleading in light of the circumstances in which made. The foregoing to the contrary notwithstanding, any notification pursuant to the foregoing provision will not cure or remedy the effect of the prior untrue statement of a material fact or omission of any material fact nor shall any such notification have the effect of amending or modifying this Agreement or any of the Schedules hereto. Should any representation herein become inaccurate or misleading in any material respect as a result of changes after the Closing Date, the Borrowers shall promptly, and in no event later than five (5) Business Days thereafter, advise the Agent in writing of such revisions or updates as may be necessary or appropriate to update or correct the same. From time to time as may be reasonably requested by the Agent, Borrowers shall supplement each Schedule hereto and to the other Loan Documents, or any representation herein or in any other Loan Document, with respect to any matter arising after the Closing Date that, if existing or occurring on the Closing Date, would have been required to be set forth or described in such Schedule or as an exception to such representation or that is necessary to correct any information in such Schedule or representation which has been rendered inaccurate thereby (and, in the case of any supplements to any Schedule, such Schedule shall be appropriately marked to show the changes made therein). Notwithstanding the foregoing, no supplement or revision to any Schedule or representation shall be deemed the Lender Group's consent to the matters reflected in such updated Schedules or revised representations nor permit the Loan Parties to undertake any actions otherwise prohibited hereunder or fail to undertake any action required hereunder from the restrictions and requirements in existence prior to the delivery of such updated Schedules or such revision of a representation; nor shall any such supplement or revision to any Schedule or representation be deemed the Lender Group's waiver of any Default or Event of Default resulting from the matters disclosed therein.

11. **Formation of Subsidiaries**

. At the time that any Loan Party forms any direct or indirect Subsidiary or acquires any direct or indirect Subsidiary after the Closing Date, such Loan Party shall (a) within ten (10) days of such formation or acquisition (or such later date as permitted by Agent in its sole discretion) cause any such new Subsidiary to provide to Agent a joinder to the Guaranty and the Security Agreement, together with such other security documents (including mortgages with respect to any Real Property owned in fee of such new Subsidiary with a fair market value of at least $2,500,000), as well as appropriate financing statements (and with respect to all property subject to a mortgage, fixture filings), all in form and substance reasonably satisfactory to Agent (including being sufficient to grant Agent a first priority Lien (subject to Permitted Liens) in and to the assets of such newly formed or acquired Subsidiary); provided , that (i) with respect to the Obligations of any Loan Party organized under the laws of the United States, the Guaranty, the Security Agreement, and such other security documents shall not be required to be provided to Agent with respect to any Subsidiary of a Loan Party that is a controlled foreign corporation (or with respect to any new domestic Subsidiary that does not have assets with a value in excess of $1,000,000 or operations other than the Stock of a controlled foreign corporation) if providing such documents would result in material adverse tax consequences, (b) within ten (10) days of such formation or acquisition (or such later date as permitted by Agent in its sole discretion), provide to Agent a pledge agreement (or an addendum to the Security Agreement) and appropriate certificates and powers or financing statements, pledging all of the direct or beneficial ownership interest in such new Subsidiary reasonably satisfactory to Agent; provided , that , only sixty-five percent (65%) of the total outstanding voting Stock of any Subsidiary of any Borrower that is a controlled foreign corporation (and none of the Stock of any Subsidiary of such controlled foreign corporation) shall be required to be pledged to secure

the Obligations of any Loan Party organized under the laws of the United States if pledging a greater amount would result in adverse tax consequences or the costs to the Loan Parties of providing such pledge or perfecting the security interests created thereby are unreasonably excessive (as determined by Agent in consultation with Borrowers) in relation to the benefits of Agent and the Lenders of the security or guarantee afforded thereby (which pledge, if reasonably requested by Agent, shall be governed by the laws of the jurisdiction of such Subsidiary), and (c) within ten (10) days of such formation or acquisition (or such later date as permitted by Agent in its sole discretion) provide to Agent all other documentation, including one or more opinions of counsel reasonably satisfactory to Agent, which in its opinion is appropriate with respect to the execution and delivery of the applicable documentation referred to above (including policies of title insurance or other documentation with respect to all Real Property owned in fee and subject to a mortgage). Any document, agreement, or instrument executed or issued pursuant to this Section 5.11 shall be a Loan Document.

12. **Further Assurances**. At any time upon the reasonable request of Agent, execute or deliver to Agent any and all financing statements, fixture filings, security agreements, pledges, assignments, endorsements of certificates of title, mortgages (other than with respect to the Real Property owned as of the Closing Date located in Hope, Arkansas), deeds of trust, opinions of counsel, and all other documents (the " Additional Documents ") that Agent may reasonably request in form and substance reasonably satisfactory to Agent, to create, perfect, and continue perfected or to better perfect Agent's Liens in all of the assets of each Loan Party (whether now owned or hereafter arising or acquired, tangible or intangible, real or personal), to create and perfect Liens in favor of Agent in any Real Property acquired by any Loan Party after the Closing Date with a fair market value in excess of $2,500,000, and in order to fully consummate all of the transactions contemplated hereby and under the other Loan Documents; provided , that , the foregoing shall not apply to any Subsidiary of Borrowers that is a controlled foreign corporation if providing such documents would result in material adverse tax consequences. To the maximum extent permitted by applicable law, if any Borrower refuses or fails to execute or deliver any reasonably requested Additional Documents within a reasonable period of time following the request to do so, such Borrower hereby authorizes Agent to execute any such Additional Documents in the applicable Loan Party's or its Subsidiary's name, as applicable, and authorizes Agent to file such executed Additional Documents in any appropriate filing office. In furtherance and not in limitation of the foregoing, each Loan Party shall take such actions as Agent may reasonably request from time to time to ensure that the Obligations are guarantied by the Guarantors and are secured by substantially all of the assets of the Loan Parties and all of the outstanding capital Stock of Loan Parties (subject to exceptions and limitations contained in the Loan Documents with respect to a controlled foreign corporation).

13. **Lender Meetings**. Within ninety (90) days after the close of each fiscal year of Parent, at the request of Agent or of the Required Lenders and upon reasonable prior notice, hold a meeting (at a mutually agreeable location and time or, at the option of Agent, by conference call) with all Lenders who choose to attend such meeting at which meeting shall be reviewed the financial results of the previous fiscal year and the financial condition of Parent and its Subsidiaries and the projections presented for the current fiscal year of Parent.

14. **Material Contracts**. Contemporaneously with the delivery of each Compliance Certificate pursuant to Section 5.1 , provide Agent with copies of (a) each Material Contract entered into since the delivery of the previous Compliance Certificate, and (b) each material amendment or modification of any Material Contract entered into since the delivery of the previous Compliance Certificate.

15. **Location of Inventory and Equipment**. Keep each Loan Parties' Inventory and Equipment (other than vehicles and Equipment out for repair) only at the locations identified on Schedule 4.31(a) and Schedule 4.31(b) and their chief executive offices only at the locations identified on Schedule 4.6(b) ; provided , that , any Borrower may amend Schedule 4.31(a) , Schedule 4.31(b) or Schedule 4.6(b) so long as such amendment occurs by written notice to Agent not less than ten (10) days prior to the date on which such Inventory or Equipment is moved to such new location or such chief executive office is relocated and so long as such new location is within the continental United States, and so long as, at the

time of such written notification, such Borrower provides Agent a Collateral Access Agreement with respect thereto.

16. **Bills of Lading and Other Documents of Title.**

(a) On and after the date hereof, each Borrower shall cause all bills of lading or other documents of title relating to goods purchased by such Borrower which are outside the United States of America, Canada or the Netherlands and in transit to the premises of such Borrower or the premises of a Freight Forwarder in the United States of America, Canada or the Netherlands (i) to be issued in a form so as to constitute negotiable documents as such term is defined in the Uniform Commercial Code (except as Agent may otherwise specifically agree) and (ii) other than those relating to goods being purchased pursuant to a Letter of Credit, except as otherwise permitted by clause (b)(ii)(B) of the definition of Eligible In-Transit Inventory, to be issued either to the order of Agent or such other person as the Agent may from time to time designate for such purpose as consignee or such Borrower as consignee, as Agent may specify.

(b) There shall be no more than three (3) originals of any bills of lading and other documents of title relating to goods being purchased by any Borrower which are outside the United States of America, Canada or the Netherlands and in transit to the premises of such Borrower or the premises of a Freight Forwarder in the United States of America, Canada or the Netherlands. As to any such bills of lading or other documents of title, unless and until Agent shall direct otherwise, (i) two (2) originals of each of such bill of lading or other document of title shall be delivered to such Freight Forwarder as such Borrower may specify and that is party to a Collateral Access Agreement by not later than thirty (30) days after the Closing Date, and (ii) one (1) original of each such bill of lading or other document of title shall be delivered to Agent or Agent's agent. To the extent that the terms of this Section have not been satisfied as to any Inventory, such Inventory shall not constitute Eligible Inventory, except as Agent may otherwise agree.

17. **Assignable Material Contracts**

. Use commercially reasonable efforts to ensure that any Material Contract entered into after the Closing Date by any Loan Party that generates or, by its terms, will generate revenue, permits the collateral assignment of such agreement (and all rights of such Loan Party, as applicable, thereunder) to such Loan Party's lenders or an agent for any lenders (and any transferees of such lenders or such agent, as applicable).

18. **Applications under Insolvency Statutes**

. Each Borrower and Guarantor acknowledges that its business and financial relationships with Agent and Lenders are unique from its relationship with any other of its creditors, and agrees that it shall not file any plan of arrangement under the CCAA or make any proposal under the BIA which provides for, or would permit directly or indirectly, Agent or any Lender to be classified with any other creditor as an "affected" creditor for purposes of such plan or proposal or otherwise.

19. **Cash Management System**

. The Loan Parties shall maintain their principal deposit accounts at Wells Fargo Bank, National Association (other than with respect to depository accounts required by the Loan Parties to be maintained in locations where Wells Fargo does not have a branch within a reasonable distance) and other than as provided in Section 5.20 .

20. **UK Bank Accounts**

. Borrowers shall, on or prior to the date that is ninety (90) days after the Closing Date (or such later date as Agent may agree), deliver to Agent evidence satisfactory to Agent that (a) all of the Loan Parties' bank accounts located in the United Kingdom and maintained at JPMorgan Chase Bank or any bank other than Wells Fargo have been closed, (b) new bank accounts have been established at Wells Fargo Bank, National Association, London branch, and (c) such new bank accounts are being used by Dutch Guarantor and other Loan Parties, and include separate bank accounts established solely for the purpose of receiving payments on Accounts owing to Dutch Guarantor and proceeds of other Collateral of the Dutch Guarantor.

21. **Post Closing Matters**

. Each Loan Party will execute and deliver the documents and take such actions as are set forth on Schedule 5.21 , in each case, within the time limits specified on such schedule (or such longer period as Agent may agree).

6. **NEGATIVE COVENANTS.**

Each Borrower covenants and agrees that, until termination of all of the Commitments and payment in full of the Obligations, the Loan Parties will not and will not permit any of their Subsidiaries which are not Loan Parties (with respect to such Subsidiaries, other than in connection with Sections 6.1, 6.2, 6.4, 6.7, 6.8, 6.10 and 6.11 below) to do any of the following:

1. **Indebtedness**

. Create, incur, assume, suffer to exist, guarantee, or otherwise become or remain, directly or indirectly, liable with respect to any Indebtedness, except for Permitted Indebtedness.

2. **Liens**

. Create, incur, assume, or suffer to exist, directly or indirectly, any Lien on or with respect to any of its assets, of any kind, whether now owned or hereafter acquired, or any income or profits therefrom, except for Permitted Liens.

3. **Restrictions on Fundamental Changes.**

(a) Enter into any amalgamation, merger, consolidation, reorganization, or recapitalization, or reclassify its Stock, other than in order to consummate a Permitted Acquisition, except for (i) any amalgamation, merger or consolidation between Loan Parties; provided , that , Parent (if applicable) or such other Borrower must be the surviving entity of any such amalgamation, merger or consolidation to which it is a party, (ii) any amalgamation, merger or consolidation between a Loan Party and Subsidiaries of such Loan Party that are not Loan Parties, so long as such Loan Party is the surviving entity of any such amalgamation, merger or consolidation, and (iii) any amalgamation, merger or consolidation between Subsidiaries of Borrowers, which Subsidiaries are not Loan Parties,

(b) Liquidate, wind up, or dissolve itself (or suffer any liquidation or dissolution), except for (i) the liquidation or dissolution of non-operating Subsidiaries of Parent with nominal assets and nominal liabilities, (ii) the liquidation or dissolution of a Loan Party (other than Borrowers) or any of Borrowers' wholly-owned Subsidiaries so long as all of the net assets (including any interest in any Stock) of such liquidating or dissolving Loan Party or Subsidiary are transferred to a Loan Party that is not liquidating or dissolving, or (iii) the liquidation or dissolution of a Subsidiary of Borrowers that is not a Loan Party (other than any such Subsidiary the Stock of which (or any portion thereof) is subject to a Lien in favor of Agent) so long as all of the net assets of such liquidating or dissolving Subsidiary are transferred to a Subsidiary of Borrowers that is not liquidating or dissolving, or

(c) Suspend or go out of a substantial portion of its or their business, except as permitted pursuant to clauses (a) or (b) above or in connection with the transactions permitted pursuant to Section 6.4 .

4. **Disposal of Assets**

. Convey, sell, lease, license, assign, transfer, or otherwise dispose of (or enter into an agreement to convey, sell, lease, license, assign, transfer, or otherwise dispose of) any Loan Party's assets, except for Permitted Dispositions or transactions expressly permitted by Sections 6.3 , 6.9 or 6.11 .

5. **Change Name**

. Change its name, organizational identification number, state or province of organization or organizational identity; provided , that , any Borrower or its Subsidiaries may change its name upon at least ten (10) days prior written notice to Agent of such change.

6. **Nature of Business**

. Make any material change in the nature of its or their business as described in Schedule 6.6 or acquire any properties or assets that are not reasonably related to the conduct of such business activities; provided , that , the foregoing shall not prevent any Borrower and its Subsidiaries from engaging in any business that is reasonably related or ancillary to its or their business.

7. **Prepayments and Amendments.**

(a) Except in connection with Refinancing Indebtedness permitted by Section 6.1 ,

(i) optionally prepay, redeem, defease, purchase, or otherwise acquire any Indebtedness of any Borrower and its Subsidiaries, other than (A) the Obligations in accordance with this Agreement, and (B) Permitted Intercompany Advances, or

(ii) make any payment on account of Indebtedness that has been contractually subordinated in right of payment to the Obligations if such payment is not permitted at such time under the subordination terms and conditions, or

(b) Directly or indirectly, amend, modify, or change any of the terms or provisions of

(i) any agreement, instrument, document, indenture, or other writing evidencing or concerning Permitted Indebtedness other than (A) the Obligations in accordance with this Agreement, (B) Permitted Intercompany Advances, (C) Indebtedness permitted under clauses (c), (h), (j) and (k) of the definition of Permitted Indebtedness, and (D) until the occurrence of a Default or an Event of Default, any other Permitted Indebtedness except to the extent that such amendment, modification, or change (1) could not, individually or in the aggregate, reasonably be expected to be adverse to the interests of the Lenders in any material respect or (2) is otherwise expressly prohibited within the definition of Permitted Indebtedness,

(ii) any Material Contract except to the extent that such amendment, modification, or change could not, individually or in the aggregate, reasonably be expected to be adverse to the interests of the Lenders in any material respect, or

(iii) the Governing Documents of any Loan Party or any of its Subsidiaries if the effect thereof, either individually or in the aggregate, could reasonably be expected to be adverse to the interests of the Lenders in any material respect.

8. **Change of Control**

. Cause, permit, or suffer, directly or indirectly, any Change of Control.

9. **Restricted Junior Payments**

. Make any Restricted Junior Payment; provided , that , so long as it is permitted by law, and so long as no Default or Event of Default shall have occurred and be continuing or would result therefrom,

(a) Parent may make distributions to former employees, officers, or directors of Parent (or any spouses, ex-spouses, or estates of any of the foregoing) on account of redemptions of Stock of Parent held by such Persons, provided , that , the aggregate amount of such redemptions made by Parent during the term of this Agreement plus the amount of Indebtedness outstanding under clause (l) of the definition of Permitted Indebtedness, does not exceed $1,000,000 in the aggregate,

(b) Parent may make distributions to former employees, officers, or directors of Parent (or any spouses, ex-spouses, or estates of any of the foregoing), solely in the form of forgiveness of Indebtedness of such Persons owing to Parent on account of repurchases of the Stock of Parent held by such Persons; provided , that , such Indebtedness was incurred by such Persons solely to acquire Stock of Parent,

(c) any Borrower or Guarantor (other than Parent) may pay cash dividends to its direct parent that is a Loan Party; provided , that , each of the following conditions is satisfied, (i) such dividends shall be paid with funds legally available therefore and (ii) such dividends shall not violate any law or regulation or the terms of any indenture, agreement or undertaking to which such Borrower or Guarantor is a party or by which such Borrower or Guarantor or its or their property are bound, and

(d) any Borrower or Guarantor may make any other Restricted Junior Payments, provided , that ,

(i) as of the date of any such payment, and after giving effect thereto, either: (A) (1) the daily average of the Excess Availability for the immediately preceding ninety (90) consecutive day period shall have been not less than fifteen percent (15%) of the Maximum Revolver Amount and, on a pro forma basis using the Excess Availability as of the date of the most recent calculation of the Borrowing Base immediately prior to any such payment, the Excess Availability shall be not less than fifteen percent (15%) of the Maximum Revolver Amount and (2) on a pro forma basis, the Fixed Charge Coverage Ratio for the twelve (12) month period ending on the last day of the month prior to the date of such payment for which Agent has received financial statements shall be not less than 1.10 to 1.00, or (B) the daily average of the Excess Availability for the immediately preceding

ninety (90) consecutive day period shall have been not less than twenty percent (20%) of the Maximum Revolver Amount and, on a pro forma basis, using the Excess Availability as of the date of the most recent calculation of the Borrowing Base immediately prior to any such payment, the Excess Availability shall be not less than twenty percent (20%) of the Maximum Revolver Amount,

(ii) Agent has received reasonably satisfactory projections for the twelve (12) month period after the date of such payment showing, on a pro forma basis after giving effect to the payment, either (A) minimum Excess Availability at all times during such period of not less than fifteen percent (15%) of the Maximum Revolver Amount and that the Fixed Charge Coverage Ratio is at all times not less than 1.10 to 1.00 during such period, or (B) minimum Excess Availability at all times during such period of not less than twenty percent (20%) of the Maximum Revolver Amount, and

(iii) Agent shall have received, at least ten (10) Business Days prior to the anticipated date of the proposed payment, prior written notice of the proposed payment and such information with respect thereto as Agent may reasonably request (in each case with such information to include (i) parties to such payment, (ii) the proposed date and amount of the payment, and (iii) the purpose of such payment,

Provided, that, notwithstanding the failure to comply with the conditions set forth in Section 6.9(d) above, Parent may repurchase its Stock for consideration in an aggregate amount for all such repurchases not to exceed $5,000,000, so long as all payments in respect of such repurchases shall be included as Fixed Charges, on a pro forma basis, in the calculation of the Fixed Charge Coverage Ratio (such that all such payments shall be deemed to have been made at the commencement of the applicable period) and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing.

10. **Accounting Methods**

. Modify or change its fiscal year (currently March 1 through February 28 or February 29, as applicable) or its method of accounting (other than as may be required to conform to GAAP).

11. **Investments; Controlled Investments .**

(a) Directly or indirectly, make or acquire any Investment or incur any liabilities (including contingent obligations) for or in connection with any Investment, except for Permitted Investments.

(b) Make, acquire, or permit to exist Permitted Investments in cash or Cash Equivalents, or Permitted Investments comprised of amounts credited to Deposit Accounts or Securities Accounts of a Loan Party unless such Loan Party and the applicable bank or securities intermediary have entered into Control Agreements with Agent governing such Permitted Investments in order to perfect (and further establish) Agent's Liens in such Permitted Investments, other than (i) an aggregate amount of not more than $500,000 at any one time, in the case of Borrowers and their Subsidiaries (other than Foreign Subsidiaries), (ii) amounts deposited into Deposit Accounts specially and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for Borrowers' or their Subsidiaries' employees, and (iii) an aggregate amount of not more than $500,000 (calculated at current exchange rates) at any one time, in the case of Foreign Subsidiaries). Except as provided in Section 6.11(b)(i) , (ii) , and (iii) , no Loan Party shall establish or maintain any Deposit Account or Securities Account unless Agent shall have received a Control Agreement in respect of such Deposit Account or Securities Account.

12. **Transactions with Affiliates**

. Directly or indirectly enter into or permit to exist any transaction with any Affiliate of any Borrower or any of its Subsidiaries except for:

(a) transactions (other than the payment of management, consulting, monitoring, or advisory fees) between any Loan Party and any other Loan Party or other Affiliate of Parent, so long as such transactions (i) are fully disclosed to Agent prior to the consummation thereof, if they involve one or more transactions (including payments by Parent or such Subsidiary) involving amounts, or assets having a value, in excess of $5,000,000 for any single transaction or series of related transactions and such amounts or assets are transferred from any Borrower, any Canadian Guarantor or Dutch Guarantor to any other Loan Party or other Affiliate of Parent (other than any Borrower, any Canadian Guarantor or Dutch Guarantor), and (ii) are in the ordinary course of business of such Loan Party and are no less favorable, taken as a whole, to such Loan Party than would be obtained in an arm's length transaction with a non-Affiliate,

(b) any indemnity provided for the benefit of directors (or comparable managers) of Parent or such Subsidiary so long as it has been approved by Parent's or such Subsidiary's board of directors (or comparable governing body) in accordance with applicable law,

(c) the payment of reasonable compensation, severance, or employee benefit arrangements to employees, officers, and outside directors of Parent and its Subsidiaries in the ordinary course of business and consistent with industry practice so long as it has been approved by Parent's or such Subsidiary's board of directors (or comparable governing body) in accordance with applicable law, and

(d) transactions permitted by Section 6.3 or Section 6.9 , by any Permitted Intercompany Advance or by any Permitted Investment between the Loan Parties.

13. **Use of Proceeds**

. Use the proceeds of any Advances made, or Letter of Credit issued, hereunder for any purpose other than (a) on the Closing Date, (i) to repay, in full, the outstanding principal, accrued interest, and accrued fees and expenses owing under or in connection with the Existing Credit Agreement in connection with the restatement hereof of the indebtedness under the Existing Credit Agreement (including indebtedness secured by the Real Property owned by Borrowers located in Indianapolis, Indiana), and (ii) to pay transactional fees, costs, and expenses incurred in connection with this Agreement, the other Loan Documents and the transactions contemplated hereby and thereby, and (b) thereafter, consistent with the terms and conditions hereof, for working capital and general corporate purposes, including, without limitation, for Permitted Acquisitions.

14. **Limitation on Issuance of Stock**

. Except for the issuance or sale of common stock or Permitted Preferred Stock by Parent, issue or sell or enter into any agreement or arrangement for the issuance and sale of any of its Stock; provided , that , Parent shall provide Agent prior written notice of the issuance or sale of any of its Stock.

7. **FINANCIAL COVENANT.**

Each Borrower covenants and agrees that, until termination of all of the Commitments and payment in full in cash of the Obligations, such Borrower will comply with the following financial covenant:

1. **Fixed Charge Coverage Ratio**

(a) .

(b) Until the payment in full of all principal and interest owing in respect of the Term Loans, the Fixed Charge Coverage Ratio determined for the most recently ended twelve (12) consecutive fiscal months of the Loan Parties for which Agent has received financial statements shall be not less than:

(i) 1.25 to 1.00 for each Measurement Period after the Closing Date until and including the twelfth (12 th) fiscal month ending after the Closing Date,

(ii) 1.20 to 1.00 for each Measurement Period commencing with the thirteenth (13 th) fiscal month ending after the Closing Date until and including the twenty-fourth (24 th) fiscal month ending after the Closing Date,

(iii) 1.15 to 1.00 for each Measurement Period commencing with the twenty-fifth (25 th) fiscal month ending after the Closing Date until and including the thirty-sixth (36 th) fiscal month ending after the Closing Date, and

(iv) 1.10 to 1.00 at all times thereafter.

(c) On and after the payment in full of all principal and interest owing in respect of the Term Loans, the Fixed Charge Coverage Ratio determined for the most recently ended twelve (12) consecutive fiscal months of the Loan Parties for which Agent has received financial statements shall be not less than 1.00 to 1.00 at all times, provided , that , after the principal and interest in respect of the Term Loans have been repaid in full in cash, the Loan Parties shall only be required to comply with the terms of this Section 7.1(b) during a Compliance Period, in which case such financial covenant shall be tested as of the last day of the then most recently ended fiscal month for which financial statements have been delivered and for each month end thereafter until the Compliance Period ends.

(d) For purposes of determining compliance with the covenant set forth in Section 7.1(a) above at any time prior to the payment in full of all principal and interest owing in respect of the Term Loans, to the extent that Borrowers repay in full in cash all principal and interest owing in respect of the Term Loans prior to the day that is ten (10) Business Days after the day on which financial statements are required to be delivered for a fiscal month when the Loan Parties are not in compliance with the Fixed Charge Coverage Ratio, the Loan Parties shall not be required to comply with the covenant set forth in Section 7.1(a) above unless there is a Compliance Period, provided , that , no Lender shall be required to make any Advances or other extensions of credit during the ten (10) Business Day period referred to above unless and until all principal and interest owing in respect of the Term Loans have been paid in full in cash.

8. **EVENTS OF DEFAULT.**

Any one or more of the following events shall constitute an event of default (each, an "Event of Default") under this Agreement:

8.1. If Borrowers fail to pay when due and payable, or when declared due and payable, (a) all or any portion of the Obligations consisting of interest, fees, or charges due the Lender Group, reimbursement of Lender Group Expenses, or other amounts (other than any portion thereof constituting principal) constituting Obligations (including any portion thereof that accrues after the commencement of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding), and such failure continues for a period of three (3) Business Days, or (b) all or any portion of the principal of the Obligations;

8.2. If any Loan Party or any of its Subsidiaries:

(a) fails to perform or observe any covenant or other agreement contained in any of (i) Sections 5.1 , 5.2 , 5.3 (solely if any Borrower is not in good standing in its jurisdiction of organization), 5.6 , 5.7 (solely if any Borrower refuses to allow Agent or its representatives or agents to visit such Borrower's properties, inspect its assets or books or records, examine and make copies of its books and records, or discuss such Borrower's affairs, finances, and accounts with officers and employees of such Borrower), 5.10 , 5.11 , 5.13 , 5.14 , or 5.15 of this Agreement, (ii) Sections 6.1 through 6.14 of this Agreement, (iii) Section 7 of this Agreement, or (iv) Section 6 of the Security Agreement;

(b) fails to perform or observe any covenant or other agreement contained in any of Sections 5.3 (other than if any Borrower is not in good standing in its jurisdiction of organization), 5.4 , 5.5 , 5.8 , and 5.12 of this Agreement and such failure continues for a period of fifteen (15) days after the earlier of (i) the date on which such failure shall first become known to any executive officer of any Borrower or (ii) the date on which written notice thereof is given to Borrower Agent by Agent; or

(c) fails to perform or observe any covenant or other agreement contained in this Agreement, or in any of the other Loan Documents, in each case, other than any such covenant or agreement that is the subject of another provision of this Section 8 (in which event such other provision of this Section 8 shall govern), and such failure continues for a period of thirty (30) days after the earlier of (i) the date on which such failure shall first become known to any executive officer of any Borrower or (ii) the date on which written notice thereof is given to Borrower Agent by Agent;

8.3. If one or more judgments, orders, or awards for the payment of money involving an aggregate amount of $5,000,000, or more (except to the extent fully covered (other than to the extent of customary deductibles) by insurance) is entered or filed against a Loan Party or any of its Subsidiaries, or with respect to any of their respective assets, and either (a) there is a period of thirty (30) consecutive days at any time after the entry of any such judgment, order, or award during which (i) the same is not discharged, satisfied, vacated, or bonded pending appeal, or (ii) a stay of enforcement thereof is not in effect, or (b) enforcement proceedings are commenced upon such judgment, order, or award;

8.4. If an Insolvency Proceeding is commenced by a Loan Party;

8.5. If an Insolvency Proceeding is commenced against a Loan Party and any of the following events occur: (a) such Loan Party consents to the institution of such Insolvency Proceeding against it, (b) the petition commencing the Insolvency Proceeding is not timely controverted, (c) the petition commencing the Insolvency Proceeding is not dismissed within sixty (60) calendar days of the date of the filing thereof, (d) an interim trustee is

appointed to take possession of all or any substantial portion of the properties or assets of, or to operate all or any substantial portion of the business of, such Loan Party or its Subsidiary, or (e) an order for relief shall have been issued or entered therein;

8.6. If a Loan Party is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of the business affairs of Loan Parties, taken as a whole;

8.7. If there is (a) a default in one or more agreements to which a Loan Party is a party with one or more third Persons relative to a Loan Party's Indebtedness involving an aggregate amount of $5,000,000 or more, and such default (i) occurs at the final maturity of the obligations thereunder, or (ii) results in a right by such third Person, irrespective of whether exercised, to accelerate the maturity of such Loan Party's obligations thereunder, (b) a default in any of the Orange County IRB Documents in connection with the Indebtedness under the Orange County IRB and such default results in a right by the Orange County IRB Bondholder, irrespective of whether exercised, to accelerate the maturity of such Indebtedness;

8.8. If any warranty, representation, certificate, statement, or Record made herein or in any other Loan Document or delivered in writing to Agent or any Lender in connection with this Agreement or any other Loan Document proves to be untrue in any material respect (except that such materiality qualifier shall not be applicable to any representations and warranties to the extent qualified or modified by materiality in the text thereof) as of the date of issuance or making or deemed making thereof;

8.9. If the obligation of any Guarantor under the Guaranty is limited or terminated by operation of law or by such Guarantor (other than in accordance with the terms of this Agreement);

8.10. If the Security Agreement or any other Loan Document that purports to create a Lien, shall, for any reason, fail or cease to create a valid and perfected and, except to the extent of the existing Liens on the Orange County Real Property arising pursuant to the Orange County IRB Documents (as in effect on the date hereof) and Permitted Liens under clauses (g), (k) and (n) of such definition or which are permitted purchase money Liens or the interests of lessors under Capital Leases, first priority Lien on the Collateral covered thereby, except (a) as a result of a disposition of the applicable Collateral in a transaction permitted under this Agreement, (b) with respect to Collateral the aggregate value of which, for all such Collateral, does not exceed at any time, $1,000,000, or (c) as the result of an action or failure to act on the part of Agent;

8.11. The validity or enforceability of any Loan Document shall at any time for any reason (other than solely as the result of an action or failure to act on the part of Agent) be declared to be null and void, or a proceeding shall be commenced by a Loan Party, or by any Governmental Authority having jurisdiction over a Loan Party, seeking to establish the invalidity or unenforceability thereof, or a Loan Party shall deny that such Loan Party has any liability or obligation purported to be created under any Loan Document (other than by reason of such obligation or liability being duly paid by such Loan Party in accordance with the terms of the Loan Documents); or

8.12. Any Loan Party shall become a Sanctioned Person or a Sanctioned Entity.

9. RIGHTS AND REMEDIES.

1. Rights and Remedies

. Upon the occurrence and during the continuation of an Event of Default, Agent may, and, at the instruction of the Required Lenders, shall (in each case under clauses (a) or (b) by written notice to Borrower Agent), in addition to any other rights or remedies provided for hereunder or under any other Loan Document or by applicable law, do any one or more of the following:

(a) declare the Obligations (other than the Bank Product Obligations), whether evidenced by this Agreement or by any of the other Loan Documents immediately due and payable, whereupon the same shall become and be immediately due and payable and Borrowers shall be obligated to repay all of such Obligations in full, without presentment, demand, protest, or further notice or other requirements of any kind, all of which are hereby expressly waived by each Borrower;

(b) declare the Commitments terminated, whereupon the Commitments shall immediately be terminated together with (i) any obligation of any Revolving Lender hereunder to make Advances, (ii) the obligation of the Swing Lender to make Swing Loans, and (iii) the obligation of the Issuing Lender to issue Letters of Credit;

(c) prepay in full the obligations in respect of the Orange County IRB Bonds; and

(d) exercise all other rights and remedies available to Agent or the Lenders under the Loan Documents or applicable law.

The foregoing to the contrary notwithstanding, upon the occurrence of any Event of Default described in Section 8.4 or Section 8.5 , in addition to the remedies set forth above, without any notice to any Borrower or any other Person or any act by the Lender Group, the Commitments shall automatically terminate and the Obligations (other than the Bank Product Obligations), inclusive of all accrued and unpaid interest thereon and all fees and all other amounts owing under this Agreement or under any of the other Loan Documents, shall automatically and immediately become due and payable and Borrowers shall be obligated to repay all of such Obligations in full, without presentment, demand, protest, or notice of any kind, all of which are expressly waived by each Borrower.

2. **Remedies Cumulative**

. The rights and remedies of the Lender Group under this Agreement, the other Loan Documents, and all other agreements shall be cumulative. The Lender Group shall have all other rights and remedies not inconsistent herewith as provided under the Code, the PPSA, by law, or in equity. No exercise by the Lender Group of one right or remedy shall be deemed an election, and no waiver by the Lender Group of any Event of Default shall be deemed a continuing waiver. No delay by the Lender Group shall constitute a waiver, election, or acquiescence by it.

3. **Appointment of a Receiver**

. Agent may seek the appointment of a receiver, manager or receiver and manager (a "Receiver") under the laws of Canada or any province thereof to take possession of all or any portion of the Collateral of any Loan Party or to operate same and, to the maximum extent permitted by law, may seek the appointment of such a Receiver without the requirement of prior notice or a hearing. Any such Receiver shall, to the extent permitted by law, so far as concerns responsibility for his/her acts, be deemed agent of such Loan Party and not Agent and the Lenders, and Agent and the Lenders shall not be in any way responsible for any misconduct, negligence or non-feasance on the part of any such Receiver, his/her servants or employees, absent the gross negligence or willful misconduct of the Agent or the Lenders as determined pursuant to a final, non-appealable order of a court of competent jurisdiction. Subject to the provisions of the instrument appointing him/her, any such Receiver shall have power to take possession of Collateral of any Loan Party, to preserve Collateral of such Loan Party or its value, to carry on or concur in carrying on all or any part of the business of such Loan Party and to sell, lease, license or otherwise dispose of or concur in selling, leasing, licensing or otherwise disposing of Collateral of such Loan Party. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others, including a Loan Party, enter upon, use and occupy all premises owned or occupied by a Loan Party wherein Collateral of such Loan Party may be situated, maintain Collateral of a Loan Party upon such premises, borrow money on a secured or unsecured basis and use Collateral of a Loan Party directly in carrying on such Loan Party's business or as security for loans or advances to enable the Receiver to carry on such Loan Party's business or otherwise, as such Receiver shall, in its discretion, determine. Except as may be otherwise directed by Agent, all money received from time to time by such Receiver in carrying out his/her appointment shall be received in trust for and paid over to Agent. Every such Receiver may, in the discretion of Agent, be vested with all or any of the rights and powers of Agent and the Lenders. Agent may, either directly or through its nominees, exercise any or all powers and rights given to a Receiver by virtue of the foregoing provisions of this paragraph.

10. **WAIVERS; INDEMNIFICATION.**

1. **Demand; Protest; etc**

. Each Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, nonpayment at maturity, release, compromise, settlement, extension, or renewal of documents, instruments, chattel paper, and guarantees at any time held by the Lender Group on which such Borrower may in any way be liable.

2. **The Lender Group's Liability for Collateral**

. Each Borrower hereby agrees that: (a) so long as Agent complies with its obligations, if any, under the Code, the PPSA and this Agreement to the extent specifically applicable to the matters set forth in this Section 10.2 , the Lender Group shall not in any way or manner be liable or responsible for: (i) the safekeeping of the Collateral, (ii) any loss or damage thereto occurring or arising in any manner or fashion from any cause, (iii) any diminution in the value thereof, or (iv) any act or default of any carrier, warehouseman, bailee, forwarding agency, or other Person, and (b) other than to the extent set forth in clause (a) above, all risk of loss, damage, or destruction of the Collateral shall be borne by Borrowers.

3. **Indemnification**

. Borrowers shall pay, indemnify, defend, and hold the Agent-Related Persons, the Lender-Related Persons, and each Participant (each, an " Indemnified Person ") harmless (to the fullest extent permitted by law) from and against any and all claims, demands, suits, actions, investigations, proceedings, liabilities, fines, costs, penalties, and damages, and all reasonable fees and disbursements of attorneys, experts, or consultants and all other costs and expenses actually incurred in connection therewith or in connection with the enforcement of this indemnification (as and when they are incurred and irrespective of whether suit is brought), at any time asserted against, imposed upon, or incurred by any of them (a) in connection with or as a result of or related to the execution and delivery (provided that Borrowers shall not be liable for costs and expenses (including attorneys fees) of any Lender (other than Wells Fargo) incurred in advising, structuring, drafting, reviewing, administering or syndicating the Loan Documents), enforcement, performance, or administration (including any restructuring or workout with respect hereto) of this Agreement, any of the other Loan Documents, or the transactions contemplated hereby or thereby or the monitoring of Borrowers' compliance with the terms of the Loan Documents (provided , that , the indemnification in this clause (a) shall not extend to (i) disputes solely between or among the Lenders or (ii) disputes solely between or among the Lenders and their respective Affiliates; it being understood and agreed that the indemnification in this clause (a) shall extend to Agent (but not the Lenders) relative to disputes between or among Agent on the one hand, and one or more Lenders, or one or more of their Affiliates, on the other hand, or (iii) any Taxes or any costs attributable to Taxes, which shall governed by Section 16), (b) with respect to any investigation, litigation, or proceeding related to this Agreement, any other Loan Document, or the use of the proceeds of the credit provided hereunder (irrespective of whether any Indemnified Person is a party thereto), or any act, omission, event, or circumstance in any manner related thereto, and (c) in connection with or arising out of any presence or release of Hazardous Materials at, on, under, to or from any assets or properties owned, leased or operated by any Borrower or any of its Subsidiaries or any Environmental Actions, Environmental Liabilities or Remedial Actions related in any way to any such assets or properties of any Borrower or any of its Subsidiaries (each and all of the foregoing, the " Indemnified Liabilities "). The foregoing to the contrary notwithstanding, no Borrower or Guarantor shall have any obligation to any Indemnified Person under this Section 10.3 with respect to any Indemnified Liability (a) that a court of competent jurisdiction in a final and non-appealable judgment determines to have resulted from the (i) gross negligence or willful misconduct of such Indemnified Person or its officers, directors, employees, attorneys, or agents or (ii) material breach of its obligations under this Agreement by such Indemnified Person or its officers, directors, employees, attorneys, or agents, or (b) arising from any dispute solely among Indemnified Persons that does not involve an act or omission by a Loan Party and that is brought by an Indemnified Person against any other Indemnified Person (other than claims against Wells Fargo to the extent that it may be acting in a capacity as Lead Arranger or Agent). The obligation to reimburse any Indemnified Person for legal fees and expenses shall be limited to legal fees and expenses of one firm of counsel for all such Indemnified Persons and one local counsel in each appropriate jurisdiction (and, to the extent required by the subject matter, one specialist counsel for each such specialized area of law in each appropriate jurisdiction) and in the case of an actual or perceived conflict of interest as determined by the affected Indemnified Person, one counsel for such affected Indemnified Person). This provision shall survive the termination of this Agreement and the repayment of the Obligations. If any Indemnified Person makes any payment to any other Indemnified Person with respect to an Indemnified Liability as to which any Borrower was required to indemnify the Indemnified Person receiving such payment, the Indemnified Person making such payment is entitled to be indemnified and reimbursed by Borrowers with respect thereto. **WITHOUT LIMITATION, THE FOREGOING INDEMNITY SHALL APPLY TO EACH INDEMNIFIED PERSON WITH RESPECT TO INDEMNIFIED LIABILITIES WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF ANY NEGLIGENT ACT OR OMISSION OF SUCH INDEMNIFIED PERSON OR OF ANY OTHER PERSON** .

11. **NOTICES.**

Unless otherwise provided in this Agreement, all notices or demands relating to this Agreement or any other Loan Document shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by registered or certified mail (postage prepaid, return receipt requested), overnight courier, electronic mail (at such email addresses as a party may designate in accordance herewith), or telefacsimile. In the case of notices or demands to Borrowers or Agent, as the case may be, they shall be sent to the respective address set forth below:

If to Borrowers: VOXX International Corporation
180 Marcus Boulevard
Hauppauge, New York 11788
Attn: Mr. Mike Stoehr
Fax No. 631-231-1370

with copies to: Duane Morris LLP
1540 Broadway
New York, New York 10036
Attn: Laurence S. Hughes, Esq.
Fax No.: 212-202-6315

-and-

Levy, Stopol & Carmelo, LLP
1425 RXR Plaza
Uniondale, New York 11556
Attn: Robert Levy, Esq. and Larry Stopol, Esq.
Fax No.: 516-802-7008

If to Agent: Wells Fargo Bank, National Association
100 Park Avenue
New York, New York 10017
Attn: Portfolio Manager
Fax No.: 212-545-4283

Any party hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other party. All notices or demands sent in accordance with this Section 11, shall be deemed received on the earlier of the date of actual receipt or three (3) Business Days after the deposit thereof in the mail; provided, that (a) notices sent by overnight courier service shall be deemed to have been given when received, (b) notices by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient) and (c) notices by electronic mail shall be deemed received upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return email or other written acknowledgment).

12. **CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER.**

(a) **THE VALIDITY OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (UNLESS EXPRESSLY PROVIDED TO THE CONTRARY IN ANOTHER LOAN DOCUMENT IN RESPECT OF SUCH OTHER LOAN DOCUMENT), THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF AND THEREOF, AND THE RIGHTS OF THE PARTIES HERETO AND THERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.**

(b) **THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE TRIED**

AND LITIGATED ONLY IN THE STATE AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, FEDERAL COURTS LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK; PROVIDED , THAT , ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE AGENT ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. EACH BORROWER AND EACH MEMBER OF THE LENDER GROUP WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 12(b) .

(c) **TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH BORROWER AND EACH MEMBER OF THE LENDER GROUP HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH BORROWER AND EACH MEMBER OF THE LENDER GROUP REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT** .

13. **ASSIGNMENTS AND PARTICIPATIONS; SUCCESSORS.**

1. **Assignments and Participations.**

(a) With the prior written consent of Borrower Agent, which consent of Borrower Agent shall not be unreasonably withheld, delayed or conditioned (provided, that, Borrower Agent shall be deemed to have consented to a proposed assignment unless it objects thereto by written notice to Agent within five (5) Business Days after having received notice thereof), and shall not be required (i) if a Default or an Event of Default has occurred and is continuing, or (ii) in connection with an assignment to a Person that is a Lender, or an Affiliate (other than individuals) of a Lender or an Related Fund and with the prior written consent of Agent, which consent of Agent shall not be unreasonably withheld, delayed or conditioned, and shall not be required in connection with an assignment to a Person that is a Lender, an Affiliate (other than individuals) of a Lender or an Related Fund, any Lender may assign and delegate to one or more assignees so long as such prospective assignee is an Eligible Transferee (each, an " Assignee "; provided , that , no Loan Party, Affiliate of a Loan Party or holder of any Indebtedness (other than the Obligations) of a Loan Party shall be permitted to become an Assignee) all or any portion of the Obligations, the Commitments and the other rights and obligations of such Lender hereunder and under the other Loan Documents, in a minimum amount (unless waived by Agent) of $5,000,000 (except such minimum amount shall not apply to (x) an assignment or delegation by any Lender to any other Lender, an Affiliate of any Lender or an Related Fund or (y) a group of new Lenders, each of which is an Affiliate of each other or a Related Fund of such new Lender to the extent that the aggregate amount to be assigned to all such new Lenders is at least $5,000,000); provided , that , Borrowers and Agent may continue to deal solely and directly with such Lender in connection with the interest so assigned to an Assignee until (A) written notice of such assignment, together with payment instructions, addresses, and related information with respect to the Assignee, have been given to Borrower Agent and Agent by such Lender and the Assignee, (B) such Lender and its Assignee have delivered to Borrower Agent and Agent an Assignment and Acceptance and Agent has notified the assigning Lender of its receipt thereof in accordance with Section 13.1(b) , and (C) unless waived by Agent, the assigning Lender or Assignee has paid to Agent for Agent's separate account a processing fee in the amount of $3,500.

(b) From and after the date that Agent notifies the assigning Lender (with a copy to Borrowers) that it has received an executed Assignment and Acceptance and, if applicable, payment of the required processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall be a "Lender" and shall have the rights and obligations of a Lender under the Loan Documents, and (ii) the assigning Lender shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (except with respect to Section 10.3) and be released from any future obligations under this Agreement (and in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement and the other Loan Documents, such

Lender shall cease to be a party hereto and thereto); provided , that , nothing contained herein shall release any assigning Lender from obligations that survive the termination of this Agreement, including such assigning Lender's obligations under Section 15 and Section 17.9(a) .

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the Assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document furnished pursuant hereto, (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under this Agreement or any other Loan Document furnished pursuant hereto, (iii) such Assignee confirms that it has received a copy of this Agreement, together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance, (iv) such Assignee will, independently and without reliance upon Agent, such assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement, (v) such Assignee appoints and authorizes Agent to take such actions and to exercise such powers under this Agreement and the other Loan Documents as are delegated to Agent, by the terms hereof and thereof, together with such powers as are reasonably incidental thereto, and (vi) such Assignee agrees that it will perform all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) Immediately upon Agent's receipt of the required processing fee, if applicable, and delivery of notice to the assigning Lender pursuant to Section 13.1(b) , this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Commitments arising therefrom. The Commitment allocated to each Assignee shall reduce such Commitments of the assigning Lender *pro tanto* .

(e) Any Lender may at any time sell to one or more commercial banks, financial institutions, or other Persons (a " Participant ") participating interests in all or any portion of its Obligations, its Commitment, and the other rights and interests of that Lender (the " Originating Lender ") hereunder and under the other Loan Documents without prior notice to, or the consent of, Agent or any Loan Party; provided , that , (i) the Originating Lender shall remain a "Lender" for all purposes of this Agreement and the other Loan Documents and the Participant receiving the participating interest in the Obligations, the Commitments, and the other rights and interests of the Originating Lender hereunder shall not constitute a "Lender" hereunder or under the other Loan Documents and the Originating Lender's obligations under this Agreement shall remain unchanged, (ii) the Originating Lender shall remain solely responsible for the performance of such obligations, (iii) Borrowers, Agent, and the Lenders shall continue to deal solely and directly with the Originating Lender in connection with the Originating Lender's rights and obligations under this Agreement and the other Loan Documents, (iv) no Lender shall transfer or grant any participating interest under which the Participant has the right to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment to, or consent or waiver with respect to this Agreement or of any other Loan Document would (A) extend the final maturity date of the Obligations hereunder in which such Participant is participating, (B) reduce the interest rate applicable to the Obligations hereunder in which such Participant is participating, (C) release all or substantially all of the Collateral or guaranties (except to the extent expressly provided herein or in any of the Loan Documents) supporting the Obligations hereunder in which such Participant is participating, (D) postpone the payment of, or reduce the amount of, the interest or fees payable to such Participant through such Lender (other than a waiver of default interest), or (E) decreases the amount or postpones the due dates of scheduled principal repayments or prepayments or premiums payable to such Participant through such Lender, and (v) all amounts payable by Borrowers hereunder shall be determined as if such Lender had not sold such participation, except that, if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement. The rights of any Participant only shall be derivative through the Originating Lender with whom such Participant participates and no Participant shall have any rights under this Agreement or the other Loan Documents or any direct rights as to the

other Lenders, Agent, Borrowers, the Collections of Borrowers or their Subsidiaries, the Collateral, or otherwise in respect of the Obligations. No Participant shall have the right to participate directly in the making of decisions by the Lenders among themselves.

(f) In connection with any such assignment or participation or proposed assignment or participation or any grant of a security interest in, or pledge of, its rights under and interest in this Agreement, a Lender may, subject to the provisions of Section 17.9 , disclose all documents and information which it now or hereafter may have relating to any Borrower and its Subsidiaries and their respective businesses.

(g) Any other provision in this Agreement notwithstanding, any Lender may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement in favor of any Federal Reserve Bank in accordance with Regulation A of the Federal Reserve Bank or U.S. Treasury Regulation 31 CFR §203.24, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

(h) Agent (as a non-fiduciary agent on behalf of Borrowers) shall maintain, or cause to be maintained, a register (the " Register ") on which it enters the name and address of each Lender as the registered owner of the Advances (and the principal amount thereof and stated interest thereon) held by such Lender (each, a " Registered Loan "). Other than in connection with an assignment by a Lender of all or any portion of its portion of the Advances to an Affiliate of such Lender or a Related Fund of such Lender (i) a Registered Loan (and the registered note, if any, evidencing the same) may be assigned or sold in whole or in part only by registration of such assignment or sale on the Register (and each registered note shall expressly so provide) and (ii) any assignment or sale of all or part of such Registered Loan (and the registered note, if any, evidencing the same) may be effected only by registration of such assignment or sale on the Register, together with the surrender of the registered note, if any, evidencing the same duly endorsed by (or accompanied by a written instrument of assignment or sale duly executed by) the holder of such registered note, whereupon, at the request of the designated assignee(s) or transferee(s), one or more new registered notes in the same aggregate principal amount shall be issued to the designated assignee(s) or transferee(s). Prior to the registration of assignment or sale of any Registered Loan (and the registered note, if any evidencing the same), Borrowers shall treat the Person in whose name such Registered Loan (and the registered note, if any, evidencing the same) is registered as the owner thereof for the purpose of receiving all payments thereon and for all other purposes, notwithstanding notice to the contrary. In the case of any assignment by a Lender of all or any portion of its Advances to an Affiliate of such Lender or a Related Fund of such Lender, and which assignment is not recorded in the Register, the assigning Lender, on behalf of Borrowers, shall maintain a register comparable to the Register.

(i) In the event that a Lender sells participations in the Registered Loan, such Lender, as a non-fiduciary agent on behalf of Borrowers, shall maintain (or cause to be maintained) a register on which it enters the name of all participants in the Registered Loans held by it (and the principal amount (and stated interest thereon) of the portion of such Registered Loans that is subject to such participations) (the " Participant Register "). A Registered Loan (and the Registered Note, if any, evidencing the same) may be participated in whole or in part only by registration of such participation on the Participant Register (and each registered note shall expressly so provide). Any participation of such Registered Loan (and the registered note, if any, evidencing the same) may be effected only by the registration of such participation on the Participant Register.

(j) Agent shall make a copy of the Register (and each Lender shall make a copy of its Participant Register in the extent it has one) available for review by Borrowers from time to time as Borrowers may reasonably request.

2. **Successors**

. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided , that , no Borrower may assign this Agreement or any rights or duties hereunder without the Lenders' prior written consent and any prohibited assignment shall be absolutely void *ab initio* . No consent to assignment by the Lenders shall release any Borrower from its Obligations. A Lender may assign this Agreement and the other Loan Documents and its rights and duties hereunder and thereunder pursuant to Section 13.1 and, except as expressly required pursuant to Section 13.1 , no consent or approval by any Borrower is required in connection with any such assignment.

14. **AMENDMENTS; WAIVERS.**

1. **Amendments and Waivers.**

(a) No amendment, waiver or other modification of any provision of this Agreement or any other Loan Document (other than Bank Product Agreements or the Fee Letter), and no consent with respect to any departure by any Borrower therefrom, shall be effective unless the same shall be in writing and signed by the Required Lenders (or by Agent at the written request of the Required Lenders) and the Loan Parties that are party thereto and then any such waiver or consent shall be effective, but only in the specific instance and for the specific purpose for which given; provided , that , no such waiver, amendment, or consent shall, unless in writing and signed by all of the Lenders directly affected thereby and all of the Loan Parties that are party thereto, do any of the following:

(i) increase the amount of or extend the expiration date of any Commitment of any Lender or amend, modify, or eliminate the last sentence of Section 2.4(c) ,

(ii) postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees, or other amounts due hereunder or under any other Loan Document,

(iii) reduce the principal of, or the rate of interest on, any loan or other extension of credit hereunder, or reduce any fees or other amounts payable hereunder or under any other Loan Document (except (y) in connection with the waiver of applicability of Section 2.6(c) (which waiver shall be effective with the written consent of the Required Lenders), and (z) that any amendment or modification of defined terms used in the financial covenants in this Agreement shall not constitute a reduction in the rate of interest or a reduction of fees for purposes of this clause (iii)),

(iv) amend, modify, or eliminate this Section or any provision of this Agreement providing for consent or other action by all Lenders,

(v) other than as permitted by Section 15.11 , release Agent's Lien in and to any of the Collateral,

(vi) amend, modify, or eliminate the definition of "Required Lenders" or "Pro Rata Share",

(vii) contractually subordinate (a) any of Agent's Liens or (b) the Obligations to any other Indebtedness,

(viii) other than in connection with a merger, liquidation, dissolution or sale of such Person expressly permitted by the terms hereof or the other Loan Documents, release any Borrower or any Guarantor from any obligation for the payment of money or consent to the assignment or transfer by any Borrower or any Guarantor of any of its rights or duties under this Agreement or the other Loan Documents,

(ix) amend, modify, or eliminate any of the provisions of Section 2.4(b)(i) or (ii) or Section 2.4(e) or (f) ,

(x) amend, modify, or eliminate any of the provisions of Section 13.1(a) to permit a Loan Party or an Affiliate of a Loan Party to be permitted to become an Assignee, or

(xi) amend, modify, or eliminate the definition of Borrowing Base or any of the defined terms (including the definitions of Eligible Accounts, Eligible Inventory, Eligible In-Transit Inventory, Eligible Trademarks or Eligible Real Property), that are used in such definition to the extent that any such change results in more credit being made available to Borrowers based upon the Borrowing Base, but not otherwise, or the definitions of Maximum Revolver Amount or Maximum Credit.

(b) No amendment, waiver, modification, elimination, or consent shall amend, modify, or waive (i) the definition of, or any of the terms or provisions of, the Fee Letter, without the written consent of Agent and Borrowers (and shall not require the written consent of any of the Lenders), and (ii) any provision of Section 15 pertaining to Agent, or any other rights or duties of Agent under this Agreement or the other Loan Documents, without the written consent of Agent, Borrowers, and the Required Lenders,

(c) No amendment, waiver, modification, elimination, or consent shall amend, modify, or waive any provision of this Agreement or the other Loan Documents pertaining to Issuing Lender, or any other rights or duties of Issuing Lender under this Agreement or the other Loan Documents, without the written consent of Issuing Lender, Agent, Borrowers, and the Required Lenders,

(d) No amendment, waiver, modification, elimination, or consent shall amend, modify, or waive any provision of this Agreement or the other Loan Documents pertaining to Swing Lender, or any other rights or duties of Swing Lender under this Agreement or the other Loan Documents, without the written consent of Swing Lender, Agent, Borrowers, and the Required Lenders,

(e) Anything in this Section 14.1 to the contrary notwithstanding, (i) any amendment, modification, elimination, waiver, consent, termination, or release of, or with respect to, any provision of this

Agreement or any other Loan Document that relates only to the relationship of the Lender Group among themselves, and that does not affect the rights or obligations of any Borrower, shall not require consent by or the agreement of any Loan Party, and (ii) any amendment, waiver, modification, elimination, or consent of or with respect to any provision of this Agreement or any other Loan Document may be entered into without the consent of, or over the objection of, any Defaulting Lender other than any of the matters governed by Section 14.1(a)(i) through (iv) and Section 2.3(g) ,

(f) Anything in this Section 14.1 to the contrary notwithstanding, Agent shall be permitted, without the consent of the Lenders, to make any amendment, waiver, modification, elimination, or consent of or with respect to any provision of this Agreement or any other Loan Document that is solely for the purpose of clarification or correction and does not adversely affect any of the interests of the Lenders in the sole determination of Agent.

2. **Replacement of Certain Lenders.**

(a) If (i) any action to be taken by the Lender Group or Agent hereunder requires the consent, authorization, or agreement of all Lenders or all Lenders affected thereby and if such action has received the consent, authorization, or agreement of the Required Lenders but not of all Lenders or all Lenders affected thereby, or (ii) any Lender makes a claim for compensation under Section 16 , then Borrowers or Agent, upon at least five (5) Business Days prior irrevocable notice, may permanently replace any Lender that failed to give its consent, authorization, or agreement (a " Holdout Lender ") or any Lender that made a claim for compensation (a " Tax Lender ") with one or more Replacement Lenders, and the Holdout Lender or Tax Lender, as applicable, shall have no right to refuse to be replaced hereunder. Such notice to replace the Holdout Lender or Tax Lender, as applicable, shall specify an effective date for such replacement, which date shall not be later than fifteen (15) Business Days after the date such notice is given.

(b) Prior to the effective date of such replacement, the Holdout Lender or Tax Lender, as applicable, and each Replacement Lender shall execute and deliver an Assignment and Acceptance, subject only to the Holdout Lender or Tax Lender, as applicable, being repaid in full its share of the outstanding Obligations (without any premium or penalty of any kind whatsoever, but including (i) all interest, fees and other amounts that may be due in payable in respect thereof, and (ii) an assumption of its Pro Rata Share of the Letters of Credit). If the Holdout Lender or Tax Lender, as applicable, shall refuse or fail to execute and deliver any such Assignment and Acceptance prior to the effective date of such replacement, Agent may, but shall not be required to, execute and deliver such Assignment and Acceptance in the name or and on behalf of the Holdout Lender or Tax Lender, as applicable, and irrespective of whether Agent executes and delivers such Assignment and Acceptance, the Holdout Lender or Tax Lender, as applicable, shall be deemed to have executed and delivered such Assignment and Acceptance. The replacement of any Holdout Lender or Tax Lender, as applicable, shall be made in accordance with the terms of Section 13.1 . Until such time as one or more Replacement Lenders shall have acquired all of the Obligations, the Commitments, and the other rights and obligations of the Holdout Lender or Tax Lender, as applicable, hereunder and under the other Loan Documents, the Holdout Lender or Tax Lender, as applicable, shall remain obligated to make the Holdout Lender's or Tax Lender's, as applicable, Pro Rata Share of Advances and to purchase a participation in each Letter of Credit, in an amount equal to its Pro Rata Share of such Letters of Credit.

3. **No Waivers; Cumulative Remedies**

. No failure by Agent or any Lender to exercise any right, remedy, or option under this Agreement or any other Loan Document, or delay by Agent or any Lender in exercising the same, will operate as a waiver thereof. No waiver by Agent or any Lender will be effective unless it is in writing, and then only to the extent specifically stated. No waiver by Agent or any Lender on any occasion shall affect or diminish Agent's and each Lender's rights thereafter to require strict performance by each Borrower of any provision of this Agreement. Agent's and each Lender's rights under this Agreement and the other Loan Documents will be cumulative and not exclusive of any other right or remedy that Agent or any Lender may have.

15. **AGENT; THE LENDER GROUP.**

1. **Appointment and Authorization of Agent**

. Each Lender hereby designates and appoints Wells Fargo as its agent under this Agreement and the other Loan Documents and each Lender hereby irrevocably authorizes (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to designate, appoint, and authorize) Agent to execute and deliver each of the other Loan Documents on its behalf and to take such other action on its behalf under the provisions of this

Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to Agent by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Agent agrees to act as agent for and on behalf of the Lenders (and the Bank Product Providers) on the conditions contained in this Section 15 . Any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document notwithstanding, Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the other Loan Documents, nor shall Agent have or be deemed to have any fiduciary relationship with any Lender (or Bank Product Provider), and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against Agent. Without limiting the generality of the foregoing, the use of the term "agent" in this Agreement or the other Loan Documents with reference to Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only a representative relationship between independent contracting parties. Each Lender hereby further authorizes (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to authorize) Agent to act as the secured party under each of the Loan Documents that create a Lien on any item of Collateral. Except as expressly otherwise provided in this Agreement, Agent shall have and may use its sole discretion with respect to exercising or refraining from exercising any discretionary rights or taking or refraining from taking any actions that Agent expressly is entitled to take or assert under or pursuant to this Agreement and the other Loan Documents. Without limiting the generality of the foregoing, or of any other provision of the Loan Documents that provides rights or powers to Agent, Lenders agree that Agent shall have the right to exercise the following powers as long as this Agreement remains in effect: (a) maintain, in accordance with its customary business practices, ledgers and records reflecting the status of the Obligations, the Collateral, the Collections of Borrowers and their Subsidiaries, and related matters, (b) execute or file any and all financing or similar statements or notices, amendments, renewals, supplements, documents, instruments, proofs of claim, notices and other written agreements with respect to the Loan Documents, (c) make Advances, for itself or on behalf of Lenders, as provided in the Loan Documents, (d) exclusively receive, apply, and distribute the Collections of Borrowers and their Subsidiaries as provided in the Loan Documents, (e) open and maintain such bank accounts and cash management arrangements as Agent deems necessary and appropriate in accordance with the Loan Documents for the foregoing purposes with respect to the Collateral and the Collections of Borrowers and their Subsidiaries, (f) perform, exercise, and enforce any and all other rights and remedies of the Lender Group with respect to Borrowers or their Subsidiaries, the Obligations, the Collateral, the Collections of Borrowers and their Subsidiaries, or otherwise related to any of same as provided in the Loan Documents, and (g) incur and pay such Lender Group Expenses as Agent may deem necessary or appropriate for the performance and fulfillment of its functions and powers pursuant to the Loan Documents.

2. **Delegation of Duties**

. Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys in fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Agent shall not be responsible for the negligence or misconduct of any agent or attorney in fact that it selects as long as such selection was made without gross negligence or willful misconduct.

3. **Liability of Agent**

. None of the Agent-Related Persons shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (b) be responsible in any manner to any of the Lenders (or Bank Product Providers) for any recital, statement, representation or warranty made by any Borrower or any of its Subsidiaries or Affiliates, or any officer or director thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of any Borrower or its Subsidiaries or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lenders (or Bank Product Providers) to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or

conditions of, this Agreement or any other Loan Document, or to inspect the books and records or properties of any Borrower or its Subsidiaries.

4. **Reliance by Agent**

. Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, telefacsimile or other electronic method of transmission, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent, or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to Borrowers or counsel to any Lender), independent accountants and other experts selected by Agent. Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless Agent shall first receive such advice or concurrence of the Lenders as it deems appropriate and until such instructions are received, Agent shall act, or refrain from acting, as it deems advisable. If Agent so requests, it shall first be indemnified to its reasonable satisfaction by the Lenders (and, if it so elects, the Bank Product Providers) against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders (and Bank Product Providers).

5. **Notice of Default or Event of Default**

. Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest, fees, and expenses required to be paid to Agent for the account of the Lenders and, except with respect to Events of Default of which Agent has actual knowledge, unless Agent shall have received written notice from a Lender or any Borrower referring to this Agreement, describing such Default or Event of Default, and stating that such notice is a "notice of default." Agent promptly will notify the Lenders of its receipt of any such notice or of any Event of Default of which Agent has actual knowledge. If any Lender obtains actual knowledge of any Event of Default, such Lender promptly shall notify the other Lenders and Agent of such Event of Default. Each Lender shall be solely responsible for giving any notices to its Participants, if any. Subject to Section 15.4 , Agent shall take such action with respect to such Default or Event of Default as may be requested by the Required Lenders in accordance with Section 9 ; provided , that , unless and until Agent has received any such request, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable.

6. **Credit Decision**

. Each Lender (and Bank Product Provider) acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by Agent hereinafter taken, including any review of the affairs of any Borrower and its Subsidiaries or Affiliates, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender (or Bank Product Provider). Each Lender represents (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to represent) to Agent that it has, independently and without reliance upon any Agent-Related Person and based on such due diligence, documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of any Borrower or any other Person party to a Loan Document, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to Borrowers. Each Lender also represents (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to represent) that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of any Borrower or any other Person party to a Loan Document. Except for notices, reports, and other documents expressly herein required to be furnished to the Lenders by Agent, Agent shall not have any duty or responsibility to provide any Lender (or Bank Product Provider) with any credit or other information concerning the business, prospects, operations, property, financial and other condition or

creditworthiness of any Borrower or any other Person party to a Loan Document that may come into the possession of any of the Agent-Related Persons. Each Lender acknowledges (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to acknowledge) that Agent does not have any duty or responsibility, either initially or on a continuing basis (except to the extent, if any, that is expressly specified herein) to provide such Lender (or Bank Product Provider) with any credit or other information with respect to any Borrower, its Affiliates or any of their respective business, legal, financial or other affairs, and irrespective of whether such information came into Agent's or its Affiliates' or representatives' possession before or after the date on which such Lender became a party to this Agreement (or such Bank Product Provider entered into a Bank Product Agreement).

7. **Costs and Expenses; Indemnification**

. Agent may incur and pay Lender Group Expenses to the extent Agent reasonably deems necessary or appropriate for the performance and fulfillment of its functions, powers, and obligations pursuant to the Loan Documents, including court costs, attorneys fees and expenses, fees and expenses of financial accountants, advisors, consultants, and appraisers, costs of collection by outside collection agencies, auctioneer fees and expenses, and costs of security guards or insurance premiums paid to maintain the Collateral, whether or not Borrowers are obligated to reimburse Agent or Lenders for such expenses pursuant to this Agreement or otherwise. Agent is authorized and directed to deduct and retain sufficient amounts from the Collections of Borrowers and their Subsidiaries received by Agent to reimburse Agent for such out-of-pocket costs and expenses prior to the distribution of any amounts to Lenders (or Bank Product Providers). In the event Agent is not reimbursed for such costs and expenses by Parent, Borrowers or their Subsidiaries, each Lender hereby agrees that it is and shall be obligated to pay to Agent such Lender's ratable thereof. Whether or not the transactions contemplated hereby are consummated, each of the Lenders, on a ratable basis, shall indemnify and defend the Agent-Related Persons (to the extent not reimbursed by or on behalf of Borrowers and without limiting the obligation of Borrowers to do so) from and against any and all Indemnified Liabilities; provided , that , no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct nor shall any Lender be liable for the obligations of any Defaulting Lender in failing to make an Advance or other extension of credit hereunder. Without limitation of the foregoing, each Lender shall reimburse Agent promptly upon demand for such Lender's ratable share of any costs or out of pocket expenses (including attorneys, accountants, advisors, and consultants fees and expenses) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment, or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or any other Loan Document to the extent that Agent is not reimbursed for such expenses by or on behalf of Borrowers. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of Agent.

8. **Agent in Individual Capacity**

. Wells Fargo and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, provide Bank Products to, acquire equity interests in, and generally engage in any kind of banking, trust, financial advisory, underwriting, or other business with Borrowers and their Subsidiaries and Affiliates and any other Person party to any Loan Document as though Wells Fargo were not Agent hereunder, and, in each case, without notice to or consent of the other members of the Lender Group. The other members of the Lender Group acknowledge (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to acknowledge) that, pursuant to such activities, Wells Fargo or its Affiliates may receive information regarding Borrowers or their Affiliates or any other Person party to any Loan Documents that is subject to confidentiality obligations in favor of Borrowers or such other Person and that prohibit the disclosure of such information to the Lenders (or Bank Product Providers), and the Lenders acknowledge (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to acknowledge) that, in such circumstances (and in the absence of a waiver of such confidentiality obligations, which waiver Agent will use its reasonable best efforts to obtain), Agent shall not be under any obligation to provide such information to them. The terms "Lender" and "Lenders" include Wells Fargo in its individual capacity.

9. **Successor Agent**

. Agent may resign as Agent upon thirty (30) days prior written notice to the Lenders (unless such notice is waived by the Required Lenders) and Borrower Agent (unless such notice is waived by Borrowers) and without any

notice to the Bank Product Providers. If Agent resigns under this Agreement, the Required Lenders shall be entitled, with (so long as no Event of Default has occurred and is continuing) the consent of Borrower Agent (such consent not to be unreasonably withheld, delayed, or conditioned), appoint a successor Agent for the Lenders (and the Bank Product Providers). If, at the time that Agent's resignation is effective, it is acting as the Issuing Lender or the Swing Lender, such resignation shall also operate to effectuate its resignation as the Issuing Lender or the Swing Lender, as applicable, and it shall automatically be relieved of any further obligation to issue Letters of Credit, to cause the Underlying Issuer to issue Letters of Credit, or to make Swing Loans. If no successor Agent is appointed prior to the effective date of the resignation of Agent, Agent may appoint, after consulting with the Lenders and Borrower Agent, a successor Agent. If Agent has materially breached or failed to perform any material provision of this Agreement or of applicable law, the Required Lenders may agree in writing to remove and replace Agent with a successor Agent from among the Lenders with (so long as no Event of Default has occurred and is continuing) the consent of Borrowers (such consent not to be unreasonably withheld, delayed, or conditioned). In any such event, upon the acceptance of its appointment as successor Agent hereunder, such successor Agent shall succeed to all the rights, powers, and duties of the retiring Agent and the term "Agent" shall mean such successor Agent and the retiring Agent's appointment, powers, and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 15 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement. If no successor Agent has accepted appointment as Agent by the date which is thirty (30) days following a retiring Agent's notice of resignation, the retiring Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of Agent hereunder until such time, if any, as the Lenders appoint a successor Agent as provided for above. The parties hereto acknowledge and agree that for the purpose of any security documents governed by Dutch law, any resignation by Agent is not effective until its contractual relationship under the Parallel Debt, including all of its rights and obligations thereunder, is transferred to a successor Agent. Agent will reasonably cooperate in assigning its rights and obligations under the Parallel Debt to the successor Agent and will reasonably cooperate in transferring all rights under the security documents governed by Dutch law to the successor Agent. The Agent that is resigning, successor Agent, and each relevant Loan Party shall execute all documents necessary to ensure that the successor Agent obtains valid Dutch law security similar to the previously existing Dutch security.

10. **Lender in Individual Capacity**

. Any Lender and its respective Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, provide Bank Products to, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting, or other business with any Borrower and its Subsidiaries and Affiliates and any other Person party to any Loan Documents as though such Lender were not a Lender hereunder without notice to or consent of the other members of the Lender Group (or the Bank Product Providers). The other members of the Lender Group acknowledge (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to acknowledge) that, pursuant to such activities, such Lender and its respective Affiliates may receive information regarding Borrowers or their Affiliates or any other Person party to any Loan Documents that is subject to confidentiality obligations in favor of Borrowers or such other Person and that prohibit the disclosure of such information to the Lenders, and the Lenders acknowledge (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to acknowledge) that, in such circumstances (and in the absence of a waiver of such confidentiality obligations, which waiver such Lender will use its reasonable best efforts to obtain), such Lender shall not be under any obligation to provide such information to them.

11. **Collateral Matters.**

(a) The Lenders hereby irrevocably authorize (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to authorize) Agent to release any Lien on any Collateral (i) upon the termination of the Commitments and payment and satisfaction in full by Borrowers of all of the Obligations, (ii) constituting property being sold or disposed of if a release is required or desirable in connection therewith and if Borrowers certify to Agent that the sale or disposition is permitted under Section 6.4 (and Agent may rely conclusively on any such certificate, without further inquiry), (iii) constituting property in which no Borrower and no Subsidiary of Borrowers owned any interest at the time Agent's Lien was granted nor at any time thereafter, (iv) constituting property leased to any Borrower or its Subsidiaries under a lease that has expired or is terminated in a transaction permitted under this Agreement, or (v) having a value in the aggregate in any twelve (12) month period

of less than $10,000,000, and to the extent Agent may release its Lien upon any such Collateral pursuant to the sale or other disposition thereof, such sale or other disposition shall be deemed consented to by Lenders. The Loan Parties and the Lenders hereby irrevocably authorize (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to authorize) Agent, based upon the instruction of the Required Lenders, to credit bid and purchase (either directly or through one or more acquisition vehicles) or to sell or otherwise dispose of (or to consent to any such sale or other disposition of) all or any portion of the Collateral at any sale thereof conducted by Agent under the provisions of the Code or the PPSA (or equivalent law in the Netherlands), including pursuant to Sections 9-610 or 9-620 of the Code, at any sale thereof conducted under the provisions of the Bankruptcy Code, including Section 363 of the Bankruptcy Code, or under any bankruptcy or insolvency laws of Canada (including the BIA and the CCAA) or the Netherlands, or at any sale or foreclosure conducted by Agent (whether by judicial action or otherwise) in accordance with applicable law. Except as provided above, Agent will not execute and deliver a release of any Lien on any Collateral without the prior written authorization of (A) if the release is of all or substantially all of the Collateral, all of the Lenders (without requiring the authorization of the Bank Product Providers), or (B) otherwise, the Required Lenders (without requiring the authorization of the Bank Product Providers). Upon request by Agent or any Borrower at any time, the Lenders will (and if so requested, the Bank Product Providers will) confirm in writing Agent's authority to release any such Liens on particular types or items of Collateral pursuant to this Section 15.11 ; provided , that , (1) Agent shall not be required to execute any document necessary to evidence such release on terms that, in Agent's opinion, would expose Agent to liability or create any obligation or entail any consequence other than the release of such Lien without recourse, representation, or warranty, and (2) such release shall not in any manner discharge, affect, or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of any Borrower in respect of) all interests retained by any Borrower, including, the proceeds of any sale, all of which shall continue to constitute part of the Collateral. The Lenders further hereby irrevocably authorize (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to authorize) Agent, at its option and in its sole discretion, to subordinate any Lien granted to or held by Agent under any Loan Document to the holder of any Permitted Lien on such property if such Permitted Lien secures Permitted Purchase Money Indebtedness.

(b) Agent shall have no obligation whatsoever to any of the Lenders (or the Bank Product Providers) to assure that the Collateral exists or is owned by a Borrower or a Borrower's Subsidiary or is cared for, protected, or insured or has been encumbered, or that Agent's Liens have been properly or sufficiently or lawfully created, perfected, protected, or enforced or are entitled to any particular priority, or that any particular items of Collateral meet the eligibility criteria applicable in respect thereof or whether to impose, maintain, reduce, or eliminate any particular reserve hereunder or whether the amount of any such reserve is appropriate or not, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent pursuant to any of the Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission, or event related thereto, subject to the terms and conditions contained herein, Agent may act in any manner it may deem appropriate, in its sole discretion given Agent's own interest in the Collateral in its capacity as one of the Lenders and that Agent shall have no other duty or liability whatsoever to any Lender (or Bank Product Provider) as to any of the foregoing, except as otherwise provided herein.

12. **Restrictions on Actions by Lenders; Sharing of Payments.**

(a) Each of the Lenders agrees that it shall not, without the express written consent of Agent, and that it shall, to the extent it is lawfully entitled to do so, upon the written request of Agent, set off against the Obligations, any amounts owing by such Lender to any Borrower or its Subsidiaries or any deposit accounts (other than accounts exclusively used for payroll) of any Borrower or its Subsidiaries now or hereafter maintained with such Lender. Each of the Lenders further agrees that it shall not, unless specifically requested to do so in writing by Agent, take or cause to be taken any action, including, the commencement of any legal or equitable proceedings to enforce any Loan Document against any Loan Party or other Person or to foreclose any Lien on, or otherwise enforce any security interest in, any of the Collateral.

(b) If, at any time or times any Lender shall receive (i) by payment, foreclosure, setoff, or otherwise, any proceeds of Collateral or any payments with respect to the Obligations, except for any such proceeds or payments received by such Lender from Agent pursuant to the terms of this Agreement, or (ii) payments from Agent in excess of such Lender's Pro Rata Share of all such distributions by Agent, such Lender promptly shall (A) turn the same over to Agent, in kind, and with such endorsements as may be required to negotiate the same to

Agent, or in immediately available funds, as applicable, for the account of all of the Lenders and for application to the Obligations in accordance with the applicable provisions of this Agreement, or (B) purchase, without recourse or warranty, an undivided interest and participation in the Obligations owed to the other Lenders so that such excess payment received shall be applied ratably as among the Lenders in accordance with their Pro Rata Shares; provided , that , to the extent that such excess payment received by the purchasing party is thereafter recovered from it, those purchases of participations shall be rescinded in whole or in part, as applicable, and the applicable portion of the purchase price paid therefor shall be returned to such purchasing party, but without interest except to the extent that such purchasing party is required to pay interest in connection with the recovery of the excess payment.

13. **Agency for Perfection**

. Agent hereby appoints each other Lender (and each Bank Product Provider) as its agent (and each Lender hereby accepts (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to accept) such appointment) for the purpose of perfecting Agent's Liens in assets which, in accordance with Article 8 or Article 9, as applicable, of the Code, or in accordance with the PPSA, can be perfected by possession or control. Should any Lender obtain possession or control of any such Collateral, such Lender shall notify Agent thereof, and, promptly upon Agent's request therefor shall deliver possession or control of such Collateral to Agent or in accordance with Agent's instructions.

14. **Payments by Agent to the Lenders**

. All payments to be made by Agent to the Lenders (or Bank Product Providers) shall be made by bank wire transfer of immediately available funds pursuant to such wire transfer instructions as each party may designate for itself by written notice to Agent. Concurrently with each such payment, Agent shall identify whether such payment (or any portion thereof) represents principal, premium, fees, or interest of the Obligations.

15. **Concerning the Collateral and Related Loan Documents**

. Each member of the Lender Group authorizes and directs Agent to enter into this Agreement and the other Loan Documents. Each member of the Lender Group agrees (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to agree) that any action taken by Agent in accordance with the terms of this Agreement or the other Loan Documents relating to the Collateral and the exercise by Agent of its powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Lenders (and such Bank Product Provider). Each member of the Lender Group authorizes Agent, at its option, to prepay in full the Orange County IRB upon an Event of Default.

16. **Audits and Examination Reports; Confidentiality; Disclaimers by Lenders; Other Reports and Information**

. By becoming a party to this Agreement, each Lender:

(a) is deemed to have requested that Agent furnish such Lender, promptly after it becomes available, a copy of each field audit or examination report respecting any Borrower or its Subsidiaries (each, a " Report ") prepared by or at the request of Agent, and Agent shall so furnish each Lender with such Reports,

(b) expressly agrees and acknowledges that Agent does not (i) make any representation or warranty as to the accuracy of any Report, and (ii) shall not be liable for any information contained in any Report,

(c) expressly agrees and acknowledges that the Reports are not comprehensive audits or examinations, that Agent or other party performing any audit or examination will inspect only specific information regarding Parent a Borrower and its Subsidiaries and will rely significantly upon each Borrower's and its Subsidiaries' books and records, as well as on representations of each Borrower's personnel,

(d) agrees to keep all Reports and other material, non-public information regarding each Borrower and its Subsidiaries and their operations, assets, and existing and contemplated business plans in a confidential manner in accordance with Section 17.9 , and

(e) without limiting the generality of any other indemnification provision contained in this Agreement, agrees: (i) to hold Agent and any other Lender preparing a Report harmless from any action the indemnifying Lender may take or fail to take or any conclusion the indemnifying Lender may reach or draw from any Report in connection with any loans or other credit accommodations that the indemnifying Lender has made or may make to Borrowers, or the indemnifying Lender's participation in, or the indemnifying Lender's purchase of, a

loan or loans of Borrowers, and (ii) to pay and protect, and indemnify, defend and hold Agent, and any such other Lender preparing a Report harmless from and against, the claims, actions, proceedings, damages, costs, expenses, and other amounts (including, attorneys fees and costs) incurred by Agent and any such other Lender preparing a Report as the direct or indirect result of any third parties who might obtain all or part of any Report through the indemnifying Lender.

In addition to the foregoing: (A) any Lender may from time to time request of Agent in writing that Agent provide to such Lender a copy of any report or document provided by any Borrower or any Subsidiary of any Borrower to Agent that has not been contemporaneously provided by any Borrower or its Subsidiaries to such Lender, and, upon receipt of such request, Agent promptly shall provide a copy of same to such Lender, (B) to the extent that Agent is entitled, under any provision of the Loan Documents, to request additional reports or information from any Borrower or its Subsidiaries, any Lender may, from time to time, reasonably request Agent to exercise such right as specified in such Lender's notice to Agent, whereupon Agent promptly shall request of such Borrower the additional reports or information reasonably specified by such Lender, and, upon receipt thereof from such Borrower or its Subsidiaries, Agent promptly shall provide a copy of same to such Lender, and (C) any time that Agent renders to Borrower Agent or any Borrower a statement regarding the Loan Account, Agent shall send a copy of such statement to each Lender.

17. **Appointment for the Province of Québec**

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(a) Hypothecary Representative . For greater certainty, and without limiting the powers of Agent, each member of the Lender Group and each Bank Product Provider (collectively the" Secured Parties and individually a "Secured Party") hereby irrevocably constitutes the Agent as the hypothecary representative within the meaning of Article 2692 of the Civil Code of Quebec in order to hold hypothecs and security granted by any Loan Party on property pursuant to the laws of the Province of Québec in order to secure obligations of any Loan Party hereunder and under the other Loan Documents. The execution by the Agent, acting as hypothecary representative prior to this Agreement of any deeds of hypothec or other security documents is hereby ratified and confirmed.

(b) Ratification of Hypothecary Representative by Successors and Assignees, etc . The constitution of the Agent as hypothecary representative shall be deemed to have been ratified and confirmed by each Person accepting an assignment of, a participation in or an arrangement in respect of, all or any portion of any Secured Party's rights and obligations under this Agreement by the execution of an assignment, including an Assignment and Acceptance or other agreement pursuant to which it becomes such assignee or participant, and by each successor Agent by the compliance with such formalities pursuant to which it becomes a successor Agent under this Agreement.

(c) Rights, etc. of Hypothecary Representative . The Agent acting as hypothecary representative shall have the same rights, powers, immunities, indemnities and exclusions from liability as are prescribed in favor of Agent in this Agreement, which shall apply mutatis mutandis to the Agent acting as hypothecary representative.

18. **Several Obligations; No Liability**

. Notwithstanding that certain of the Loan Documents now or hereafter may have been or will be executed only by or in favor of Agent in its capacity as such, and not by or in favor of the Lenders, any and all obligations on the part of Agent (if any) to make any credit available hereunder shall constitute the several (and not joint) obligations of the respective Lenders on a ratable basis, according to their respective Commitments, to make an amount of such credit not to exceed, in principal amount, at any one time outstanding, the amount of their respective Commitments. Nothing contained herein shall confer upon any Lender any interest in, or subject any Lender to any liability for, or in respect of, the business, assets, profits, losses, or liabilities of any other Lender. Each Lender shall be solely responsible for notifying its Participants of any matters relating to the Loan Documents to the extent any such notice may be required, and no Lender shall have any obligation, duty, or liability to any Participant of any other Lender. Except as provided in Section 15.7 , no member of the Lender Group shall have any liability for the acts of any other member of the Lender Group. No Lender shall be responsible to any Borrower or any other Person for any failure by any other Lender (or Bank Product Provider) to fulfill its obligations to make credit available hereunder, nor to advance for such Lender (or Bank Product Provider) or on its behalf, nor to take

any other action on behalf of such Lender (or Bank Product Provider) hereunder or in connection with the financing contemplated herein.

19. **Parallel Debt**

. For the purposes of ensuring the validity and enforceability of any security rights governed by Dutch law,

(a) Klipsch irrevocably and unconditionally undertakes, as far as necessary in advance, to pay to Agent (in its own capacity and not as agent (*gevolmachtigde*), trustee or representative of any member of the Lender Group) an amount equal to the aggregate of all Principal Obligations from time to time due in accordance with the terms and conditions of such Principal Obligations (such payment undertaking and the obligations and liabilities which are the result thereof, Klipsch's "Parallel Debt");

(b) the Parallel Debt constitutes obligations and liabilities of Klipsch which are separate and independent from, and without prejudice to, the Principal Obligations and likewise the rights of the members of the Lender Group to receive payment of amounts payable under the Principal Obligations are several and are separate and independent from, and without prejudice to, the rights of the Agent to receive payment under the Parallel Debt and the Parallel Debt represents Agent's own independent right to receive payment of the Parallel Debt from Klipsch, provided that the amounts which are due under the Parallel Debt under this provision shall always be equal to the amounts which are due from time to time under the Principal Obligations;

(c) the total amount due and payable in respect of the Principal Obligations shall be decreased to the extent that the Agent receives any amount in payment of the Parallel Debt, as if such amount were received by any member of the Lender Group in payment of the corresponding Principal Obligations;

(d) the total amount due and payable by Klipsch under the Parallel Debt shall be decreased to the extent that any member of the Lender Group receives any amount in payment of the Principal Obligations (other than by virtue of clause (c) above); and

(e) Agent shall distribute any amount received in payment of the Parallel Debt among the members of the Lender Group that are the creditors of the relevant Principal Obligations in accordance with the provisions of this Agreement as if received by it in payment of the relevant Principal Obligations.

16. **WITHHOLDING TAXES.**

(a) All payments made by any Borrower hereunder or under any note or other Loan Document will be made without setoff, counterclaim, or other defense. In addition, all such payments will be made free and clear of, and without deduction or withholding for, any present or future Taxes, and in the event any deduction or withholding of Taxes is required, Borrowers shall comply with the next sentence of this Section 16(a) . If any Taxes are so levied or imposed, Borrowers agree to pay the full amount of such Taxes and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement, any note, or Loan Document, including any amount paid pursuant to this Section 16(a) after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein; provided , that Borrowers shall not be required to increase any such amounts if the increase in such amount payable results from Agent's or such Lender's own willful misconduct or gross negligence (as finally determined by a court of competent jurisdiction). Borrowers will furnish to Agent as promptly as possible after the date the payment of any Tax is due pursuant to applicable law, certified copies of tax receipts evidencing such payment by Borrowers.

(b) Borrowers agree to pay any present or future stamp, value added or documentary taxes or any other excise or property taxes, charges, or similar levies that arise from any payment made hereunder or from the execution, delivery, performance, recordation, or filing of, or otherwise with respect to this Agreement or any other Loan Document.

(c) If a Lender or Participant is entitled to claim an exemption or reduction from United States withholding tax, such Lender or Participant agrees with and in favor of Agent, to deliver to Agent (or, in the case of a Participant, to the Lender granting the participation only) one of the following before receiving its first payment under this Agreement:

(i) if such Lender or Participant is entitled to claim an exemption from United States withholding tax pursuant to the portfolio interest exception, (A) a statement of the Lender or Participant, signed under penalty of perjury, that it is not a (1) a "bank" as described in Section 881(c)(3)(A) of the IRC, (2) a ten percent (10%) shareholder of any Borrower (within the meaning of Section 871(h)(3)(B) of the IRC), or (3) a

controlled foreign corporation related to any Borrower within the meaning of Section 864(d)(4) of the IRC, and (B) a properly completed and executed IRS Form W-8BEN or Form W-8IMY (with proper attachments);

(ii) if such Lender or Participant is entitled to claim an exemption from, or a reduction of, withholding tax under a United States tax treaty, a properly completed and executed copy of IRS Form W-8BEN;

(iii) if such Lender or Participant is entitled to claim that interest paid under this Agreement is exempt from United States withholding tax because it is effectively connected with a United States trade or business of such Lender, a properly completed and executed copy of IRS Form W-8ECI;

(iv) if such Lender or Participant is entitled to claim that interest paid under this Agreement is exempt from United States withholding tax because such Lender or Participant serves as an intermediary, a properly completed and executed copy of IRS Form W-8IMY (with proper attachments); or

(v) a properly completed and executed copy of any other form or forms, including IRS Form W-9, as may be required under the IRC or other laws of the United States as a condition to exemption from, or reduction of, United States withholding or backup withholding tax.

Each Lender or Participant shall provide new forms (or successor forms) upon the expiration or obsolescence of any previously delivered forms and to promptly notify Agent (or, in the case of a Participant, to the Lender granting the participation only) of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(d) If a Lender or Participant claims an exemption from withholding tax in a jurisdiction other than the United States, such Lender or such Participant agrees with and in favor of Agent, to deliver to Agent (or, in the case of a Participant, to the Lender granting the participation only) any such form or forms, as may be required under the laws of such jurisdiction as a condition to exemption from, or reduction of, foreign withholding or backup withholding tax before receiving its first payment under this Agreement, but only if such Lender or such Participant is legally able to deliver such forms, provided , that , nothing in this Section 16(d) shall require a Lender or Participant to disclose any information that it deems to be confidential (including without limitation, its tax returns). Each Lender and each Participant shall provide new forms (or successor forms) upon the expiration or obsolescence of any previously delivered forms and to promptly notify Agent (or, in the case of a Participant, to the Lender granting the participation only) of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(e) If a Lender or Participant claims exemption from, or reduction of, withholding tax and such Lender or Participant sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of Borrowers to such Lender or Participant, such Lender or Participant agrees to notify Agent (or, in the case of a sale of a participation interest, to the Lender granting the participation only) of the percentage amount in which it is no longer the beneficial owner of Obligations of Borrowers to such Lender or Participant. To the extent of such percentage amount, Agent will treat such Lender's or such Participant's documentation provided pursuant to Section 16(c) or 16(d) as no longer valid. With respect to such percentage amount, such Participant or Assignee may provide new documentation, pursuant to Section 16(c) or 16(d) , if applicable. Each Borrower agrees that each Participant shall be entitled to the benefits of this Section 16 with respect to its participation in any portion of the Commitments and the Obligations so long as such Participant complies with the obligations set forth in this Section 16 with respect thereto.

(f) If a Lender or a Participant is entitled to a reduction in the applicable withholding tax, Agent (or, in the case of a Participant, to the Lender granting the participation) may withhold from any interest payment to such Lender or such Participant an amount equivalent to the applicable withholding tax after taking into account such reduction. If the forms or other documentation required by Section 16(c) or 16(d) are not delivered to Agent (or, in the case of a Participant, to the Lender granting the participation), then Agent (or, in the case of a Participant, to the Lender granting the participation) may withhold from any interest payment to such Lender or such Participant not providing such forms or other documentation an amount equivalent to the applicable withholding tax.

(g) If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that Agent (or, in the case of a Participant, to the Lender granting the participation) did not properly withhold tax from amounts paid to or for the account of any Lender or any Participant due to a failure on the part of the Lender or any Participant (because the appropriate form was not delivered, was not properly executed, or

because such Lender failed to notify Agent (or such Participant failed to notify the Lender granting the participation) of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Lender shall indemnify and hold Agent harmless (or, in the case of a Participant, such Participant shall indemnify and hold the Lender granting the participation harmless) for all amounts paid, directly or indirectly, by Agent (or, in the case of a Participant, to the Lender granting the participation), as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to Agent (or, in the case of a Participant, to the Lender granting the participation only) under this Section 16 , together with all costs and expenses (including attorneys fees and expenses). The obligation of the Lenders and the Participants under this subsection shall survive the payment of all Obligations and the resignation or replacement of Agent.

(h) If Agent or a Lender determines, in its sole discretion, that it has received a refund of any Taxes as to which it has been indemnified by Borrowers or with respect to which Borrowers have paid additional amounts pursuant to this Section 16 , so long as no Default or Event of Default has occurred and is continuing, it shall pay over such refund to Borrowers (but only to the extent of payments made, or additional amounts paid, by Borrowers under this Section 16 with respect to Taxes giving rise to such a refund), net of all reasonable out-of-pocket expenses of Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such a refund); provided, that Borrowers, upon the request of Agent or such Lender, agree to repay the amount paid over to Borrowers (plus any penalties, interest or other charges, imposed by the relevant Governmental Authority, other than such penalties, interest or other charges imposed as a result of the willful misconduct or gross negligence of Agent hereunder) to Agent or such Lender in the event Agent or such Lender is required to repay such refund to such Governmental Authority. Notwithstanding anything in this Agreement to the contrary, this Section 16 shall not be construed to require Agent or any Lender to make available its tax returns (or any other information which it deems confidential) to any Borrower or any other Person.

17. **GENERAL PROVISIONS.**

1. **Effectiveness**

. This Agreement shall be binding and deemed effective when executed by each Borrower, Agent, and each Lender whose signature is provided for on the signature pages hereof.

2. **Section Headings**

. Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each Section applies equally to this entire Agreement.

3. **Interpretation**

. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed against the Lender Group or any Borrower, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to accomplish fairly the purposes and intentions of all parties hereto.

4. **Severability of Provisions**

. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

5. **Bank Product Providers**

. Each Bank Product Provider shall be deemed a third party beneficiary hereof and of the provisions of the other Loan Documents for purposes of any reference in a Loan Document to the parties for whom Agent is acting. Agent hereby agrees to act as agent for such Bank Product Providers and, by virtue of entering into a Bank Product Agreement, the applicable Bank Product Provider shall be automatically deemed to have appointed Agent as its agent and to have accepted the benefits of the Loan Documents; it being understood and agreed that the rights and benefits of each Bank Product Provider under the Loan Documents consist exclusively of such Bank Product Provider's being a beneficiary of the Liens and security interests (and, if applicable, guarantees) granted to Agent and the right to share in payments and collections out of the Collateral as more fully set forth herein. In addition, each Bank Product Provider, by virtue of entering into a Bank Product Agreement, shall be automatically deemed to have agreed that Agent shall have the right, but shall have no obligation, to establish, maintain, relax, or release reserves in respect of the Bank Product Obligations and that if reserves are established there is no obligation on the

part of Agent to determine or insure whether the amount of any such reserve is appropriate or not. In connection with any such distribution of payments or proceeds of Collateral, Agent shall be entitled to assume no amounts are due or owing to any Bank Product Provider unless such Bank Product Provider has provided a written certification (setting forth a reasonably detailed calculation) to Agent as to the amounts that are due and owing to it and such written certification is received by Agent a reasonable period of time prior to the making of such distribution. Agent shall have no obligation to calculate the amount due and payable with respect to any Bank Products, but may rely upon the written certification of the amount due and payable from the relevant Bank Product Provider. In the absence of an updated certification, Agent shall be entitled to assume that the amount due and payable to the relevant Bank Product Provider is the amount last certified to Agent by such Bank Product Provider as being due and payable (less any distributions made to such Bank Product Provider on account thereof). Any Borrower may obtain Bank Products from any Bank Product Provider, although no Borrower is required to do so. Each Borrower acknowledges and agrees that no Bank Product Provider has committed to provide any Bank Products and that the providing of Bank Products by any Bank Product Provider is in the sole and absolute discretion of such Bank Product Provider. Notwithstanding anything to the contrary in this Agreement or any other Loan Document, no provider or holder of any Bank Product shall have any voting or approval rights hereunder (or be deemed a Lender) solely by virtue of its status as the provider or holder of such agreements or products or the Obligations owing thereunder, nor shall the consent of any such provider or holder be required (other than in their capacities as Lenders, to the extent applicable) for any matter hereunder or under any of the other Loan Documents, including as to any matter relating to the Collateral or the release of Collateral or Guarantors.

6. **Debtor-Creditor Relationship**

. The relationship between the Lenders and Agent, on the one hand, and the Loan Parties, on the other hand, is solely that of creditor and debtor. No member of the Lender Group has (or shall be deemed to have) any fiduciary relationship or duty to any Loan Party arising out of or in connection with the Loan Documents or the transactions contemplated thereby, and there is no agency or joint venture relationship between the members of the Lender Group, on the one hand, and the Loan Parties, on the other hand, by virtue of any Loan Document or any transaction contemplated therein.

7. **Counterparts; Electronic Execution**

. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this Agreement by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement. The foregoing shall apply to each other Loan Document *mutatis mutandis* .

8. **Revival and Reinstatement of Obligations**

. If the incurrence or payment of the Obligations by any Borrower or Guarantor or the transfer to the Lender Group of any property should for any reason subsequently be asserted, or declared, to be void or voidable under any state or federal law relating to creditors' rights, including provisions of the Bankruptcy Code (or under any bankruptcy or insolvency laws of Canada, including the BIA and the CCAA, or the Netherlands) relating to fraudulent conveyances, preferences, or other voidable or recoverable payments of money or transfers of property (each, a " Voidable Transfer "), and if the Lender Group is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that the Lender Group is required or elects to repay or restore, and as to all reasonable costs, expenses, and attorneys fees of the Lender Group related thereto, the liability of Borrowers or Guarantor automatically shall be revived, reinstated, and restored and shall exist as though such Voidable Transfer had never been made.

9. **Confidentiality.**

(a) Agent and Lenders each individually (and not jointly or jointly and severally) agree that material, non-public information regarding Borrowers and their Subsidiaries, their operations, assets, and existing

and contemplated business plans (" Confidential Information ") shall be treated by Agent and the Lenders in a confidential manner, and shall not be disclosed by Agent and the Lenders to Persons who are not parties to this Agreement, except: (i) to attorneys for and other advisors, accountants, auditors, and consultants to any member of the Lender Group and to employees, directors and officers of any member of the Lender Group (the Persons in this clause (i), " Lender Group Representatives ") on a "need to know" basis in connection with this Agreement and the transactions contemplated hereby and on a confidential basis, (ii) to Subsidiaries and Affiliates of any member of the Lender Group (including the Bank Product Providers), provided that any such Subsidiary or Affiliate shall have agreed to receive such information hereunder subject to the terms of this Section 17.9 , (iii) as may be required by regulatory authorities so long as such authorities are informed of the confidential nature of such information, (iv) as may be required by law, statute, decision, or judicial or administrative order, rule, or regulation; provided that (x) prior to any disclosure under this clause (iv), the disclosing party agrees to provide Borrower Agent with prior notice thereof, to the extent that it is practicable to do so and to the extent that the disclosing party is permitted to provide such prior notice to Borrowers pursuant to the terms of the applicable law, statute, decision, or judicial or administrative order, rule, or regulation and (y) any disclosure under this clause (iv) shall be limited to the portion of the Confidential Information as may be required by such statute, decision, or judicial or administrative order, rule, or regulation, (v) as may be agreed to in advance in writing by Borrowers, (vi) as requested or required by any Governmental Authority pursuant to any subpoena or other legal process, provided, that, (x) prior to any disclosure under this clause (vi) the disclosing party agrees to provide Borrowers with prior written notice thereof, to the extent that it is practicable to do so and to the extent that the disclosing party is permitted to provide such prior written notice to Borrowers pursuant to the terms of the subpoena or other legal process and (y) any disclosure under this clause (vi) shall be limited to the portion of the Confidential Information as may be required by such Governmental Authority pursuant to such subpoena or other legal process, (vii) as to any such information that is or becomes generally available to the public (other than as a result of prohibited disclosure by Agent or the Lenders or the Lender Group Representatives), (viii) in connection with any assignment, participation or pledge of any Lender's interest under this Agreement, provided that prior to receipt of Confidential Information any such assignee, participant, or pledgee shall have agreed in writing to receive such Confidential Information hereunder subject to the terms of this Section, (ix) in connection with any litigation or other adversary proceeding involving parties hereto which such litigation or adversary proceeding involves claims related to the rights or duties of such parties under this Agreement or the other Loan Documents; provided, that, prior to any disclosure to any Person (other than any Loan Party, Agent, any Lender, any of their respective Affiliates, or their respective counsel) under this clause (ix) with respect to litigation involving any Person (other than any Borrower, Agent, any Lender, any of their respective Affiliates, or their respective counsel), the disclosing party agrees to provide Borrowers with prior written notice thereof, and (x) in connection with, and to the extent reasonably necessary for, the exercise of any secured creditor remedy under this Agreement or under any other Loan Document.

(b) Anything in this Agreement to the contrary notwithstanding, Agent may (i) provide information (other than material, non-public information) concerning the terms and conditions of this Agreement and the other Loan Documents to loan syndication and pricing reporting services, and (ii) use the name, logos, and other insignia of Borrowers and Loan Parties and the Commitments provided hereunder in any "tombstone" or comparable advertising, on its website or in other marketing materials of the Agent.

10. **Lender Group Expenses**

. Borrowers agree to pay any and all Lender Group Expenses on the earlier of (a) the first day of each month or (b) the date on which demand therefor is made by Agent and agrees that its obligations contained in this Section 17.10 shall survive payment or satisfaction in full of all other Obligations.

11. **Survival**

. All representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that Agent, the Issuing Lender, or any Lender may have had notice or knowledge of any Default or Event of Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any loan or any fee or any other amount payable under this Agreement is

outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated.

12. **Patriot Act**

. Each Lender that is subject to the requirements of the Patriot Act hereby notifies Borrowers that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies each Borrower, which information includes the name and address of each Borrower and other information that will allow such Lender to identify each Borrower in accordance with the Patriot Act.

13. **Anti-Money Laundering Legislation.**

(a) Each Loan Party acknowledges that, pursuant to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada) and other applicable anti-money laundering, anti-terrorist financing, government sanction and "know your client" laws, whether within Canada or elsewhere (collectively, including any guidelines or orders thereunder, "AML Legislation"), Agent and Lenders may be required to obtain, verify and record information regarding each Loan Party, its respective directors, authorized signing officers, direct or indirect shareholders or other Persons in control of such Loan Party, and the transactions contemplated hereby. Borrower Agent shall promptly provide all such information, including supporting documentation and other evidence, as may be reasonably requested by any Lender or Agent, or any prospective assign or participant of a Lender or Agent, necessary in order to comply with any applicable AML Legislation, whether now or hereafter in existence.

(b) If Agent has ascertained the identity of the Loan Party or any authorized signatories of the Loan Party for the purposes of applicable AML Legislation, then the Agent:

(i) shall be deemed to have done so as an agent for each Lender, and this Agreement shall constitute a "written agreement" in such regard between each Lender and the Agent within the meaning of applicable AML Legislation; and

(ii) shall provide to each Lender copies of all information obtained in such regard without any representation or warranty as to its accuracy or completeness.

(c) Notwithstanding the provisions of this Section and except as may otherwise be agreed in writing, each Lender agrees that Agent has no obligation to ascertain the identity of the Loan Parties or any authorized signatories of the Loan Parties and the Guarantors on behalf of any Lender, or to confirm the completeness or accuracy of any information it obtains from the Loan Parties or any such authorized signatory in doing so.

14. **Judgment Currency**

. If, for the purposes of obtaining judgment in any court in any jurisdiction with respect to this Agreement or any other Loan Document, it becomes necessary to convert into the currency of such jurisdiction (the "Judgment Currency") any amount due under this Agreement or any other Loan Document in any currency other than the Judgment Currency (the "Currency Due"), then conversion shall be made at the Exchange Rate at which Agent is able, on the relevant date, to purchase the Currency Due with the Judgment Currency prevailing on the Business Day before the day on which judgment is given. In the event that there is a challenge with respect to Exchange Rate prevailing between the Business Day before the day on which the judgment is given and the date of receipt by Agent of the amount due, Borrowers or Guarantors will, on the date of receipt by Agent, pay such additional amounts, if any, or be entitled to receive reimbursement of such amount, if any, as may be necessary to ensure that the amount received by Agent on such date is the amount in the Judgment Currency which when converted at the rate of exchange prevailing on the date of receipt by Agent is the amount then due under this Agreement or any other Loan Document in the Currency Due. If the amount of the Currency Due which Agent is able to purchase is less than the amount of the Currency Due originally due to it, Borrowers and Guarantors shall indemnify and save Agent harmless from and against loss or damage arising as a result of such deficiency. The indemnity contained herein shall constitute an obligation separate and independent from the other obligations contained in this Agreement or any other Loan Document, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by Agent from time to time and shall continue in full force effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due under this Agreement or any other Loan Document or under any judgment or order.

15. **Integration**

. This Agreement, together with the other Loan Documents, reflects the entire understanding of the parties with respect to the transactions contemplated hereby and shall not be contradicted or qualified by any other agreement, oral or written, before the date hereof. The foregoing to the contrary notwithstanding, all Bank Product Agreements, if any, are independent agreements governed by the written provisions of such Bank Product Agreements, which will remain in full force and effect, unaffected by any repayment, prepayments, acceleration, reduction, increase, or change in the terms of any credit extended hereunder, except as otherwise expressly provided in such Bank Product Agreement.

16. **Parent as Agent for Borrowers**

. Each Borrower hereby irrevocably appoints Parent as the borrowing agent and attorney-in-fact for all Borrowers (the " Borrower Agent ") which appointment shall remain in full force and effect unless and until Agent shall have received prior written notice signed by each Borrower that such appointment has been revoked and that another Borrower has been appointed Borrower Agent. Each Borrower hereby irrevocably appoints and authorizes the Borrower Agent (a) to provide Agent with all notices with respect to Advances and Letters of Credit obtained for the benefit of any Borrower and all other notices and instructions under this Agreement, and (b) to take such action as the Borrower Agent deems appropriate on its behalf to obtain Advances and Letters of Credit and to exercise such other powers as are reasonably incidental thereto to carry out the purposes of this Agreement. It is understood that the handling of the Loan Account and Collateral in a combined fashion, as more fully set forth herein, is done solely as an accommodation to Borrowers in order to utilize the collective borrowing powers of Borrowers in the most efficient and economical manner and at their request, and that Lender Group shall not incur liability to any Borrower as a result hereof. Each Borrower expects to derive benefit, directly or indirectly, from the handling of the Loan Account and the Collateral in a combined fashion since the successful operation of each Borrower is dependent on the continued successful performance of the integrated group. To induce the Lender Group to do so, and in consideration thereof, each Borrower hereby jointly and severally agrees to indemnify each member of the Lender Group and hold each member of the Lender Group harmless against any and all liability, expense, loss or claim of damage or injury, made against the Lender Group by any Borrower or by any third party whosoever, arising from or incurred by reason of (a) the handling of the Loan Account and Collateral of Borrowers as herein provided, or (b) the Lender Group's relying on any instructions of the Borrower Agent, except that Borrowers will have no liability to the relevant Agent-Related Person or Lender-Related Person under this Section 17.16 with respect to any liability that has been finally determined by a court of competent jurisdiction to have resulted solely from the gross negligence or willful misconduct of such Agent-Related Person or Lender-Related Person, as the case may be.

17. **Quebec Interpretation**

. For all purposes pursuant to which the interpretation or construction of this Agreement may be subject to the laws of the Province of Quebec or a court or tribunal exercising jurisdiction in the Province of Quebec, (a) "personal property" shall include "movable property", (b) "real property" shall include "immovable property", (c) "tangible property" shall include "corporeal property", (d) "intangible property" shall include "incorporeal property", (e) "security interest", "mortgage" and "lien" shall include a "hypothec", "prior claim" and a "resolutory clause", (f) all references to filing, registering or recording under the Code or PPSA shall include publication under the Civil Code of Quebec, (g) all references to "perfection" of or "perfected" liens or security interest shall include a reference to an "opposable" or "set up" lien or security interest as against third parties, (h) any "right of offset", "right of setoff" or similar expression shall include a "right of compensation", (i) "goods" shall include corporeal movable property" other than chattel paper, documents of title, instruments, money and securities, (j) an "agent" shall include a "mandatary", (k) "construction liens" shall include "legal hypothecs", (l) "joint and several" shall include solidary, (m) "gross negligence or willful misconduct" shall be deemed to be "intentional or gross fault", (n) "beneficial ownership" shall include "ownership on behalf of another as mandatary", (o) "easement" shall include "servitude", (p) "priority" shall include "prior claim", (q) "survey" shall include "certificate of location and plan", and (r) "fee simple title" shall include "absolute ownership".

18. **English Language Only**

. The parties hereto confirm that it is their wish that this Agreement and any other document executed in connection with the transactions contemplated hereby be drawn up in the English language only and that all other documents contemplated hereunder or relating hereto, including notices, shall also be drawn up in the English

language only. Les parties aux présentes confirment que c'est leur volonté que cette convention et les autres documents de crédit soient rédigés en langue anglaise seulement et que tous les documents, y compris tous avis, envisagés par cette convention et les autres documents peuvent être rédigés en langue anglaise seulement.

19. **Acknowledgement and Consent to Bail-In of EEA Financial Institutions**. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

20. **Keepwell**. Each Qualified ECP Guarantor hereby jointly and severally absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed from time to time by any other Loan Party hereunder and under any applicable Guaranty to honor all of its obligations hereunder and under any applicable Guaranty in respect of Swap Obligations (provided, that, each Qualified ECP Guarantor shall only be liable under this Section 17.20 for the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section 17.20 , or otherwise hereunder and under any applicable Guaranty, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations of each Qualified ECP Guarantor under this Section 17.20 shall remain in full force and effect until the Obligations shall have been paid in full (subject to the guarantee reinstatement provisions set forth in any applicable Guaranty). Each Qualified ECP Guarantor intends that this Section 17.20 constitute, and this Section 17.20 shall be deemed to constitute, a "keepwell, support, or other agreement" for the benefit of each other Loan Party for all purposes of Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

18. **ACKNOWLEDGMENT AND RESTATEMENT**

1. **Existing Obligations**. The Loan Parties hereby acknowledge, confirm and agree that, as of the date hereof , the Loan Parties are indebted to Agent (in its capacity as agent under the Existing Credit Agreement) and Existing Lenders in respect of extensions of credit under the Existing Credit Agreement in the aggregate principal amount of $71,000,000, and with respect to the Letters of Credit $995,931, in each case together with all interest accrued and accruing thereon (to the extent applicable), and all fees, costs, expenses and other charges relating thereto, all of which are unconditionally owing by Borrowers to Agent (in its capacity as agent under the Existing Credit Agreement) and Existing Lenders, without offset, defense or counterclaim of any kind, nature or description whatsoever.

2. **Acknowledgment of Security Interests**. The Loan Parties hereby acknowledge, confirm and agree that Agent on behalf of Lenders and Bank Product Providers shall continue to have a security interest in and lien upon the assets of the Loan Parties constituting Collateral heretofore granted to Agent (in its capacity as agent under the Existing Credit Agreement)

pursuant to the Existing Loan Documents to secure the Obligations, as well as any Collateral granted under this Agreement or under any of the other Loan Documents or otherwise granted to or held by Agent or any Lender. The Liens of Agent in the Collateral shall be deemed to be continuously granted and perfected from the earliest date of the granting and perfection of such Liens interests to Agent (in its capacity as agent under the Existing Credit Agreement) and Existing Lenders, whether under the Existing Loan Documents, this Agreement or any of the other Loan Documents.

3. **Existing Loan Documents**

. The Loan Parties hereby acknowledge, confirm and agree that: (a) the Existing Loan Documents have been duly executed and delivered by the Loan Parties and are in full force and effect as of the date hereof and (b) the agreements and obligations of the Loan Parties contained in the Existing Loan Documents constitute the legal, valid and binding obligations of the Loan Parties enforceable against the Loan Parties in accordance with their respective terms, and the Loan Parties have no valid defense to the enforcement of such obligations and (c) Agent on behalf of the Credit Parties is entitled to all of the rights and remedies provided for in favor of Agent (in its capacity as agent under the Existing Credit Agreement) and the Existing Lender in the Existing Loan Documents, as amended and restated by this Agreement. All Events of Default (as defined in the Existing Credit Agreement) under the Existing Credit Agreement are hereby waived, except to the extent any such Events of Default (as defined in the Existing Credit Agreement) that exist under the Existing Credit Agreement on the date hereof also would constitute Events of Default under this Agreement.

4. **Restatement**

. Except as otherwise stated in Section 18.2 and this Section 18.4 , as of the date hereof, the terms, conditions, agreements, covenants, representations and warranties set forth in the Existing Loan Documents are hereby amended and restated in their entirety, and as so amended and restated, replaced and superseded, by the terms, conditions, agreements, covenants, representations and warranties set forth in this Agreement and the other Loan Documents. Except as provided below, the amendment and restatement contained herein shall not, in any manner, be construed to constitute payment of, or impair, limit, cancel or extinguish, or constitute a novation in respect of, the Indebtedness and other obligations and liabilities of any Loan Party evidenced by or arising under the Existing Loan Documents, and the Liens in the Collateral (as such term is defined herein) of Agent securing such Indebtedness and other obligations and liabilities, which shall not in any manner be impaired, limited, terminated, waived or released, but shall continue in full force and effect in favor of Agent for the benefit of the Lender Group. The principal amount of the loans and the amount of the Letters of Credit outstanding as of the date hereof under the Existing Loan Documents shall be allocated to the Advances and Letters of Credit hereunder in such manner and in such amounts as Agent shall determine.

[Signature pages to follow.]

IN WITNESS WHEREOF , the parties hereto have caused this Agreement to be executed and delivered as of the date first above written.

VOXX INTERNATIONAL CORPORATION

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

VOXX ACCESSORIES CORP.

By: / s/Loriann Shelton

Name: Loriann Shelton
Title: CFO,Vice President,Secretary,Treasurer

VOXX ELECTRONICS CORP.

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

CODE SYSTEMS, INC.

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

INVISION AUTOMOTIVE SYSTEMS INC.

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

KLIPSCH GROUP, INC.

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

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

By: s/Robert H. Milhorat
Name: Robert H. Milhorat
Title: Director

CITIBANK, N.A., as Lender

By: /s/ Mick Chow
Name: Mick Chow
Title: Authorized Signer

HSBC BANK USA, NATIONAL ASSOCIATION , as Lender

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

KEYBANK NATIONAL ASSOCIATION, as

Lender

By: / s/Nadine Eames
Name: Nadine Eames
Title: Vice President

Schedule 1.1

As used in the Agreement, the following terms shall have the following definitions:

" Account " means, as to each Loan Party, all present and future rights of such Loan Party to payment of a monetary obligation, whether or not earned by performance, which is not evidenced by chattel paper or an instrument, (a) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (b) for services rendered or to be rendered, (c) for a secondary obligation incurred or to be incurred, or (d) arising out of the use of a credit or charge card or information contained on or for use with the card.

" Account Debtor " means any Person who is obligated on an Account, chattel paper, or a general intangible.

" Accounting Changes " means changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants (or successor thereto or any agency with similar functions).

" Acquired Indebtedness " means Indebtedness of a Person whose assets or Stock is acquired by a Borrower or any of its Subsidiaries in a Permitted Acquisition; provided , that , such Indebtedness (a) is either Purchase Money Indebtedness or a Capital Lease with respect to Equipment or mortgage financing with respect to Real Property, (b) was in existence prior to the date of such Permitted Acquisition, and (c) was not incurred in connection with, or in contemplation of, such Permitted Acquisition.

" Acquisition " means (a) the purchase or other acquisition by a Person or its Subsidiaries of all or substantially all of the assets of (or any division or business line of) any other Person, or (b) the purchase or other acquisition (whether by means of a merger, consolidation, or otherwise) by a Person or its Subsidiaries of all or substantially all of the Stock of any other Person.

" Additional Documents " has the meaning specified therefor in Section 5.12 of the Agreement.

" Advances " means, collectively, the revolving loans made pursuant to Section 2.1(a) of the Agreement, the Swing Loans, the Overadvances and the Protective Advances.

" Affected Lender " has the meaning specified therefor in Section 2.13(b) of the Agreement.

" Affiliate " means, as applied to any Person, any other Person who controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" means the possession, directly or indirectly through one or more intermediaries, of the power to direct the management and policies of a Person, whether through the ownership of Stock, by contract, or otherwise; provided , that , for purposes of the definition of Eligible Accounts and Section 6.12 of the Agreement: (a) any Person which owns directly or indirectly ten percent (10%) or more of the Stock having ordinary voting power for the election of directors or other members of the governing body of a Person or ten percent (10%) or more of the partnership or other ownership interests of a Person (other than as a limited partner of such Person) shall be deemed an Affiliate of such Person, (b) each director (or comparable manager) of a Person shall be deemed to be an Affiliate of such Person, and (c) each partnership in which a Person is a general partner shall be deemed an Affiliate of such Person.

" Agent " has the meaning specified therefor in the preamble to the Agreement.

"Agent Payment Account " means the Deposit Account of Agent identified on Schedule A-1 .

" Agent-Related Persons " means Agent, together with its Affiliates, officers, directors, employees, attorneys, and agents.

" Agent's Liens " means the Liens granted by any Borrower or its Subsidiaries to Agent under the Loan Documents.

" Agreement " means the Credit Agreement to which this Schedule 1.1 is attached.

" Anti-Corruption Laws " means all laws, rules, and regulations of any jurisdiction applicable to any Loan Party from time to time concerning or relating to bribery or corruption.

" Applicable Margin " means, (a) with respect to (i) Base Rate Loans comprising of Term Loans, 3.25% and (ii) LIBOR Rate Loans comprising of Term Loans, 4.25% and (b) with respect to Base Rate Loans (other than Term Loans) and LIBOR Rate Loans (other than Term Loans), the applicable percentage (on a per annum basis) set forth below based on the Quarterly Average Excess Availability for the immediately preceding fiscal quarter:

Tier	Quarterly Average Excess Availability	Applicable LIBOR Rate Margin	Applicable Base Rate Margin
1	Greater than $50,000,000	1.75%	0.75%
2	Greater than or equal to $25,000,000 but less than or equal to $50,000,000	2.00%	1.00%
3.	Less than $25,000,000	2.25%	1.25%

provided , that , with respect to clause (b) above, (i) the Applicable Margin shall be calculated and established once every fiscal quarter and shall remain in effect until adjusted for the next fiscal quarter, (ii) each adjustment of the Applicable Margin shall be effective as of the first day of each such fiscal quarter based on the Quarterly Average Excess Availability for the immediately preceding fiscal quarter, (iii) notwithstanding anything to the contrary contained herein, the Applicable Margin through August 31, 2017, shall be the amount for Tier 2 set forth above and (iv) in the event that Borrower fails to provide any Borrowing Base Certificate or other information with respect thereto for any period on the date required hereunder, effective as of the date on which such Borrowing Base Certificate or other information was otherwise required, at Agent's option, the Applicable Margin shall be based on the highest rate above until the next Business Day after a Borrowing Base Certificate or other information is provided for the applicable period at which time the Applicable Margin shall be adjusted as otherwise provided herein. In the event that at any time after the end of any fiscal quarter the Quarterly Average Excess Availability for such fiscal quarter used for the determination of the Applicable Margin was greater than the actual amount of the Quarterly Average Excess Availability for such fiscal quarter as a result of the inaccuracy of information provided by or on behalf of Borrowers to Agent for the calculation of Excess Availability, the Applicable Margin for such period shall be adjusted to the applicable percentage based on such actual Quarterly Average Excess Availability and any additional interest for the applicable period as a result of such recalculation shall be promptly paid to Agent. The foregoing shall not be construed to limit the rights of Agent or Lenders with respect to the amount of interest payable after a Default or Event of Default whether based on such recalculated percentage or otherwise.

" Application Event " means the occurrence of (a) a failure by Borrowers to repay all of the Obligations in full on the Maturity Date, (b) an Event of Default and the election by Agent or the Required Lenders to require that payments and proceeds of Collateral be applied pursuant to Section 2.4(b)(ii) of the Agreement during the continuance thereof, or (c) an Event of Default under Section 8.4 or 8.5 of the Agreement.

" Assignee " has the meaning specified therefor in Section 13.1(a) of the Agreement.

" Assignment and Acceptance " means an Assignment and Acceptance Agreement substantially in the form of Exhibit A-1 .

" Authorized Person " means any one of the individuals identified on Schedule A-2 , as such schedule is updated from time to time by written notice from Borrower Agent to Agent.

" Availability " means, as of any date of determination, the amount that Borrowers are entitled to borrow as Advances under Section 2.1 of the Agreement (after giving effect to all then outstanding Obligations (other than Bank Product Obligations)).

" Bail-In Action " means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

" Bail-In Legislation " means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

" Bank Product " means any one or more of the following financial products or accommodations extended to any Loan Party by a Bank Product Provider: (a) credit cards, (b) credit card processing services, (c) debit cards, (d) stored value cards, (e) purchase cards (including so-called "procurement cards" or "P-cards"), (f) Cash Management Services, or (g) transactions under Hedge Agreements. In no event shall "Bank Products" be construed to include the Best Buy Receivables Purchase Agreement, the Wal-Mart Receivables Purchase Agreement or any other receivables purchase agreement nor shall any obligations of the Loan Parties under such arrangements be deemed to be secured under the Loan Documents.

" Bank Product Agreements " means those agreements entered into from time to time by a Loan Party with a Bank Product Provider in connection with the obtaining of any of the Bank Products.

" Bank Product Collateralization " means providing cash collateral (pursuant to documentation reasonably satisfactory to Agent) to be held by Agent for the benefit of the Bank Product Providers (other than the Hedge Providers) in an amount determined by Agent as sufficient to satisfy the reasonably estimated credit exposure with respect to the then existing Bank Product Obligations (other than Hedge Obligations).

" Bank Product Obligations " means (a) all obligations, liabilities, reimbursement obligations, fees, or expenses owing by a Loan Party to any Bank Product Provider pursuant to or evidenced by a Bank Product Agreement and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, (b) all Hedge Obligations, and (c) all amounts that Agent or any Lender is obligated to pay to a Bank Product Provider as a result of Agent or such Lender purchasing participations from, or executing guarantees or indemnities or reimbursement obligations to, a Bank Product Provider with respect to the Bank Products provided by such Bank Product Provider to a Borrower; provided , that , in order for any item described in clauses (a) (b), or (c) above, as applicable, to constitute "Bank Product Obligations", (i) if the applicable Bank Product Provider is Wells Fargo or its Affiliates, then, if requested by Agent, Agent shall have received a Bank Product Provider Letter Agreement within ten (10) days after the date of such request, or (ii) if the applicable Bank Product Provider is any other Person, the initial Bank Product must have been provided on or after the Closing Date and Agent shall have received a Bank Product Provider Letter Agreement within ten (10) days after the date of the provision of the initial Bank Product to a Borrower (which Agent shall countersign).

" Bank Product Provider " means any Lender or any of its Affiliates; provided , that , (a) no such Person (other than Wells Fargo or its Affiliates) shall constitute a Bank Product Provider with respect to a Bank Product unless and until Agent shall have received a Bank Product Provider Letter Agreement from such Person and with respect to the applicable Bank Product within ten (10) days after the provision of such Bank Product to a Loan Party and (b) if, at any time, a Lender ceases to be a Lender under the Agreement, then, from and after the date on which it ceases to be a Lender thereunder, neither it nor any of its Affiliates shall constitute Bank Product Providers and the obligations with respect to Bank Products provided by such former Lender or any of its Affiliates shall no longer constitute Bank Product Obligations.

" Bank Product Provider Letter Agreement " means a letter agreement in substantially the form attached hereto as Exhibit B-2, in form and substance satisfactory to Agent, duly executed by the applicable Bank Product Provider, Borrowers, and Agent.

" Bank Product Reserve Amount " means, as of any date of determination, the Dollar amount of reserves that Agent has determined it is necessary or appropriate to establish (based upon the Bank Product Providers' reasonable determination of their credit exposure to Borrowers in respect of Bank Product Obligations) in respect of Bank Products then provided or outstanding.

" Bankruptcy Code " means title 11 of the United States Code, as in effect from time to time.

" Base Rate " means the greatest of (a) the Federal Funds Rate plus one-half of one percent (0.50%), (b) the LIBOR Rate (which rate shall be calculated based upon an Interest Period of one (1) month and shall be determined on a daily basis), plus one percent (1.00%), and (c) the rate of interest announced, from time to time, within Wells Fargo at its principal office in San Francisco as its "prime rate", with the understanding that the "prime rate" is one of Wells Fargo's base rates (not necessarily the lowest of such rates) and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto and is evidenced by the recording thereof after its announcement in such internal publications as Wells Fargo may designate.

" Base Rate Loan " means each portion of the Advances or Term Loans that bears interest at a rate determined by reference to the Base Rate.

" Benefit Plan " means a "defined benefit plan" (as defined in Section 3(35) of ERISA) for which any Borrower or any of its Subsidiaries or ERISA Affiliates has been an "employer" (as defined in Section 3(5) of ERISA) within the past six years or, with respect to a Canadian Guarantor, any Canadian Pension Plan.

" Best Buy " means, collectively, together with their successors and assigns, Best Buy Co., Inc., a Minnesota corporation and its Subsidiaries and Affiliates.

" Best Buy Intercreditor Agreement " means the Lien Release and Assignment of Proceeds Agreement, dated as of the date hereof, among Agent, Parent and Best Buy Receivables Purchaser, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

" Best Buy Receivables " means any and all Accounts of any Borrower with respect to which Best Buy is the account debtor arising from the sale by any Borrower of goods and services to Best Buy, together with the Citibank Receivables (as defined in the Best Buy Intercreditor Agreement), and with respect to each of the foregoing, all proceeds thereof.

" Best Buy Receivables Purchase Agreement " means the Supplier Agreement, dated January, 14, 2014, between Best Buy Receivables Purchaser and Parent, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

" Best Buy Receivables Purchase Agreements " means, collectively (as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced): (i) the Best Buy Receivables Purchase Agreement; (ii) the Best Buy Intercreditor Agreement; and (iii) the other agreements, documents and instruments executed and/or delivered in connection with any of the foregoing.

" Best Buy Receivables Purchaser " means Citibank, N.A., in its individual capacity, as the purchaser of the Citibank Receivables (as defined in the Best Buy Intercreditor Agreement) and under the Best Buy Receivables Purchase Agreement.

" BIA " means the Bankruptcy and Insolvency Act (Canada), R.S.C. 1985, c. B-3, as the same now exists or may from time to time hereafter be amended, modified, recodified or supplemented, together with all official rules, regulations and interpretations thereunder or related thereto.

" Board of Directors " means the board of directors (or comparable managers) of Parent or any committee thereof duly authorized to act on behalf of the board of directors (or comparable managers).

" Borrower " and " Borrowers " have the respective meanings specified therefor in the preamble to the Agreement.

" Borrower Agent " has the meaning specified therefor in Section 17.16 of the Agreement.

" Borrowing " means a borrowing consisting of Advances made on the same day by the Lenders (or Agent on behalf thereof), or by Swing Lender in the case of a Swing Loan, or by Agent in the case of a Protective Advance.

" Borrowing Base " means, at any time, the amount equal to:

(a) the amount equal to eighty-five percent (85%) of the amount of Eligible Accounts of each Borrower, each Canadian Guarantor and Dutch Guarantor, plus

(b) the amount equal to the lesser of (i) sixty-five percent (65%) multiplied by the Value of Eligible Inventory of each Borrower, each Canadian Guarantor and Dutch Guarantor or (ii) eighty-five percent (85%) of the Net Recovery Percentage multiplied by the Value of such Eligible Inventory, plus

(c) the Real Property Availability, minus

(d) the aggregate amount of reserves, if any, established by Agent under Section 2.1(f) of the Agreement.

" Borrowing Base Certificate " means a certificate in the form of Exhibit B-1 .

" Business Day " means any day that is not a Saturday, Sunday, or other day on which banks are authorized or required to close in the state of New York, except that, if a determination of a Business Day shall relate to a LIBOR Rate Loan, the term "Business Day" also shall exclude any day on which banks are closed for dealings in Dollar deposits in the London interbank market.

" Canadian Guarantors " means, collectively, the following (together with their respective successors and assigns): (a) Audio Products International Corp., a corporation formed under the laws of the Province of Ontario and (b) Audiovox Canada Limited, a corporation formed under the laws of the Province of Ontario; each sometimes being referred to herein as a "Canadian Guarantor".

" Canadian Pension Plan " means any plan, program or arrangement that is a pension plan for the purposes of any applicable pension benefits legislation or any tax laws of Canada or a Province thereof, whether or not registered under any such laws, which is maintained or contributed to by, or to which there is or may be an obligation to contribute by, any Borrower or Guarantor in respect of any Person's employment in Canada with such Borrower or Guarantor.

" Capital Expenditures " means, with respect to any Person for any period, the aggregate of all expenditures by such Person and its Subsidiaries during such period that are capital expenditures as determined in accordance with GAAP, whether such expenditures are paid in cash or financed; provided , that , (a) any Capital Expenditures made by such Person related to the construction and/or renovation of or improvements to the Real Property located at 180 Marcus Boulevard, Hauppage, New York in an amount not to exceed $389,000 during the 2016 fiscal year and in amount not to exceed $5,000,000 during the 2017 fiscal year and (b) any Capital Expenditures made by such Person during the 2016 fiscal year in connection with the Orange County Real Property or in connection with the information technology upgrade of the Loan Parties (which are equal to the aggregate amount of $11,859,000), in each case, shall not be included in the calculation of the Fixed Charge Coverage Ratio.

" Capitalized Lease Obligation " means that portion of the obligations under a Capital Lease that is required to be capitalized in accordance with GAAP.

" Capital Lease " means a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

" Cash Dominion Event " means at any time (a) an Event of Default exists or has occurred and is continuing, (b) Excess Availability is less than twelve and one-half percent (12.5%) of the Maximum Revolver Amount for any five (5) consecutive day period, or (c) Excess Availability is less than ten percent (10%) of the Maximum Revolver Amount at any time. The occurrence of a Cash Dominion Event shall be deemed to exist and to be continuing notwithstanding that Excess Availability may thereafter exceed the amount set forth in the preceding sentence unless and until Excess Availability exceeds twelve and one-half percent (12.5%) of the Maximum Revolver Amount for thirty (30) consecutive days, in which event a Cash Dominion Event shall no longer be deemed to exist or be continuing until such time as Excess Availability may again be less than such amount for any five (5) consecutive day period or less than ten (10%) of the Maximum Revolver Amount at any time; provided , that , a Cash Dominion Event may not be cured as contemplated by this sentence more than four (4) times during the term of this Agreement.

" Cash Equivalents " means (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within 1 year from the date of acquisition thereof, (b) marketable direct obligations issued or fully guaranteed by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within 1 year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either Standard & Poor's Rating Group (" S&P ") or Moody's Investors Service, Inc. (" Moody's "), (c) commercial paper maturing no more than two hundred seventy (270) days from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody's, (d) certificates of deposit, time deposits, overnight bank deposits or bankers' acceptances maturing within 1 year from the date of acquisition thereof issued by any bank organized under the laws of the United States or any state thereof or the District of Columbia or any United States branch of a foreign bank having at the date of acquisition thereof combined capital and surplus of not less than $250,000,000, (e) Deposit Accounts maintained with (i) any bank that satisfies the criteria described in clause (d) above, or (ii) any other bank organized under the laws of the United States or any state thereof so long as the full amount maintained with any such other bank is insured by the Federal Deposit Insurance Corporation, (f) repurchase obligations of any commercial bank satisfying the requirements of clause (d) of this definition or recognized securities dealer having combined capital and surplus of not less than $250,000,000, having a term of not more than seven (7) days, with respect to securities satisfying the criteria in clauses (a) or (d) above, (g) debt securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any commercial bank satisfying the criteria described in clause (d) above, and (h) Investments in money market funds substantially all of whose assets are invested in the types of assets described in clauses (a) through (g) above.

" Cash Management Services " means any cash management or related services including treasury, depository, return items, overdraft, controlled disbursement, merchant store value cards, e-payables services, electronic funds transfer, interstate depository network, automatic clearing house transfer (including the Automated Clearing House processing of electronic funds transfers through the direct Federal Reserve Fedline system) and other cash management arrangements.

" CCAA " means the Companies' Creditors Arrangement Act, R.S.C. 1985, c.C-36, as the same now exists or may from time to time hereafter be amended, modified, recodified or supplemented, together with all official rules, regulations and interpretations thereunder or related thereto.

" Change of Control " means

(a) at any time that the Permitted Holders are not directly or indirectly the "beneficial owner" of at least thirty percent (30%) of the total voting power of Stock of Parent then outstanding entitled to vote generally in elections of directors of Parent;

(b) any "person" or "group" (as such terms are used in Rule 13d-5 of the Exchange Act, and Sections 13(d) and 14(d) of the Exchange Act) of persons, other than the Permitted Holders, becomes, directly or indirectly, in a single transaction or in a related series of transactions, the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act) of a greater percentage than is owned by the Permitted Holders of the total voting power of Stock of Parent then outstanding entitled to vote generally in elections of directors of Parent;

(c) the Continuing Directors shall cease for any reason to constitute a majority of the Board of Directors of Parent then in office;

(d) except as otherwise expressly permitted herein, Parent shall cease to be the direct or indirect holder and owner of one hundred percent (100%) of the Stock of the other Loan Parties.

" Closing Date " means the date of the making of the initial Advance (or other extension of credit) under the Agreement.

" Code " means the New York Uniform Commercial Code, as in effect from time to time.

" Collateral " means all assets and interests in assets (other than the real property located in Hope, Arkansas which is owned by Klipsch on the Closing Date) and proceeds thereof now owned or hereafter acquired by a Loan Party in or upon which a Lien is granted by such Loan Party in favor of Agent or the Lenders under any of the Loan Documents.

" Collateral Access Agreement " means a landlord waiver, bailee letter, or acknowledgement agreement of any lessor, warehouseman, processor, consignee, or other Person in possession of, having a Lien upon, or having rights or interests in a Borrower's or its Subsidiaries' books and records, Equipment, or Inventory, in each case, in form and substance reasonably satisfactory to Agent.

" Collections " means all cash, checks, notes, instruments, and other items of payment (including insurance proceeds, cash proceeds of asset sales, rental proceeds, and tax refunds).

" Commitment " means, with respect to each Lender, its Revolver Commitment or its Term Loan Commitment, as the context requires, and, with respect to all Lenders, their Revolver Commitments or Term Loan Commitments, in each case as such Dollar amounts are set forth beside such Lender's name under the applicable heading on Schedule C-1 attached hereto or on the signature page of the Assignment and Acceptance pursuant to which such Lender became a Lender under the Agreement, as such amounts may be reduced or increased from time to time pursuant to assignments made in accordance with the provisions of Section 13.1 of the Agreement.

" Commodity Exchange Act " means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

" Compliance Certificate " means a certificate substantially in the form of Exhibit C-1 delivered by the chief financial officer of Borrower Agent to Agent.

" Compliance Period " means the period commencing on the date on which Excess Availability is less than twelve and one-half percent (12.5%) of the Maximum Revolver Amount and ending on the date on which Excess Availability has been equal to or greater than twelve and one-half percent (12.5%) of the Maximum Revolver Amount for any consecutive thirty (30) day period thereafter.

" Confidential Information " has the meaning specified therefor in Section 17.9(a) of the Agreement.

" Continuing Director " means (a) any member of the Board of Directors of Parent who was a director (or comparable manager) on the Closing Date, after giving effect to the execution and delivery of this Agreement and the other transactions contemplated hereby to occur on such date, and (b) any individual who becomes a member of

the Board of Directors of Parent after the Closing Date if such individual was approved, appointed or nominated for election to the Board of Directors by either the Permitted Holders or a majority of the Continuing Directors.

" Control Agreement " means a control agreement, in form and substance reasonably satisfactory to Agent, executed and delivered by a Loan Party, Agent, and the applicable securities intermediary (with respect to a Securities Account) or bank (with respect to a Deposit Account).

" Controlled Account Agreement " has the meaning specified therefor in the Security Agreement.

" Controlled Foreign Corporation" or "controlled foreign corporation " means a controlled foreign corporation (as that term is defined in the IRC).

" Copyright Security Agreement " has the meaning specified therefor in the Security Agreement.

" Daily Balance " means, as of any date of determination and with respect to any Obligation, the amount of such Obligation owed at the end of such day.

" Danish Guarantor " means Klipsch Group Europe - Denmark, a company organized under the laws of Denmark, and its successors and assigns.

" DCC " means Dutch Civil Code.

" Default " means an event, condition, or default that, with the giving of notice, the passage of time, or both, would be an Event of Default.

" Defaulting Lender " means any Lender that (a) has failed to fund any amounts required to be funded by it under the Agreement within one (1) Business Day of the date that it is required to do so under the Agreement (including the failure to make available to Agent amounts required pursuant to a Settlement or to make a required payment in connection with a Letter of Credit Disbursement) unless such Lender notifies Agent and the Borrowers in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, (b) notified any Borrower, Agent, or any Lender in writing that it does not intend to comply with all or any portion of its funding obligations under the Agreement (unless such writing relates to such Lender's obligation to fund an Advance hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has made a public statement to the effect that it does not intend to comply with its funding obligations under the Agreement or under other agreements generally (as reasonably determined by Agent) under which it has committed to extend credit (unless such public statement relates to such Lender's obligation to fund an Advance hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (d) failed, within one (1) Business Day after written request by Agent, to confirm that it will comply with the terms of the Agreement relating to its obligations to fund any amounts required to be funded by it under the Agreement (provided , that , such Lender shall cease to be a Defaulting Lender pursuant to this clause (d) upon receipt of such written confirmation by the Agent and the Borrower Agent), (e) otherwise failed to pay over to Agent or any other Lender any other amount required to be paid by it under the Agreement on the date that it is required to do so under the Agreement, or (f) (i) becomes or is insolvent or has a parent company that has become or is insolvent, (ii) becomes the subject of a bankruptcy or Insolvency Proceeding, or has had a receiver, conservator, trustee, or custodian or appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a parent company that has become the subject of a bankruptcy or Insolvency Proceeding, or has had a receiver, conservator, trustee, or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or (iii) becomes the subject of a Bail-in Action or has a parent that has becomes the subject of a Bail-in Action.

" Defaulting Lender Rate " means (a) for the first three (3) days from and after the date the relevant payment is due, the Base Rate, and (b) thereafter, the interest rate then applicable to Advances that are Base Rate Loans (inclusive of the Applicable Margin for Base Rate Loans applicable thereto).

" Deposit Account " means any deposit account (as that term is defined in the Code).

" Designated Account " means the Deposit Account of Borrower Agent identified on Schedule D-1 .

" Designated Account Bank " has the meaning specified therefor in Schedule D-1 .

" Dilution " means, as of any date of determination, a percentage, based upon the experience of the immediately prior ninety (90) consecutive days, that is the result of dividing the Dollar amount of (a) bad debt write-downs, discounts, advertising allowances, credits, or other dilutive items with respect to Borrowers' Accounts during such period, by (b) Borrowers' billings with respect to Accounts during such period.

" Dilution Reserve " means, as of any date of determination, an amount sufficient to reduce the advance rate against Eligible Accounts by 1 percentage point for each percentage point by which Dilution is in excess of five percent (5%).

" Dollars " or " $ " means United States dollars.

" Dutch Guarantor " means Klipsch Group Europe B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), incorporated under the laws of the Netherlands, having its corporate seat (*statutaire zetel*) in Leiden, the Netherlands, registered with the trade register (*handelsregister*) of the Dutch chamber of commerce (*Kamer van Koophandel*) under number 28082794, and its successors and assigns.

" EBITDA " means, with respect to any fiscal period, the consolidated net earnings (or loss) of the Loan Parties (other than the Mexican Guarantor), the Specified Subsidiaries and Eyelock LLC (and with respect to Eyelock LLC, in an amount equal to the ownership percentage of the Loan Parties in such entity multiplied by such net earnings (or loss) of such entity), minus extraordinary gains and interest income (other than interest income derived during fiscal year 2016 from amounts payable by Eyelock Inc. to the Loan Parties related to the acquisition by Eyelock LLC of certain assets of Eyelock, Inc.), plus without duplication, the sum of the following amounts of the Loan Parties (other than the Mexican Guarantor), the Specified Subsidiaries and Eyelock LLC (and with respect to Eyelock LLC, in an amount equal to the ownership percentage of the Loan Parties in such entity multiplied by the below amounts attributable to such entity) to the extent deducted in determining consolidated net earnings (or loss) for such period: (a) non-cash extraordinary losses, (b) interest expense, (c) income taxes, (d) non-cash charges related to goodwill impairment and impairment of non-cash intangibles, (e) closing costs and expenses incurred in connection with the credit facility related to this Agreement and the transactions contemplated hereby, (f) depreciation and amortization of the Loan Parties (other than the Mexican Guarantor), the Specified Subsidiaries and Eyelock LLC for such period, (g) Stock-based compensation expense, (h) fiscal year 2016 severance expense in an amount not to exceed $1,815,000, (i) currency devaluation/fluctuation loss or expense relating to Venezuela in an amount not to exceed $3,200,000 in the aggregate for fiscal year 2017 and any fiscal year thereafter, (j) expenses related to the closing of the Venezuela operations for fiscal year 2016 and expenses related to the closing of the Mexican operations for fiscal year 2017 in an aggregate amount not to exceed $150,000, (k) costs (including settlement payments) and expenses relating to Technicolor lawsuits for fiscal year 2016 and fiscal year 2017 in an aggregate amount not to exceed $3,140,000, (l) LIBOR breakage costs, if any, under the Existing Credit Agreement on the Closing Date, (m) costs (including settlement payments) and expenses incurred during fiscal year 2016 relating to the Klipsch counterfeit lawsuit(s) in an aggregate amount not to exceed $459,000 **,** (n) closing/transaction costs incurred during fiscal year 2016 relating to the investment by Parent in Eyelock LLC and the acquisition by Eyelock LLC of certain assets of Eyelock, Inc. in an aggregate amount not to exceed $1,095,000 and (o) moving costs and expenses of one or more of the Loan Parties incurred during fiscal year 2016 relating to the move from 2822 Commerce Park Dr # 400, Orlando, FL 32819 and 3001 Directors Row, Orlando, FL 32809 to the Orange County Real Property which is owned by Voxx HQ LLC in an aggregate amount not to exceed $250,000, minus the bargain purchase gain in the amount $4,678,000 related to the acquisition of Eyelock LLC for less than fair value,

and, in each case, determined on a consolidated basis in accordance with GAAP. For purposes of calculating the covenant set forth in Section 7.1 of the Agreement, any cash received by the Loan Parties (other than the Mexican Guarantor) from Subsidiaries of the Parent that are not Loan Parties during the applicable period shall be included as net earnings of the Loan Parties.

" EEA Financial Institution " means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent;

" EEA Member Country " means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

" EEA Resolution Authority " means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

" Eligible Accounts " means those Accounts created by any Borrower, any Canadian Guarantor or Dutch Guarantor in the ordinary course of its business, that arise out of the sale of goods or rendition of services by such Borrower, Canadian Guarantor or Dutch Guarantor, as the case may be, that comply with each of the representations and warranties respecting Eligible Accounts made in the Loan Documents, and that are not excluded from being Eligible Accounts as a result of the failure to satisfy any of the criteria set forth below; provided , that , that such criteria may be revised from time to time by Agent in its Permitted Discretion to address the results of any field examination by or on behalf of Agent from time to time after the Closing Date. In determining the amount to be included, Eligible Accounts shall be calculated net of customer deposits, taxes, discounts, credits, allowances, rebates and unapplied cash. Eligible Accounts shall not include the following:

(a) Accounts that the Account Debtor has failed to pay within one hundred and twenty (120) days of original invoice date (but with respect to Best Buy Co., Inc., Pro Source Group or Costco, within one hundred and thirty five (135) days of the original invoice date), or within sixty (60) days of the original due date or Accounts with payment terms of more than one hundred and twenty (120) days,

(b) Accounts owed by an Account Debtor (or its Affiliates) where fifty percent (50%) or more of all Accounts owed by that Account Debtor (or its Affiliates) are deemed ineligible under clause (a) above,

(c) Accounts with respect to which the Account Debtor is an Affiliate of a Borrower, a Canadian Guarantor or Dutch Guarantor or an employee or agent of a Borrower, a Canadian Guarantor or Dutch Guarantor or any of their Affiliates,

(d) Accounts arising in a transaction wherein goods are placed on consignment or are sold pursuant to a guaranteed sale, a sale or return, a sale on approval, a bill and hold, or any other terms by reason of which the payment by the Account Debtor may be conditional,

(e) Accounts that are not payable in Dollars, Canadian dollars, British pounds sterling or euros,

(f) in connection with Accounts owing to any Borrower or Canadian Guarantor, Accounts with respect to which the Account Debtor (i) does not maintain its chief executive office in, or is not organized under the laws of the United States (or any State thereof) or Canada (or any Province or Territory thereof), or (ii) is the government of any foreign country (other than Canada) or sovereign state, or of any state, province, municipality, or other political subdivision thereof, or of any department, agency, public corporation, or other instrumentality thereof, except , as to any of the Accounts owing to any Borrower or Canadian Guarantor that would not be Eligible Accounts solely as a result of the failure to satisfy the conditions in clauses (i) or (ii) above, if the Account is supported by an irrevocable letter of credit reasonably satisfactory to Agent (as to form, substance, and issuer or domestic confirming bank) that has been delivered to Agent and is directly drawable by Agent,

(g) in connection with Accounts owing to Dutch Guarantor, (i) Accounts with respect to which the Account Debtor does not maintain its chief executive office in, or is not organized under the laws of a jurisdiction set forth in Schedule E-4 , (ii) Accounts that arise from an agreement (A) governed by the laws of a jurisdiction other than the laws of the Netherlands or the State of Indiana, or (B) that contains an anti-assignment

clause or any other limitation or condition to the grant of a security interest or other Lien or interest in any such Accounts or provides that the grant thereof would constitute a default or breach of any such agreement, (iii) Accounts that are not pledged pursuant to the Dutch deed of pledge, dated on or about the date of this Agreement, by and between Dutch Guarantor and Agent, or (iv) Accounts with respect to which the Account Debtor is the government of any foreign country or sovereign state, or of any state, province, municipality, or other political subdivision thereof, or of any department, agency, public corporation, or other instrumentality thereof, except , as to any of the Accounts owing to Dutch Guarantor that would not be Eligible Accounts solely as a result of the failure to satisfy the conditions in clauses (i), (ii) or (iii) above, if the Account is supported by an irrevocable letter of credit reasonably satisfactory to Agent (as to form, substance, and issuer or domestic confirming bank) that has been delivered to Agent and is directly drawable by Agent,

(h) Accounts with respect to which the Account Debtor is either (i) the United States or Canada, or any department, agency, or instrumentality thereof (exclusive, however, of Accounts with respect to which Borrowers have complied, to the reasonable satisfaction of Agent, with the Assignment of Claims Act, 31 USC §3727 or the Financial Administration Act (Canada) or any other similar Provincial, Territorial or local law, as applicable), or (ii) any state of the United States or province or territory of Canada,

(i) Accounts with respect to which the Account Debtor is a creditor of a Borrower, a Canadian Guarantor or Dutch Guarantor, has or has asserted a right of setoff, or has disputed its obligation to pay all or any portion of the Account, to the extent of such claim, right of setoff, or dispute,

(j) Accounts with respect to an Account Debtor (other than Wal-Mart Stores, Inc., Best Buy Co., Inc., HH Gregg Distributing LLC, Amazon, Ford Motor Company and Target) whose total obligations owing to Borrowers exceed ten percent (10%) (such percentage, as applied to a particular Account Debtor, being subject to reduction by Agent in its Permitted Discretion if the creditworthiness of such Account Debtor deteriorates) of all Eligible Accounts, to the extent of the obligations owing by such Account Debtor in excess of such percentage, or in the case of Wal-Mart Stores, Inc., to the extent of the obligations owing by such Account Debtor in excess of twenty percent (20%) of all Eligible Accounts, or in the case of Best Buy Co., Inc., to the extent of the obligations owing by such Account Debtor in excess of twenty five percent (25%) of all Eligible Accounts , or in the case of each of HH Gregg Distributing LLC, Amazon, Ford Motor Company or Target, to the extent of the obligations owing by each of such Account Debtors in excess of fifteen percent (15%) of all Eligible Accounts (in each case, as to Wal-Mart Stores, Inc., Best Buy Co., Inc., HH Gregg Distributing LLC, Amazon, Ford Motor Company or Target such percentage being subject to reduction by Agent in its Permitted Discretion if the creditworthiness of such Account Debtor deteriorates); provided , that , in each case, the amount of Eligible Accounts that are excluded because they exceed any of the foregoing percentages shall be determined by Agent based on all of the otherwise Eligible Accounts prior to giving effect to any eliminations based upon the foregoing concentration limit,

(k) Accounts with respect to which the Account Debtor is subject to an Insolvency Proceeding, is not Solvent, has gone out of business, or as to which a Borrower, a Canadian Guarantor or Dutch Guarantor has received notice of an imminent Insolvency Proceeding or a material impairment of the financial condition of such Account Debtor,

(l) Accounts, the collection of which, Agent, in its Permitted Discretion, believes to be doubtful by reason of the Account Debtor's financial condition,

(m) Accounts that are not subject to a valid and perfected first priority Agent's Lien,

(n) Accounts with respect to which (i) the goods giving rise to such Account have not been shipped and billed to the Account Debtor, or (ii) the services giving rise to such Account have not been performed and billed to the Account Debtor,

(o) Accounts with respect to which the Account Debtor is a Sanctioned Person or Sanctioned Entity,

(p) Accounts that represent the right to receive progress payments or other advance billings that are due prior to the completion of performance by Borrowers, Canadian Guarantors or Dutch Guarantor, as applicable, of the subject contract for goods or services;

(q) Accounts with respect to which the Account Debtor's obligation does not constitute its legal, valid and binding obligation, enforceable against it in accordance with its terms,

(r) Accounts in connection with which any Borrower, Canadian Guarantor, Dutch Guarantor, as applicable, or any other party to such Account is in default in the performance or observance of any of the terms thereof in any material respect, or

(s) Accounts for which and to the extent that the prospect of payment or performance by the Account Debtor is or will be impaired as determined by the Agent in its Permitted Discretion.

" Eligible In-Transit Inventory " means Inventory owned by any Borrower, any Canadian Guarantor or Dutch Guarantor that otherwise satisfies the criteria for Eligible Inventory set forth herein but is located outside of the United States of America, Canada and the Netherlands (and in international or local waters) and which is in transit to either the premises of a Freight Forwarder in the United States of America, Canada or the Netherlands or the premises of a Borrower, a Canadian Guarantor or Dutch Guarantor in the United States of America, Canada or the Netherlands which are either owned and controlled by such Borrower, Canadian Guarantor or Dutch Guarantor or leased or used by such Borrower, Canadian Guarantor or Dutch Guarantor (but only if Agent has received a Collateral Access Agreement duly authorized, executed and delivered by such Freight Forwarder or the owner and lessor of such leased premises, as the case may be, by not later than the date provided in clause (b) below), provided , that ,

(a) Agent has a first priority perfected Lien upon such Inventory and all documents of title with respect thereto (other than with respect to possessory Liens of Freight Forwarders and carriers for which reserves under the Borrowing Base have been established),

(b) such Inventory either (i) is the subject of a negotiable bill of lading (A) in which Agent is named as the consignee (either directly or by means of endorsements), (B) that was issued by the carrier respecting such Inventory that is subject to such bill of lading, and (C) that is in the possession of Agent or the Freight Forwarder (or, in the case of Inventory purchased with and subject to a Letter of Credit issued hereunder, in the possession of the Issuing Lender or the Underlying Issuer, as applicable) handling the importing, shipping and delivery of such Inventory, in all cases, acting on Agent's behalf subject to a Collateral Access Agreement duly authorized, executed and delivered by such Freight Forwarder by not later than thirty (30) days after the Closing Date, or (ii) is the subject of a negotiable forwarder's cargo receipt and such cargo receipt on its face indicates the name of the freight forwarder as a carrier or multimodal transport operator and has been signed or otherwise authenticated by it in such capacity or as a named agent for or on behalf of the carrier or multilmodal transport operator, in any case respecting such Inventory and either (A) names Agent as the consignee (either directly or by means of endorsements), or (B) is in the possession of Agent or the Freight Forwarder handling the importing, shipping and delivery of such Inventory, in all cases, acting on Agent's behalf subject to a Collateral Access Agreement duly authorized, executed and delivered by such Freight Forwarder by not later than thirty (30) days after the Closing Date,

(c) such Borrower, Canadian Guarantor or Dutch Guarantor, as applicable, has title to such Inventory, and Agent shall have received such evidence thereof as it may from time to time require,

(d) Agent shall have received, by not later than thirty (30) days after the Closing Date, a Collateral Access Agreement, duly authorized, executed and delivered by the Freight Forwarder located in the United States of America handling the importing, shipping and delivery of such Inventory,

(e) such Inventory is insured against types of loss, damage, hazards, and risks, and in amounts, reasonably satisfactory to Agent in its Permitted Discretion, and Agent shall have received a copy of the certificate of marine cargo insurance in connection therewith in which it has been named as an additional insured and loss payee in a manner reasonably acceptable to Agent,

(f) Agent shall have received (i) a certificate duly executed and delivered with the Borrowing Base Certificate by an Authorized Person of Borrower Agent certifying to Agent that, to the best of the knowledge of Borrowers, Canadian Guarantors and Dutch Guarantor, such Inventory meets all of such Borrower's, Canadian Guarantor's or Dutch Guarantor's representations and warranties contained herein concerning Eligible In-Transit Inventory and that the shipment as evidenced by the documents conforms to the related order documents, and (ii) upon Agent's request, a copy of the invoice, packing slip and manifest with respect thereto, and

(g) such Inventory shall not have been in transit for more than sixty (60) days.

Provided, that, anything to the contrary above notwithstanding, inventory to be purchased by any Borrower, any Canadian Guarantor or Dutch Guarantor located outside of the United States of America, Canada or the Netherlands (as to the applicable Borrower or Guarantor) which is not yet owned by any such Borrower or Guarantor or in transit to the premises of a Freight Forwarder or such Borrower or Guarantor as provided above, shall be deemed to be Eligible In-Transit Inventory, so long as (i) such inventory would satisfy the criteria for Eligible In-Transit Inventory upon its purchase by such Borrower or Guarantor and the shipment of it to such Borrower or Guarantor, (ii) such inventory is subject to a Letter of Credit for the payment of the purchase price thereof (which Letter of Credit is on terms and conditions satisfactory to Issuing Lender and Underlying Issuer, including that any draw thereunder requires the presentation and delivery of a bill of lading or freight forwarders cargo receipt as provided in clause (b) above) and (iii) so long as the inventory to be purchased with such Letter of Credit satisfies each of the criteria set forth above within thirty (30) days after such Letter of Credit is issued.

" Eligible Inventory " means Inventory consisting of first quality finished goods held for sale in the ordinary course of the business of any Borrower, any Canadian Guarantor or Dutch Guarantor and raw materials for such finished goods, that complies with each of the representations and warranties respecting Eligible Inventory made in the Loan Documents, that is not excluded from being Eligible Inventory as a result of the failure to satisfy any of the criteria set forth below; provided , that , that such criteria may be revised from time to time by Agent in its Permitted Discretion to address the results of any field examination by or on behalf of Agent from time to time after the Closing Date. In determining the amount to be so included, Inventory shall be valued at the lower of cost or market, with cost determined on a weighted moving average basis or on a standard cost basis, as applicable, consistent with the current practices of the Borrowers, any Canadian Guarantor or Dutch Guarantor, as applicable, without regard to intercompany profit or increases for currency exchange rates. An item of Inventory shall not be included in Eligible Inventory if:

(t) a Borrower, a Canadian Guarantor or Dutch Guarantor, as applicable, does not have good, valid, and marketable title thereto (other than with respect to possessory Liens of third parties in possession of such Inventory for which reserves under the Borrowing Base have been established, and other than as set forth in the last paragraph of the definition of Eligible In-Transit Inventory),

(u) a Borrower, a Canadian Guarantor or Dutch Guarantor, as applicable, does not have actual and exclusive possession thereof (either directly or through a bailee or agent of Borrowers, such Canadian Guarantor or Dutch Guarantor),

(v) it is not located at one of the locations in the continental United States, Canada or the Netherlands set forth on Schedule E-1 (or in-transit from one such location to another such location) unless such Inventory is Eligible In-Transit Inventory,

(w) it is in-transit to or from a location of a Borrower, a Canadian Guarantor or Dutch Guarantor, as applicable (other than in-transit from one location set forth on Schedule E-1 to another location set forth on Schedule E-1) unless such Inventory is Eligible In-Transit Inventory,

(x) it is located on real property leased by a Borrower, a Canadian Guarantor or Dutch Guarantor, as applicable, or in a contract warehouse, in each case, unless it is subject to a Collateral Access Agreement executed by the lessor or warehouseman, as the case may be, by not later than ninety (90) days after the Closing Date or subject to a reserve established by Agent pursuant to Section 2.1(f)(ix) of the Agreement, and unless it is segregated or otherwise separately identifiable from goods of others, if any, stored on the premises,

(y) it is the subject of a bill of lading or other document of title other than Eligible In-Transit Inventory,

(z) it is not subject to a valid and perfected first priority Agent's Lien under the laws of the United States, Canada or the Netherlands, as applicable (other than with respect to possessory Liens of Freight Forwarders and carriers for which reserves under the Borrowing Base have been established),

(aa) it is subject to a Lien other than the Lien of Agent and those permitted in clauses (b), (c), (e), (g) or (p) of the definition of the term Permitted Liens (but as to Liens referred to in clause (c) and (p) only to the extent that Agent has established a reserve in respect thereof) and any other Liens permitted under this Agreement that are subject to an intercreditor agreement in form and substance reasonably satisfactory to Agent between the holder of such Lien and Agent;

(ab) it consists of goods returned or rejected by a customer of a Borrower, a Canadian Guarantor or Dutch Guarantor, as applicable,

(ac) it consists of goods that are obsolete or slow moving, restrictive or custom items, not in good condition, not either currently usable or currently saleable in the ordinary course of any such Borrower's, such Canadian Guarantor's or Dutch Guarantor's business or does not meet all material standards imposed by any governmental authority having regulatory authority over such item of Inventory, its use or its sale, work-in-process, or goods that constitute spare parts, packaging and shipping materials, supplies used or consumed in such Borrower's, such Canadian Guarantor's or Dutch Guarantor's business, bill and hold goods, defective goods, "seconds," Inventory consigned to a third party for sale or Inventory acquired on consignment,

(ad) it is subject to third party trademark, licensing or other proprietary rights, unless Agent is satisfied that such Inventory can be freely sold by Agent on and after the occurrence of an Event of a Default despite such third party rights,

(ae) it was acquired in connection with a Permitted Acquisition, until the completion of an appraisal and field examination of such Inventory, in each case, reasonably satisfactory to Agent (which appraisal and field examination may be conducted prior to the closing of such Permitted Acquisition and, in any event, as soon as practicable (in Agent's Permitted Discretion) upon the written request of Borrower Agent), or

(af) it is subject to the claims of a supplier pursuant to Section 81.1 of the BIA or any applicable Provincial or Territorial laws granting revendication or similar rights to unpaid suppliers to the extent of such claims.

" Eligible Real Property " means Real Property owned by any Loan Party organized under the laws of the United Stated in fee simple on the date of the Agreement which is listed on Schedule E-2 hereto and included in the most recent appraisal of Real Property received by Agent prior to the Closing Date, which complies with each of the representations and warranties respecting Eligible Real Property made in the Loan Documents, and that is not excluded as ineligible pursuant to one or more of the criteria set forth below; provided , that , such criteria may be revised from time to time by the Agent in its Permitted Discretion to address the results of any appraisal performed by (or on behalf of) the Agent from time to time after the Closing Date. In general, Eligible Real Property shall not include:

(a) Real Property which is not owned by such Loan Party;

(b) Real Property subject to a Lien in favor of any person other than Agent, except the existing Liens on the Orange County Real Property arising pursuant to the Orange County IRB Documents (as in effect on the date hereof) and those permitted hereunder that are subject to an intercreditor agreement in form and substance reasonably satisfactory to Agent between the holder of such Lien and Agent or are otherwise acceptable to Agent);

(c) Real Property that is not located in the United States of America;

(d) Real Property that is not subject to a valid and perfected first priority Agent's Lien pursuant to a Mortgage and such other documents as Agent may reasonably request, except with respect to the Orange County Real Property, which shall be subject to a second priority Agent's Lien while the Orange County IRB Mortgage is in effect;

(e) Real Property where the Agent reasonably determines that issues relating to compliance with Environmental Laws adversely affect in any material respect the value thereof or the ability of Agent to sell or otherwise dispose thereof (but subject to the right of Agent to establish reserves in its Permitted Discretion after the date hereof to reflect such adverse affect);

(f) Real Property improved with residential housing; or

(g) Real Property for which the applicable Loan Party has not delivered to Agent, title insurance, a survey, zoning report, flood certificate, flood insurance in accordance with Section 5.6(b) hereof, environmental studies and other real estate items as required by FIRREA, each of which shall be reasonably satisfactory to Agent.

" Eligible Trademarks " means the Trademarks registered under the laws of the United States owned by any Loan Party organized under the laws of any jurisdiction in the United States and included in the most recent appraisal of Trademarks received by Agent prior to the Closing Date, which complies with each of the representations and warranties respecting Eligible Trademarks made in the Loan Documents, and that is not excluded as ineligible pursuant to one or more of the criteria set forth below. In general, such Trademarks shall be Eligible Trademarks if:

(a) such Trademarks are in full force and effect;

(b) such Loan Party owns the sole, full and clear title thereto;

(c) such Trademarks are subject to the first priority, valid and perfected security interest of Agent and is not subject to any other Liens of any nature whatsoever, except for any licenses or junior encumbrances expressly permitted hereunder;

(d) such Trademarks are not presently subject to any infringement or unauthorized use or claims that would adversely affect the fair market value thereof in any material respect or the benefits of this Agreement granted to Agent with respect thereto, including, without limitation, the validity, priority or perfection of the Lien granted herein or the remedies of Agent hereunder;

(e) there are no facts, events or occurrences which would impair the validity, enforceability or usability of such Trademarks; and

(f) Agent shall have received the following items, each in form and substance reasonably satisfactory to Agent with respect to such Trademarks: (i) the Trademark Security Agreement, duly authorized, executed and delivered by the applicable Loan Parties in favor of Agent; and (ii) a written appraisal, in form, scope and methodology reasonably acceptable to Agent and performed by an appraiser reasonably acceptable to Agent, addressed to Agent and upon which Agent and Lenders are expressly permitted to rely; and (iii) all consents, waivers, acknowledgments, agreements and approvals from third parties which Agent may reasonably deem necessary or desirable in accordance with their policies and practices.

" Eligible Transferee " means (a) a commercial bank organized under the laws of the United States, or any state thereof, and having total assets in excess of $1,000,000,000, (b) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development or a political subdivision of any such country and which has total assets in excess of $1,000,000,000, provided that such bank is acting through a branch or agency located in the United States, (c) a finance company, insurance company, or other financial institution or fund that is engaged in making, purchasing, or otherwise investing in commercial loans in the ordinary course of its business and having (together with its Affiliates) total assets in excess of $1,000,000,000, (d) any Affiliate (other than individuals) of a pre-existing Lender, (e) so long as no Event of Default has occurred and is continuing, any other Person approved by Agent and Borrowers (such approval by Borrowers not to be unreasonably withheld, conditioned or delayed), and (f) during the continuation of an Event of Default, any other Person approved by Agent.

" Environmental Action " means any written complaint, summons, citation, notice, directive, order, claim, litigation, investigation, judicial or administrative proceeding, judgment, letter, or other written communication from any Governmental Authority, or any third party involving violations of Environmental Laws or releases of Hazardous Materials (a) from any assets, properties, or businesses of any Borrower, any Subsidiary of a Borrower, or any of their predecessors in interest, (b) from adjoining properties or businesses, or (c) from or onto any facilities which received Hazardous Materials generated by any Borrower, any Subsidiary of a Borrower, or any of their predecessors in interest.

" Environmental Compliance Reserves " means, with respect to Eligible Real Property, any reserve which Agent, from time to time in its Permitted Discretion may establish for estimable amounts that are reasonably likely to be expended by any of the Borrowers or Guarantors in order for such Borrower or Guarantor and its operations

and property (a) to comply with any notice from a Governmental Authority asserting non-compliance with Environmental Laws, (b) to correct any such non-compliance with Environmental Laws, or (c) to remedy any condition disclosed in the Phase I Environmental Assessments delivered to the Agent on or prior to the Closing Date.

" Environmental Law " means any applicable federal, state, provincial, foreign or local statute, law, rule, regulation, ordinance, code, binding and enforceable guideline, binding and enforceable written policy, or rule of common law now or hereafter in effect and in each case as amended, or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, in each case, to the extent binding on any Loan Party or its Subsidiaries, relating to the environment, the effect of the environment on employee health, or Hazardous Materials, in each case as amended from time to time.

" Environmental Liabilities " means all liabilities, monetary obligations, losses, damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, experts, or consultants, and costs of investigation and feasibility studies), fines, penalties, sanctions, and interest incurred as a result of any claim or demand, or Remedial Action required, by any Governmental Authority or any third party, and which relate to any Environmental Action.

" Environmental Lien " means any Lien in favor of any Governmental Authority for Environmental Liabilities.

" Equipment " means, as to each Loan Party, all of such Loan Party's now owned and hereafter acquired equipment, wherever located, including machinery, data processing and computer equipment (whether owned or licensed and including embedded software), vehicles, tools, furniture, fixtures, all attachments, accessions and property now or hereafter affixed thereto or used in connection therewith, and substitutions and replacements thereof, wherever located.

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto.

" ERISA Affiliate " means (a) any Person subject to ERISA whose employees are treated as employed by the same employer as the employees of any Borrower or any of its Subsidiaries under IRC Section 414(b), (b) any trade or business subject to ERISA whose employees are treated as employed by the same employer as the employees of any Borrower or any of its Subsidiaries under IRC Section 414(c), (c) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any organization subject to ERISA that is a member of an affiliated service group of which any Borrower or any of its Subsidiaries is a member under IRC Section 414(m), or (d) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any Person subject to ERISA that is a party to an arrangement with any Borrower or any of its Subsidiaries and whose employees are aggregated with the employees of any Borrower or any of its Subsidiaries under IRC Section 414(o).

" EU Bail-In Legislation Schedule " means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

" Event of Default " has the meaning specified therefor in Section 8 of the Agreement.

" Excess Availability " means, as of any date of determination, the amount equal to (a) the lesser of the Borrowing Base (taking into consideration for this purpose the amount of the limits on Revolver Usage set forth in Sections 2.1(c) and 2.1(d) , to the extent applicable) or the Maximum Revolver Amount minus (b) Revolver Usage minus (c) past due payables in excess of $2,000,000 that are past due by more than sixty (60) days (and with the due date determined in accordance with customary practices and other than payables being contested or disputed by Borrowers in good faith) plus (d) Qualified Cash of up to $10,000,000.

" Exchange Act " means the Securities Exchange Act of 1934, as in effect from time to time.

" Exchange Rate " means the prevailing spot rate of exchange of such bank as Agent may reasonably select for the purpose of conversion of one currency to another, at or around 11:00 a.m. New York time, on the date on which any such conversion of currency is to be made under this Agreement.

" Excluded Swap Obligation " means, with respect to any Loan Party, any Swap Obligation if, and to the extent that, all or a portion of the guaranty of such Loan Party of, or the grant by such Loan Party of a security interest to secure, such Swap Obligation (or any guaranty thereof) is or becomes illegal or unlawful under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Loan Party's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act and the regulations thereunder at the time such guaranty of such Loan Party or the grant of such security interest would otherwise have become effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such guaranty or security interest is or becomes illegal or unlawful under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof).

" Existing Credit Agreement " means the Amended and Restated Credit Agreement, dated as of March 14, 2012, among Wells Fargo, as administrative and collateral agent, the lenders party thereto, Parent and certain of its subsidiaries.

" Existing Letters of Credit " means those letters of credit described on Schedule E-3 to the Agreement.

" Existing Loan Documents " means, collectively (as from time to time heretofore amended, modified, supplemented, extended, renewed, restated or replaced): (a) the Existing Credit Agreement and (b) all agreements, documents and instruments at any time executed and/or delivered in connection therewith, or related thereto.

" Extraordinary Receipts " means any payments received by any Borrower or any of its Subsidiaries not in the ordinary course of business (and not consisting of proceeds described in Section 2.4(e)(ii) of the Agreement) consisting of (a) proceeds of judgments, proceeds of settlements or other consideration of any kind in connection with any cause of action, (b) indemnity payments (other than to the extent such indemnity payments are (i) immediately payable to a Person that is not an Affiliate of such Borrower or any of its Subsidiaries, or (ii) received by such Borrower or any of its Subsidiaries as reimbursement for any payment previously made to such Person), and (c) any purchase price adjustment (other than a working capital adjustment) received in connection with any purchase agreement.

" FATCA " means Sections 1471 through 1474 of the IRC, as of the date of the Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof.

" Federal Funds Rate " means, for any period, a fluctuating interest rate per annum equal to, for each day during such period, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by Agent from three Federal funds brokers of recognized standing selected by it.

" Fee Letter " means that certain fee letter, dated as of even date with the Agreement, among Borrowers and Agent, in form and substance reasonably satisfactory to Agent.

" Fixed Charges " means, with respect to any fiscal period and with respect to the Loan Parties (other than the Mexican Guarantor), Eyelock LLC and the Specified Subsidiaries determined on a consolidated basis in accordance with GAAP (and with respect to Eyelock LLC, in an amount equal to the ownership percentage of the Loan Parties in such entity multiplied by the below amounts attributable to such entity), the sum, without

duplication, of (a) Interest Expense accrued (other than interest paid-in-kind, amortization of financing fees, and other non-cash Interest Expense) during such period, (b) principal payments in respect of Indebtedness (including amortization in respect of the Real Property Availability) that are required to be paid during such period, and (c) all federal, state, and local income taxes paid during such period (net of any tax refunds received in cash during such period), and (d) all Restricted Junior Payments paid (whether in cash or other property, other than common Stock) during such period.

" Fixed Charge Coverage Ratio " means, with respect to the Loan Parties (other than the Mexican Guarantor), the Specified Subsidiaries and Eyelock LLC (and with respect to Eyelock LLC, in an amount equal to the ownership percentage of the Loan Parties in such entity multiplied by the below amounts attributable to such entity) for any period, the ratio of (i) EBITDA for such period minus Capital Expenditures made (to the extent not already incurred in a prior period) or incurred during such period, to (ii) Fixed Charges for such period.

" Flood Insurance Laws " means, collectively, the following (in each case as now or hereafter in effect or any successor statute thereto): (i) the National Flood Insurance Act of 1968, (ii) the Flood Disaster Protection Act of 1973, (iii) the National Flood Insurance Reform Act of 1994 and (iv) the Flood Insurance Reform Act of 2004.

" Foreign Lender " means any Lender or Participant that is not a United States person within the meaning of IRC section 7701(a)(30).

" Foreign Subsidiary " means a Subsidiary of Parent that is organized or incorporated under the laws of any jurisdiction outside of the United States of America; sometimes being referred to herein collectively as "Foreign Subsidiaries".

" Freight Forwarders " shall mean the persons listed on Schedule F-1 hereto or such other person or persons as may be selected by Borrowers, Canadian Guarantors or Dutch Guarantor after the date hereof and after written notice by Borrower Agent to Agent who are reasonably acceptable to Agent to handle the receipt of Inventory within the United States of America, Canada or the Netherlands and/or to clear Inventory through the Bureau of Customs and Border Protection (formerly the Customs Service), or its Canadian and Netherlands equivalents, or other domestic or foreign export control authorities or otherwise perform port of entry services to process Inventory imported by Borrowers from outside the United States of America, Canada or the Netherlands (such persons sometimes being referred to herein individually as a "Freight Forwarder"), provided, that, as to each such person, (a) Lender shall have received a Collateral Access Agreement by such person in favor of Agent (in form and substance reasonably satisfactory to Agent) duly authorized, executed and delivered by such person, (b) such agreement shall be in full force and effect and (c) such person shall be in compliance in all material respects with the terms thereof.

" French Guarantor " means Klipsch Group Europe - France S.A.R.L., a company organized under the laws of France, and its successors and assigns.

" Funding Date " means the date on which a Borrowing occurs.

" Funding Losses " has the meaning specified therefor in Section 2.12(b)(ii) of the Agreement.

" GAAP " means generally accepted accounting principles as in effect from time to time in the United States, consistently applied; provided , that , (a) if the Borrower Agent notifies the Agent that the Loan Parties have elected to report under the International Financial Reporting Standards ("IFRS"), "GAAP" shall mean international financial reporting standards pursuant to IFRS (and after such election, the Borrowers cannot elect to report under U.S. generally accepted accounting principles) and (b) if the Borrower Agent notifies the Agent that the Loan Parties request an amendment to any provision hereof to eliminate the effect of any change occurring after November 30, 2015 in GAAP (including conversion to IFRS as provided above) or in the application thereof on the operation of such provision (or if the Agent notifies the Borrowing Agent that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP

as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

" Governing Documents " means, with respect to any Person, the certificate or articles of incorporation, by-laws, or other organizational documents of such Person.

" Governmental Authority " means any federal, state, local, or other governmental or administrative body, instrumentality, board, department, or agency or any court, tribunal, administrative hearing body, arbitration panel, commission, or other similar dispute-resolving panel or body.

" Guarantors " means, collectively, the following (together with their respective successors and assigns): (a) Parent, (b) Canadian Guarantors, (c) Dutch Guarantor, (d) Mexican Guarantor, (e) French Guarantor, (f) Danish Guarantor, (g) Audiovox Websales LLC, a Delaware limited liability company, (h) Technuity, Inc., an Indiana corporation, (i) Omega Research and Development Technology LLC, a Delaware limited liability company, (j) Carribean Technical Export, Inc., a Delaware corporation, (k) Electronics Trademark Holding Company, LLC, a Delaware limited liability company, (l) Audiovox Consumer Electronics, Inc., a Delaware corporation, (m) Latin America Exports Corp., a Delaware corporation, (n) Audiovox Communications Corp., a Delaware corporation, (o) Audiovox International Corp., a Delaware corporation, (p) Audiovox Atlanta Corp., a Georgia corporation, (q) Voxx Woodview Trace LLC, a Delaware limited liability company, (r) VOXX HQ LLC, a Florida limited liability company, (s) Audiovox Advanced Accessories Group LLC, a Delaware limited liability company, (t) Klipsch Holding, LLC, a Delaware limited liability company, (u) Audiovox German Corporation, a Delaware corporation, (v) VoxxHirschman Corporation, a Delaware corporation, (w) Audiovox Latin America Ltd., a Delaware corporation, (x) Voxx Asia, Inc., a Delaware corporation, (y) each other Subsidiary of Parent (other than any Borrower) that is organized under the laws of a jurisdiction in the United States or Canada and formed or acquired after the Closing Date (other than any Subsidiary that would not be required to become a Guarantor pursuant to Section 5.11), and (x) each other Person that becomes a guarantor after the Closing Date pursuant to Section 5.11 of the Agreement, and " Guarantor " means any one of them.

" Guaranty " means that certain general continuing guaranty, dated as of even date with the Agreement, executed and delivered by each Guarantor in favor of Agent, for the benefit of the Lender Group and the Bank Product Providers, in form and substance reasonably satisfactory to Agent.

" Hazardous Materials " means (a) substances that are defined or listed in, or otherwise classified pursuant to, any applicable laws or regulations as "hazardous substances," "hazardous materials," "hazardous wastes," "toxic substances," or any other formulation intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, reproductive toxicity, or "EP toxicity", (b) oil, petroleum, or petroleum derived substances, natural gas, natural gas liquids, synthetic gas, drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas, or geothermal resources, (c) any flammable substances or explosives or any radioactive materials, and (d) asbestos in any form or electrical equipment that contains any oil or dielectric fluid containing levels of polychlorinated biphenyls in excess of 50 parts per million.

" Hedge Agreement " means a "swap agreement" as that term is defined in Section 101(53B)(A) of the Bankruptcy Code.

" Hedge Obligations " means any and all obligations or liabilities, whether absolute or contingent, due or to become due, now existing or hereafter arising, of a Loan Party arising under, owing pursuant to, or existing in respect of Hedge Agreements entered into with one or more of the Bank Product Providers.

" Hedge Provider " means any Lender or any of its Affiliates; provided , that , no such Person (other than Wells Fargo or its Affiliates) shall constitute a Hedge Provider unless and until Agent shall have received a Bank Product Provider Letter Agreement from such Person and with respect to the applicable Hedge Agreement within ten (10) days after the execution and delivery of such Hedge Agreement with a Borrower.

" Holdout Lender " has the meaning specified therefor in Section 14.2(a) of the Agreement.

" IFRS " has the meaning specified therefor in the definition of GAAP.

" Indebtedness " as to any Person means (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes, or other similar instruments and all reimbursement or other obligations in respect of letters of credit, bankers acceptances, or other financial products, (c) all obligations of such Person as a lessee under Capital Leases, (d) all obligations or liabilities of others secured by a Lien on any asset of such Person, irrespective of whether such obligation or liability is assumed, (e) all obligations of such Person to pay the deferred purchase price of assets (other than trade payables incurred in the ordinary course of business and repayable in accordance with customary trade practices), (f) all obligations of such Person owing under Hedge Agreements (which amount shall be calculated based on the amount that would be payable by such Person if the Hedge Agreement were terminated on the date of determination), (g) any Prohibited Preferred Stock of such Person, and (h) any obligation of such Person guaranteeing or intended to guarantee (whether directly or indirectly guaranteed, endorsed, co-made, discounted, or sold with recourse) any obligation of any other Person that constitutes Indebtedness under any of clauses (a) through (g) above. For purposes of this definition, (i) the amount of any Indebtedness represented by a guaranty or other similar instrument shall be the lesser of the principal amount of the obligations guaranteed and still outstanding and the maximum amount for which the guaranteeing Person may be liable pursuant to the terms of the instrument embodying such Indebtedness, and (ii) the amount of any Indebtedness described in clause (d) above shall be the lower of the amount of the obligation and the fair market value of the assets of such Person securing such obligation.

" Indemnified Liabilities " has the meaning specified therefor in Section 10.3 of the Agreement.

" Indemnified Person " has the meaning specified therefor in Section 10.3 of the Agreement.

" Insolvency Proceeding " means any proceeding commenced by or against any Person under any provision of the Bankruptcy Code or under any other state or federal bankruptcy or insolvency law or under any bankruptcy or insolvency laws of Canada (including the BIA and the CCAA) or the Netherlands (including the Dutch Bankruptcy Act (*Faillissementswet*)) and any similar laws in any jurisdiction including, without limitation, any laws relating to bankruptcy, insolvency, liquidation, winding up, dissolution, administration, assignments or attachments for the benefit of creditors, formal or informal moratoria, reprieve from payment, controlled management, compositions, extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief and any law permitting a debtor to obtain a stay or a compromise of the claims of its creditors or affecting the rights of creditors generally.

" Intercompany Subordination Agreement " means an intercompany subordination agreement, dated of even date herewith, executed and delivered by Parent or any of its Subsidiaries and any other Subsidiary, and Agent, the form and substance of which is reasonably satisfactory to Agent.

" Interest Expense " means, for any period, the aggregate of the interest expense of Borrowers for such period, determined on a consolidated basis in accordance with GAAP.

" Interest Period " means, with respect to each LIBOR Rate Loan, a period commencing on the date of the making of such LIBOR Rate Loan (or the continuation of a LIBOR Rate Loan or the conversion of a Base Rate Loan to a LIBOR Rate Loan) and ending one, two, three or six months (and if approved by all Lenders, twelve months) thereafter; provided , that , (a) interest shall accrue at the applicable rate based upon the LIBOR Rate from and including the first day of each Interest Period to, but excluding, the day on which any Interest Period expires, (b) any Interest Period that would end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day, (c) with respect to an Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period), the Interest Period shall end on the last Business Day of the calendar month that is one,

two, three or six months (and if approved by all Lenders, twelve months) after the date on which the Interest Period began, as applicable, and (d) Borrowers may not elect an Interest Period which will end after the Maturity Date.

" Inventory " means, as to each Loan Party, all of such Loan Party's now owned and hereafter existing or acquired goods, wherever located, which (a) are leased by such Loan Party as lessor; (b) are held by such Loan Party for sale or lease or to be furnished under a contract of service; (c) are furnished by such Loan Party under a contract of service; or (d) consist of raw materials, work in process, finished goods or materials used or consumed in its business.

" Investment " means, with respect to any Person, any investment by such Person in any other Person (including Affiliates) in the form of loans, guarantees, advances, capital contributions (excluding (a) commission, travel, and similar advances to officers and employees of such Person made in the ordinary course of business, and (b) *bona fide* Accounts arising in the ordinary course of business), or acquisitions of Indebtedness, Stock, or all or substantially all of the assets of such other Person (or of any division or business line of such other Person), and any other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP.

" IRC " means the Internal Revenue Code of 1986, as in effect from time to time.

" Issuing Lender " means Wells Fargo or any other Lender that, at the request of any Borrower and with the consent of Agent, agrees, in such Lender's sole discretion, to become an Issuing Lender for the purpose of issuing Letters of Credit or Reimbursement Undertakings pursuant to Section 2.11 of the Agreement and the Issuing Lender shall be a Lender.

" Lender " has the meaning set forth in the preamble to the Agreement, shall include the Issuing Lender and the Swing Lender, and shall also include any other Person made a party to the Agreement pursuant to the provisions of Section 13.1 of the Agreement and " Lenders " means each of the Lenders or any one or more of them.

" Lender Group " means each of the Lenders (including the Issuing Lender and the Swing Lender) and Agent, or any one or more of them.

" Lender Group Expenses " means all (a) costs or expenses (including taxes, and insurance premiums) required to be paid by any Loan Party under any of the Loan Documents that are paid, advanced, or incurred by the Lender Group, (b) reasonable out-of-pocket fees or charges paid or incurred by Agent in connection with the Lender Group's transactions with any Loan Party under any of the Loan Documents, including, fees or charges for photocopying, notarization, couriers and messengers, telecommunication, public record searches (including tax lien, litigation, PPSA searches and UCC searches and including searches with the patent and trademark office, the copyright office, or the department of motor vehicles), filing, recording, publication, appraisal (including periodic collateral appraisals or business valuations to the extent of the fees and charges (and up to the amount of any limitation) contained in the Agreement or the Fee Letter), real estate surveys, real estate title policies and endorsements, and environmental audits, (c) Agent's customary fees and charges imposed or incurred in connection with any background checks or OFAC/PEP searches related to any Loan Party, (d) Agent's customary fees and charges (as adjusted from time to time) with respect to the disbursement of funds (or the receipt of funds) to or for the account of any Loan Party (whether by wire transfer or otherwise), together with any reasonable out-of-pocket costs and expenses incurred in connection therewith, (e) customary charges imposed or incurred by Agent resulting from the dishonor of checks payable by or to any Loan Party, (f) reasonable out-of-pocket costs and expenses paid or incurred by the Lender Group to correct any default or enforce any provision of the Loan Documents, or during the continuance of an Event of Default, in gaining possession of, maintaining, handling, preserving, storing, shipping, selling, preparing for sale, or advertising to sell the Collateral, or any portion thereof, irrespective of whether a sale is consummated, (g) reasonable out-of-pocket field examination, appraisal and valuation fees and expenses (including travel, meals, and lodging) of Agent related to any field examinations, appraisals or valuation to the extent of the fees and charges (and up to the amount of any limitation) expressly provided for in the Agreement or the Fee Letter, (h) reasonable out-of-pocket costs and expenses (including reasonable attorneys fees and expenses) of third party claims or any other lawsuit or adverse proceeding paid or incurred by the Lender Group, whether in enforcing or defending the Loan Documents or otherwise in connection with the transactions

contemplated by the Loan Documents or the Lender Group's relationship with any Loan Party, (i) Agent's reasonable out-of-pocket costs and expenses (including reasonable attorneys fees) incurred in advising, structuring, drafting, reviewing, administering (including travel, meals, and lodging), syndicating (including reasonable costs and expenses relative to DXSyndicate™, SyndTrak or other communication costs incurred in connection with a syndication of the loan facilities), or amending, waiving, or modifying the Loan Documents, (j) Agent's and each Lender's reasonable out-of-pocket costs and expenses (including reasonable attorneys, accountants, consultants, and other advisors fees and expenses) incurred in terminating, enforcing (including attorneys, accountants, consultants, and other advisors fees and expenses incurred in connection with a "workout," a "restructuring," or an Insolvency Proceeding concerning any Loan Party or in exercising rights or remedies under the Loan Documents), or defending the Loan Documents, irrespective of whether a lawsuit or other adverse proceeding is brought, or in taking any enforcement action or any Remedial Action with respect to the Collateral, (k) any VAT incurred by Agent or any Lender in connection with its rights and remedies under the Agreement and (l) all reasonable out-of-pocket expenses and costs heretofore and from time to time hereafter incurred by Agent during the course of periodic field examinations (permitted pursuant to the Agreement) of the Collateral and Borrowers' operations, plus a per diem charge at Agent's then standard rate for Agent's examiners in the field and office (which rate as of the date hereof is $1,000 per person per day).

" Lender Group Representatives " has the meaning specified therefor in Section 17.9 of the Agreement.

" Lender-Related Person " means, with respect to any Lender, such Lender, together with such Lender's Affiliates, officers, directors, employees, attorneys, and agents.

" Letter of Credit " means a letter of credit issued by Issuing Lender or a letter of credit issued by Underlying Issuer, as the context requires.

" Letter of Credit Collateralization " means either (a) providing cash collateral (pursuant to documentation reasonably satisfactory to Agent, including provisions that specify that the Letter of Credit fee and all usage charges set forth in the Agreement will continue to accrue while the Letters of Credit are outstanding) to be held by Agent for the benefit of Revolving Lenders in an amount equal to one hundred five percent (105%) of the then existing Letter of Credit Usage, (b) causing the Letters of Credit to be returned to the Issuing Lender, or (c) providing Agent with a standby letter of credit, in form and substance reasonably satisfactory to Agent, from a commercial bank acceptable to Agent (in its sole discretion) in an amount equal to one hundred five percent (105%) of the then existing Letter of Credit Usage (it being understood that the Letter of Credit fee and all usage charges set forth in the Agreement will continue to accrue while the Letters of Credit are outstanding and that any such fees that accrue must be an amount that can be drawn under any such standby letter of credit).

" Letter of Credit Disbursement " means a payment made by Issuing Lender or Underlying Issuer pursuant to a Letter of Credit.

" Letter of Credit Usage " means, as of any date of determination, the aggregate undrawn amount of all outstanding Letters of Credit.

" LIBOR Deadline " has the meaning specified therefor in Section 2.12(b)(i) of the Agreement.

" LIBOR Notice " means a written notice in the form of Exhibit L-1 .

" LIBOR Option " has the meaning specified therefor in Section 2.12(a) of the Agreement.

" LIBOR Rate " means the rate per annum rate appearing on Reuters Screen LIBOR01 (the " Service ") (or on any successor or substitute page of such Service, or any successor to or substitute for such Service) two (2) Business Days prior to the commencement of the requested Interest Period, for a term and in an amount comparable to the Interest Period and the amount of the LIBOR Rate Loan requested (whether as an initial LIBOR Rate Loan or as a continuation of a LIBOR Rate Loan or as a conversion of a Base Rate Loan to a LIBOR Rate Loan) by

Borrowers in accordance with the Agreement (and, if any such rate is below zero, the LIBOR Rate shall be deemed to be zero), which determination shall be conclusive in the absence of manifest error.

" LIBOR Rate Loan " means each portion of an Advance or Term Loan that bears interest at a rate determined by reference to the LIBOR Rate.

" Lien " means any mortgage, deed of trust, pledge, hypothecation, assignment, charge, deposit arrangement, encumbrance, easement, lien (statutory or other), security interest, or other security arrangement and any other preference, privilege, priority, or preferential arrangement of any kind or nature whatsoever, including any conditional sale contract or other title retention agreement, the right to reclaim goods, the interest of a lessor under a Capital Lease and any synthetic or other financing lease having substantially the same economic effect as any of the foregoing.

" Loan Account " has the meaning specified therefor in Section 2.9 of the Agreement.

" Loan Documents " means the Agreement, any Borrowing Base Certificate, the Controlled Account Agreements, the Control Agreements, the Copyright Security Agreement, the Fee Letter, the Guaranty, the Mortgages, the Intercompany Subordination Agreement, the Letters of Credit, the Patent Security Agreement, the Security Agreement, the Trademark Security Agreement, any Dutch deed of pledge executed by any Loan Party in favor of Agent, any note or notes executed by any Borrower in connection with the Agreement and payable to any member of the Lender Group, any letter of credit application entered into by any Borrower in connection with the Agreement, and any other agreement entered into, now or in the future, by any Loan Party or any of its Subsidiaries and any member of the Lender Group in connection with the Agreement; provided , that , in no event shall the term Loan Documents be deemed to include any Bank Product Agreement.

" Loan Party " means any Borrower or any Guarantor.

" Margin Stock " as defined in Regulation U of the Board of Governors of the Federal Reserve System as in effect from time to time.

" Material Adverse Change " means (a) a material adverse change in the business, operations, results of operations, assets, liabilities or condition (financial or otherwise) of the Loan Parties, taken as a whole, (b) a material impairment of the Loan Parties' ability to perform their obligations under the Loan Documents to which they are parties or of the Lender Group's ability to enforce the Obligations or realize upon the Collateral, or (c) a material impairment of the enforceability or priority of Agent's Liens with respect to the Collateral as a result of an action or failure to act on the part of any Loan Party.

" Material Contract " means, with respect to any Person, (i) each contract or agreement to which such Person or any of its Subsidiaries is a party involving aggregate consideration payable to or by such Person or such Subsidiary of $5,000,000 or more (other than purchase orders in the ordinary course of the business of such Person or such Subsidiary and other than contracts that by their terms may be terminated by such Person or Subsidiary in the ordinary course of its business upon less than sixty (60) days notice without penalty or premium), and (ii) all other contracts or agreements, the loss of which could reasonably be expected to result in a Material Adverse Change.

" Maturity Date " has the meaning specified therefor in Section 3.3 of the Agreement.

" Maximum Credit " means $155,000,000 (subject to adjustment based on increases or decreases to the Maximum Revolver Amount as provided in Sections 2.4(c) and 2.14 of the Agreement).

" Maximum Revolver Amount " means $140,000,000 (subject to adjustment as provided in Sections 2.4(c) and 2.14 of the Agreement).

" Measurement Period " means, at any time, the immediately preceding twelve (12) consecutive fiscal month period ending on the last day of a fiscal month of Parent and its Subsidiaries for which Agent has received financial statements of Parent and its Subsidiaries.

" Mexican Guarantor " means Audiovox Mexico, S.de R.L. de C.V. and its successors and assigns.

" Moody's " has the meaning specified therefor in the definition of Cash Equivalents.

" Mortgages " means, individually and collectively, one or more mortgages, deeds of trust, or deeds to secure debt, executed and delivered by Parent or one of its Subsidiaries in favor of Agent for the benefit of the Lender Group, in form and substance reasonably satisfactory to Agent, that encumber the Real Property Collateral.

" Net Cash Proceeds " means:

(ag) with respect to any sale or disposition by a Loan Party of assets, the amount of cash proceeds received (directly or indirectly) from time to time (whether as initial consideration or through the payment of deferred consideration) by or on behalf of such Borrower or any of its Subsidiaries, in connection therewith after deducting therefrom only (i) the amount of any Indebtedness secured by any Permitted Lien on any asset (other than (A) Indebtedness owing to Agent or any Lender under the Agreement or the other Loan Documents and (B) Indebtedness assumed by the purchaser of such asset) which is required to be, and is, repaid in connection with such sale or disposition, (ii) reasonable fees, commissions, and expenses related thereto and required to be paid by such Loan Party in connection with such sale or disposition and (iii) taxes paid or payable to any taxing authorities by such Loan Party or such Subsidiary in connection with such sale or disposition, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid or payable to a Person that is not an Affiliate of any Borrower or any of its Subsidiaries, and are properly attributable to such transaction; and

(ah) with respect to the issuance or incurrence of any Indebtedness by a Loan Party, or the issuance by a Borrower or any of its Subsidiaries of any shares of its Stock, the aggregate amount of cash received (directly or indirectly) from time to time (whether as initial consideration or through the payment or disposition of deferred consideration) by or on behalf of such Loan Party in connection with such issuance or incurrence, after deducting therefrom only (i) reasonable fees, commissions, and expenses related thereto and required to be paid by such Loan Party in connection with such issuance or incurrence, (ii) taxes paid or payable to any taxing authorities by such Loan Party in connection with such issuance or incurrence, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid or payable to a Person that is not an Affiliate of any Loan Party, and are properly attributable to such transaction.

" Net Recovery Percentage " means the fraction, expressed as a percentage (a) the numerator of which is the amount equal to the recovery on the aggregate amount of the applicable category of Eligible Inventory at such time on a "net orderly liquidation value" basis as set forth in the most recent acceptable inventory appraisal received by Agent in accordance with the requirements of this Agreement, net of operating expenses, liquidation expenses and commissions reasonably anticipated in the disposition of such assets and (b) the denominator of which is the original cost of the aggregate amount of the Eligible Inventory subject to such appraisal.

" New York Mortgage " means the Mortgage that encumbers the Real Property of Borrowers located in Hauppauge, New York.

" Obligations " means (a) all loans (including the Term Loans and Advances (inclusive of Protective Advances and Swing Loans)), debts, principal, interest (including any interest that accrues after the commencement of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding), reimbursement or indemnification obligations with respect to Reimbursement Undertakings or with respect to Letters of Credit (irrespective of whether contingent), premiums, liabilities (including all amounts charged to the Loan Account pursuant to the Agreement), obligations (including indemnification obligations), fees (including the fees provided for in the Fee Letter), Lender Group Expenses (including any fees or expenses that accrue after the commencement of an Insolvency Proceeding, regardless of

whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding), guaranties, covenants, and duties of any kind and description owing by any Loan Party pursuant to or evidenced by the Agreement or any of the other Loan Documents and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including all interest not paid when due and all other expenses or other amounts that any Borrower is required to pay or reimburse by the Loan Documents or by law or otherwise in connection with the Loan Documents, (b) all debts, liabilities, or obligations (including reimbursement obligations, irrespective of whether contingent) owing by any Borrower or any other Loan Party to an Underlying Issuer now or hereafter arising from or in respect of Underlying Letters of Credit, and (c) all Bank Product Obligations; provided , that , in no event shall "Obligations" include any Excluded Swap Obligations . Any reference in the Agreement or in the Loan Documents to the Obligations shall include all or any portion thereof and any extensions, modifications, renewals, or alterations thereof, both prior and subsequent to any Insolvency Proceeding. For purposes of the definition of "Obligations", the then outstanding principal amount of Indebtedness in respect of the Orange County IRB shall be deemed to be Advances made by Wells Fargo, in its capacity as a Lender, except , that , all terms and conditions of the Orange County IRB Documents shall govern with respect to such Indebtedness other than with respect to the payment of interest, the Collateral that secures such Indebtedness and as otherwise provided herein.

" OFAC " means The Office of Foreign Assets Control of the U.S. Department of the Treasury.

" Orange County IRB " means the industrial development revenue bond arrangements pursuant to the Orange County IRB Documents in connection with Orange County Real Property.

" Orange County IRB Bondholder " means Wells Fargo Bank, National Association, in its capacity as purchaser of the Orange County IRB Bond and any successor, replacement or additional holder thereof, and their respective successors and assigns.

" Orange County IRB Bond " means the Orange County Industrial Development Authority Industrial Development Revenue Bond (VOXX Project), Series 2015, issued by the Orange County Industrial Development Authority on July 1, 2015 in the original principal amount of up to $9,995,000.

" Orange County IRB Documents " means, collectively, the following: (a) the Orange County IRB Indenture, (b) the Orange County IRB Bond, (c) the Orange County IRB Mortgage, (d) the Orange County IRB Guaranty and (e) all agreements, documents and instruments at any time executed and/or delivered in connection therewith.

" Orange County IRB Guaranty " means the Guaranty Agreement, dated July 6, 2015, by Parent in favor of the Orange County IRB Bondholder in connection with the guarantee by Parent of the obligations of Voxx HQ arising under the IRB Bond Documents.

" Orange County IRB Indenture " means the Indenture of Trust, dated July 1, 2015, by and between the Orange County IRB Indenture Trustee and the Orange County Industrial Development Authority, as issuer of the Orange County IRB Bond.

" Orange County IRB Indenture Trustee " means U.S. Bank National Association, in its capacity as trustee for Orange County IRB Bondholder and any successor, replacement or additional trustee, and their respective successors and assigns.

" Orange County IRB Mortgage " means the Mortgage, Assignment of Leases and Rents and Security Agreement, dated July 6, 2015, by Voxx HQ in favor of the Orange County IRB Bondholder with respect to the Orange County Real Property.

" Orange County IRB Reserve " means the then outstanding principal amount of Indebtedness in respect of the Orange County IRB as evidenced by the Orange County IRB Documents.

" Orange County Real Property " means the Real Property of Voxx HQ located at 2351 J. Lawson Boulevard, Orlando, Florida.

" Originating Lender " has the meaning specified therefor in Section 13.1(e) of the Agreement.

" Overadvance " has the meaning specified therefor in Section 2.4(e) of the Agreement.

" Parallel Debt " has the meaning specified therefor in Section 15.19 of the Agreement.

" Parent " has the meaning specified therefor in the preamble to the Agreement.

" Participant " has the meaning specified therefor in Section 13.1(e) of the Agreement.

" Participant Register " has the meaning set forth in Section 13.1(i) of the Agreement.

" Patent Security Agreement " has the meaning specified therefor in the Security Agreement.

" Patriot Act " has the meaning specified therefor in Section 4.18 of the Agreement.

" Payoff Date " means the first date on which all of the Obligations are paid in full and the Commitments of the Lenders are terminated.

" Permitted Acquisition " means any Acquisition so long as:

(ai) as of the date of any such Acquisition and the date of any payment in respect thereof (including any deferred purchase price payment, indemnification payment, purchase price adjustment, earn out or similar payment), and after giving effect thereto, (i) no Default or Event of Default shall exist or have occurred and be continuing, (ii) the proposed Acquisition is consensual and (iii) the Loan Parties (taken as a whole) shall be Solvent,

(aj) no Indebtedness will be incurred, assumed, or would exist with respect to any Borrower as a result of such Acquisition, other than Permitted Indebtedness and no Liens will be incurred, assumed, or would exist with respect to the assets of any Borrower or its Subsidiaries as a result or such Acquisition other than Permitted Liens,

(ak) as of the date of any such Acquisition and the date of any payment in respect thereof (including any deferred purchase price payment, indemnification payment, purchase price adjustment, earn out or similar payment), and after giving effect thereto, either:

(i) (A) the daily average of the Excess Availability for the immediately preceding ninety (90) consecutive day period shall have been not less than fifteen percent (15%) of the Maximum Revolver Amount and, on a pro forma basis using the Excess Availability as of the date of the most recent calculation of the Borrowing Base immediately prior to any such Acquisition, the Excess Availability shall be not less than such amount and (B) on a pro forma basis, the Fixed Charge Coverage Ratio for the twelve (12) month period ending on the last day of the month prior to the date of such Acquisition for which Agent has received financial statements shall be not less than 1.10 to 1.00, or

(ii) the daily average of the Excess Availability for the immediately preceding ninety (90) consecutive day period shall have been not less than twenty percent (20%) of the Maximum Revolver Amount and, on a pro forma basis, using the Excess Availability as of the date of the most recent calculation of the Borrowing Base immediately prior to any such Acquisition, the Excess Availability shall be not less than twenty percent (20%) of the Maximum Revolver Amount,

(al) Borrowers have provided Agent with its due diligence package relative to the proposed Acquisition, including forecasted balance sheets, profit and loss statements, and cash flow statements of the Person or assets to be acquired, all prepared on a basis consistent with such Person's (or assets') historical financial statements, together with appropriate supporting details and a statement of

underlying assumptions for the one (1) year period following the date of the proposed Acquisition, on a quarter by quarter basis), in form and substance (including as to scope and underlying assumptions) reasonably satisfactory to Agent,

(am) the Acquisition shall be with respect to an operating company or division or line of business that engages in a line of business substantially similar, reasonably related or incidental to the business that Borrowers are engaged in and is located in the United States, Canada or the Netherlands (subject to the limitation set forth in clause (i) below),

(an) the board of directors (or other comparable governing body) of the Person to be acquired shall have duly approved such Acquisition and such person shall not have announced that it will oppose such Acquisition or shall not have commenced any action which alleges that such Acquisition will violate applicable law,

(ao) Agent shall have received, (i) at least ten (10) Business Days prior to the anticipated closing date of the proposed Acquisition and, not later than three (3) Business Days prior to the anticipated closing date of the proposed Acquisition, prior written notice of the proposed Acquisition (which notice shall, in each case, include (A) the parties to such Acquisition, (B) the proposed date and amount of the Acquisition, (C) description of the assets or shares to be acquired and (D) the total purchase price for the assets to be purchased and the terms of payment of such purchase price), together with copies of the acquisition agreement and other material documents relative to the proposed Acquisition and (ii) promptly after such request, such other information with respect to the proposed Acquisition as Agent may reasonably request,

(ap) Agent has received reasonably satisfactory projections for the twelve (12) month period after the date of such Acquisition showing, on a pro forma basis after giving effect to the Acquisition, either (i) minimum Excess Availability at all times during such period of not less than fifteen percent (15%) of the Maximum Revolver Amount and that the Fixed Charge Coverage Ratio is at all times not less than 1.10 to 1.00 during such period, or (ii) minimum Excess Availability at all times during such period of not less than twenty percent (20%) of the Maximum Revolver Amount,

(aq) the assets being acquired (other than a de minimis amount of assets in relation to the assets being acquired) are located within the United States, Canada or the Netherlands, or the Person whose Stock is being acquired is organized in a jurisdiction located within the United States, Canada or the Netherlands, provided , that , the purchase price of any such assets located in the Netherlands or any such Stock of a Person organized in the Netherlands shall not exceed the aggregate amount of $1,000,000,

(ar) the subject assets or Stock, as applicable, are being acquired directly by a Borrower or one of its Subsidiaries that is a Loan Party, and, in connection therewith, such Borrower or the applicable Loan Party shall have complied with Section 5.11 or 5.12 , as applicable, of the Agreement and, in the case of an acquisition of Stock, such Borrower or the applicable Loan Party shall have reasonably demonstrated to Agent that the new Loan Parties have received consideration sufficient to make the joinder documents binding and enforceable against such new Loan Parties, and

(as) if Borrower Agent requests that any assets acquired pursuant to such Acquisition be included in the Borrowing Base, Agent shall have completed, as soon as practicable (in Agent's Permitted Discretion), a field examination and appraisals (which field examinations and appraisals shall not count against the limits with respect thereto set forth in Section 5.7) with respect to the business and assets subject to the Acquisition (the "Acquired Business") in accordance with Agent's customary procedures and practices and as otherwise required by the nature and circumstances of the business of the Acquired Business, the scope and results of which shall be reasonably satisfactory to Agent and any Accounts or Inventory of the Acquired Business shall only be Eligible Accounts or Eligible Inventory to the extent that Agent has so completed such field examination and appraisals with respect thereto (and has completed customary legal due diligence with respect thereto with results reasonably satisfactory to Agent) and the criteria for Eligible Accounts and Eligible Inventory set forth herein are satisfied with respect thereto in accordance with this Agreement (or such other or additional criteria as Agent may, at its option, establish with respect thereto in accordance with the definitions of Eligible Accounts or Eligible Inventory, as applicable, and subject to such reserves as Agent may establish in connection with the Acquired Business in accordance with Section 2.1(f) hereof).

" Permitted Discretion " means, as such term is used with reference to Agent, a determination made in good faith in the exercise of its reasonable business judgment based on how an asset-based lender with similar rights providing a credit facility of the type set forth herein would act in similar circumstances at the time with the information then available to it.

" Permitted Dispositions " means:

(at) sales, abandonment, or other dispositions of Equipment that is substantially worn, damaged, or obsolete in the ordinary course of business,

(au) sales of Inventory to buyers in the ordinary course of business,

(av) the use or transfer of money or Cash Equivalents in a manner that is not prohibited by the terms of the Agreement or the other Loan Documents,

(aw) the licensing, on a non-exclusive basis, of patents, trademarks, copyrights, and other intellectual property rights in the ordinary course of business,

(ax) the licensing, on an exclusive basis, of patents, trademarks, copyrights, and other intellectual property rights in the ordinary course of business so long as (other than for existing exclusive licenses in effect as of the Closing Date set forth on Schedule P-2) (i) the grant of such exclusive license does not adversely affect the ability of Agent or any Lender to sell or otherwise dispose of or realize upon any Inventory, Accounts or other Collateral in any material respect and (ii) in the event that either the amount of the royalties to be paid in respect of such license within any twelve (12) month period are reasonably anticipated to be more than $2,500,000 or the sales of assets pursuant to such license within any twelve (12) month period are reasonably anticipated to be more than $2,500,000, Agent shall have received five (5) Business Days prior written notice of the grant of such exclusive license, together with such information with respect thereto as Agent may reasonably request,

(ay) the granting of Permitted Liens,

(az) the sale or discount, in each case without recourse, of Accounts arising in the ordinary course of business, but only in connection with the compromise or collection thereof,

(ba) any involuntary loss, damage or destruction of property,

(bb) any involuntary condemnation, seizure or taking, by exercise of the power of eminent domain or otherwise, or confiscation or requisition of use of property,

(bc) the leasing or subleasing of assets of any Borrower or its Subsidiaries in the ordinary course of business,

(bd) the sale or issuance of Stock (other than Prohibited Preferred Stock) of Parent,

(be) the lapse of registered patents, trademarks and other intellectual property of any Borrower and its Subsidiaries to the extent not economically desirable in the conduct of their business and so long as such lapse is not adverse to the interests of the Lenders in any material respect,

(bf) the making of a Restricted Junior Payment that is expressly permitted to be made pursuant to the Agreement,

(bg) the making of a Permitted Investment,

(bh) dispositions of assets (other than Accounts, Inventory, Real Property, intellectual property, licenses, Stock of Subsidiaries of Parent, or Material Contracts) acquired by Borrowers pursuant to a Permitted Acquisition consummated within 12 months of the date of the proposed Disposition so long as (i) the consideration received for the assets to be so disposed is at least equal to the fair market value thereof, (ii) not less than seventy percent (70%) of the consideration for such disposition is in the form of cash received by a Loan Party, (iii) the assets to be so disposed are not necessary or economically desirable in connection with the business of Borrowers, and (iv) the assets to be so disposed are readily identifiable as assets acquired pursuant to such Permitted Acquisition,

(bi) sales of Wal-Mart Receivables by Parent to Wal-Mart Receivables Purchaser in accordance with the terms and conditions of the Wal-Mart Receivables Purchase Agreements (as in effect on the date hereof) so long as the following terms and conditions are satisfied: (i) the sale or transfer of the Wal-Mart Receivables to Wal-Mart Receivables Purchaser shall be without any recourse, offset or claim of any kind or nature to or against Borrowers, Agent or Lenders, (ii) Agent shall have received, in form and substance reasonably satisfactory to Agent, (A) a true, correct and complete copy of all of the Wal-Mart Receivables Purchase Agreements, duly authorized, executed and delivered by Wal-Mart Receivables Purchaser and Parent and (B) the Wal-Mart Intercreditor Agreement, duly authorized, executed and delivered by Wal-Mart Receivables Purchaser and Parent, (iii) further sales of the Wal-Mart Receivables will cease upon a written notice by Agent to Parent of a Default or Event of Default, and (iv) Parent shall not, directly or indirectly, amend, modify, alter or change any terms of the Wal-Mart Receivables Purchase Agreements,

(bj) sales of Best-Buy Receivables by Parent to Best Buy Receivables Purchaser in accordance with the terms and conditions of the Best Buy Receivables Purchase Agreements (as in effect on the date hereof) so long as the following terms and conditions are satisfied: (i) the sale or transfer of the Best Buy Receivables to Best Buy Receivables Purchaser shall be without any recourse, offset or claim of any kind or nature to or against Borrowers, Agent or Lenders, (ii) Agent shall have received, in form and substance reasonably satisfactory to Agent, (A) a true, correct and complete copy of all of the Best Buy Receivables Purchase Agreements, duly authorized, executed and delivered by Best Buy Receivables Purchaser and Parent and (B) the Best Buy Intercreditor Agreement, duly authorized, executed and delivered by Best Buy Receivables Purchaser and Parent, (iii) further sales of the Best Buy Receivables will cease upon a written notice by Agent to Parent of a Default or Event of Default, and (iv) Parent shall not, directly or indirectly, amend, modify, alter or change any terms of the Best Buy Receivables Purchase Agreements,

(bk) the sale or other disposition by any of the Loan Parties of any of their respective Stock in any of ASA Electronics LLC, 360fly, Inc., RX Networks, Inc. or Eyelock LLC; provided , that , as of the date of any such sale of disposition and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing,

(bl) dispositions of assets (other than Accounts, Inventory, Real Property, intellectual property, licenses, Stock of Subsidiaries of Parent, or Material Contracts) not otherwise permitted in clauses (a) through (r) above so long as (i) made at fair market value and the aggregate fair market value of all assets disposed of in all such dispositions since the Closing Date (including the proposed disposition) would not exceed $10,000,000, (ii) not less than seventy percent (70%) of the consideration for such disposition is in the form of cash received by a Loan Party, and (iii) the assets to be so disposed are not necessary or economically desirable in connection with the principal business of Borrowers, and

(bm) any disposition of assets not otherwise permitted in any of clauses (a) through (s) above; provided , that ,

(i) as of the date of any such disposition and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing,

(ii) as of the date of any such disposition and after giving effect thereto, either: (A) (1) the Excess Availability shall be not less than fifteen percent (15%) of the Maximum Revolver Amount and (2) on a pro forma basis, the Fixed Charge Coverage Ratio for the twelve (12) month period ending on the last day of the month prior to the date of such disposition for which Agent has received financial statements shall be not less than 1.10 to 1.00, or (B) the Excess Availability shall be not less than twenty percent (20%) of the Maximum Revolver Amount,

(iii) Agent has received reasonably satisfactory projections for the twelve (12) month period after the date of such disposition showing, on a pro forma basis after giving effect to the disposition, either (A) minimum Excess Availability at all times during such period of not less than fifteen percent (15%) of the Maximum Revolver Amount and that the Fixed Charge Coverage Ratio is at all times not less than 1.10 to 1.00 during such period, or (B) minimum Excess Availability at all times during such period of not less than twenty percent (20%) of the Maximum Revolver Amount,

(iv) Agent shall have received, at least ten (10) Business Days prior to the anticipated date of the proposed disposition and, not later than three (3) Business Days prior to the anticipated date of the proposed disposition, written notice of the proposed disposition and such information with respect thereto as Agent may reasonably request (in each case with such information to include (A) the proposed date of such disposition, (B) the parties to such disposition, (C) the assets to be sold and (D) the purchase price and the manner of payment thereof,

(v) such disposition shall be made at fair market value as determined by the Board of Directors of Parent,

(vi) on the date of, and after giving effect to any such disposition, the aggregate amount of the fair market value of all assets disposed of under this clause (t) during the term of the Agreement shall not exceed thirty percent (30%) of the fair market value of all assets of the Loan Parties as of the end of fiscal year 2015, and

(vii) in the event that such disposition consists of any Eligible Accounts, Eligible Inventory, Eligible Real Property or Eligible Trademarks, in addition to the foregoing conditions in this clause (t), each of the following conditions shall have also been satisfied:

(A) such Loan Party shall have received Net Cash Proceeds from such disposition in an amount not less than an amount equal to the value of such assets reflected in the most recent Borrowing Base Certificate, and

(B) Borrower Agent shall have delivered to Agent, prior to such disposition, an updated Borrowing Base Certificate reflecting the removal of such assets from the calculation of the Borrowing Base or the Term Loan Borrowing Base, as applicable.

" Permitted Holders " means, as of the date of determination, (a) John J. Shalam, his spouse, their ancestors or lineal descendants (by blood or adoption) and the spouses of such ancestors or lineal descendants (by blood or adoption) (collectively, the "Shalam Associates"), (b) the heirs, executors, administrators, testamentary trustees, legatees or beneficiaries of John J. Shalam or any other Shalam Associates, (c) a trust or custodianship, to the extent that the beneficiaries of which, or a corporation or partnership, the stockholders or general or limited partners of which, include only John J. Shalam and any other Shalam Associates, (d) any charitable foundation a majority of whose members, trustees or directors, as the case may be, are John J. Shalam or any other Shalam Associates, and (e) any corporation, partnership or other Person controlled by, controlling or under common control with any Person controlled by any of the Persons included in clause (a) of this definition (as the term "controlled" is defined in the definition of the term "Affiliate" herein).

" Permitted Indebtedness " means:

(bn) Indebtedness evidenced by the Agreement or the other Loan Documents, as well as Indebtedness owed to Underlying Issuers with respect to Underlying Letters of Credit,

(bo) Indebtedness set forth on Schedule 4.19 and any Refinancing Indebtedness in respect of such Indebtedness,

(bp) Permitted Purchase Money Indebtedness and any Refinancing Indebtedness in respect of such Indebtedness,

(bq) endorsement of instruments or other payment items for deposit,

(br) Indebtedness consisting of (i) unsecured guarantees incurred in the ordinary course of business with respect to surety and appeal bonds, performance bonds, bid bonds, appeal bonds, completion guarantee and similar obligations; (ii) unsecured guarantees arising with respect to customary indemnification obligations to purchasers in connection with Permitted Dispositions; and (iii) unsecured guarantees with respect to Indebtedness of a Loan Party, to the extent that the Person that is obligated under such guaranty is permitted hereunder to incur the Indebtedness that is subject to such guaranty,

(bs) unsecured Indebtedness of any Loan Party that is incurred on the date of the consummation of a Permitted Acquisition solely for the purpose of consummating such Permitted Acquisition so long as (i) no Event of Default has occurred and is continuing or would result therefrom, (ii) such unsecured Indebtedness is not incurred for working capital purposes, (iii) such unsecured Indebtedness does not mature prior to the date that is twelve (12) months after the Maturity Date, (iv) such Indebtedness is subordinated in right of payment to the Obligations on terms and conditions reasonably satisfactory to Agent; provided , that , principal payments shall be permitted to be made in respect of such Indebtedness only so long as, on the date of any such payment of principal and after giving effect thereto, (A) Excess Availability shall be not less than fifteen percent (15%) of the Maximum Credit and (B) no Default of Event of Default shall have occurred and be continuing, and (v) the only interest that accrues with respect to such Indebtedness is payable in kind,

(bt) Acquired Indebtedness in an amount not to exceed $5,000,000 outstanding at any one time,

(bu) Indebtedness incurred in the ordinary course of business under performance, surety, statutory, and appeal bonds,

(bv) Indebtedness owed to any Person providing property, casualty, liability, or other insurance to any Loan Party, so long as the amount of such Indebtedness is not in excess of the amount of the unpaid cost of, and shall be incurred only to defer the cost of, such insurance for the year in which such Indebtedness is incurred and such Indebtedness is outstanding only during such year,

(bw) the incurrence by any Loan Party of Indebtedness under Hedge Agreements that are incurred for the bona fide purpose of hedging the interest rate, commodity, or foreign currency risks associated with any Loan Party's operations and not for speculative purposes,

(bx) Indebtedness incurred in respect of credit cards, credit card processing services, debit cards, stored value cards, purchase cards (including so-called "procurement cards" or "P-cards"), or Cash Management Services, in each case, incurred in the ordinary course of business,

(by) unsecured Indebtedness of Parent owing to former employees, officers, or directors (or any spouses, ex-spouses, or estates of any of the foregoing) incurred in connection with the repurchase by Parent of the Stock of Parent that has been issued to such Persons, so long as (i) no Default or Event of Default has occurred and is continuing or would result from the incurrence of such Indebtedness, (ii) the aggregate amount of all such Indebtedness outstanding at any one time does not exceed $1,000,000, and (iii) such Indebtedness is subordinated to the Obligations on terms and conditions reasonably acceptable to Agent,

(bz) unsecured Indebtedness owing to sellers of assets or Stock to a Loan Party that is incurred by the applicable Loan Party in connection with the consummation of one or more Permitted Acquisitions so long as (i) the aggregate principal amount for all such unsecured Indebtedness does not exceed $10,000,000 at any one time outstanding, (ii) is subordinated to the Obligations on terms and conditions reasonably acceptable to Agent, and (iii) is otherwise on terms and conditions (including all economic terms and the absence of covenants) reasonably acceptable to Agent,

(ca) Indebtedness of any Loan Party arising pursuant to Permitted Intercompany Advances,

(cb) Indebtedness of VOXX HQ in the principal amount not to exceed $9,995,000 arising pursuant to the Orange County IRB and evidenced by the Orange County IRB Documents and the guarantee thereof by Parent pursuant to the Orange County IRB Guarantee,

(cc) Indebtedness of the Loan Parties arising from the refinancing of Eligible Real Property; provided , that , (i) Agent shall have received not less than ten (10) Business Days' prior written notice of the intention to incur such Indebtedness, which notice shall set forth in reasonable detail satisfactory to Agent, the amount of such Indebtedness, the schedule of repayments and maturity date with respect thereto and such other information with respect thereto as Agent may reasonably request, (ii) as of the date of the incurrence of any such Indebtedness, and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing, (iii) Agent shall have received all of the Net Cash Proceeds of such Indebtedness for application to the Obligations in accordance with the terms of this Agreement, but in any event, not less than Net Cash Proceeds in an amount equal to the value of such refinanced Eligible Real Property reflected in the most recent Borrowing Base Certificate delivered to Agent (without giving effect to any applicable advance rates), (iv) as of the date of the incurrence of any such Indebtedness, and after giving effect thereto, Excess Availability shall be not less than twelve and one-half percent (12.5%) of the Maximum Revolver Amount, (v) within five (5) days of the incurrence of any such Indebtedness, Agent shall have received an updated Borrowing Base Certificate reflecting the removal of the value of any such parcel of Eligible Real Property that has been refinanced, (vi) the maturity date of any such Indebtedness shall be no earlier than six (6) months after the Maturity Date, and (vii) such Indebtedness shall otherwise be on terms and conditions acceptable to Agent,

(cd) contingent liabilities in respect of any indemnification obligation, adjustment of purchase price, non-compete, or similar obligations of Borrowers or the applicable Loan Party incurred in connection with the consummation of one or more Permitted Acquisitions,

(ce) Indebtedness consisting of Permitted Investments, and

(cf) Indebtedness under or arising out of any supplemental executive retirement plan of any of the Loan Parties incurred in the ordinary course of their respective businesses in an amount not to exceed $8,000,000 in the aggregate outstanding at any time.

" Permitted Intercompany Advances " means Investments made by (a) a Loan Party to another Loan Party (other than Mexican Guarantor or French Guarantor), (b) a Subsidiary of Parent that is not a Loan Party to another Subsidiary of Parent that is not a Loan Party, (c) a Subsidiary of Parent that is not a Loan Party to a Loan Party, provided, that, Agent shall have received an Intercompany Subordination Agreement as duly authorized, executed and delivered by such parties, and (d) a Loan Party to a Subsidiary of Parent that is not a Loan Party, provided , that , as to any such Investment to which this clause (d) is applicable, each of the following conditions is satisfied: (i) the aggregate amount of all such Investments shall not exceed $10,000,000 outstanding at any one time, (ii) as of the date of any such Investment and after giving effect thereto, no Default or Event of Default shall exist or have

occurred, and (iii) as of the date of any such Investment and after giving effect thereto, Excess Availability shall be not less than twelve and one-half percent (12.5%) of the Maximum Credit, and (e) a Loan Party to Mexican Guarantor or French Guarantor, provided , that , as to any such Investment each of the following conditions is satisfied: (i) the aggregate amount of all such Investments shall not exceed $2,000,000 outstanding at any one time, (ii) as of the date of any such Investment and after giving effect thereto, no Default or Event of Default shall exist or have occurred, and (iii) as of the date of any such Investment and after giving effect thereto, Excess Availability shall be not less than twelve and one-half percent (12.5%) of the Maximum Credit.

" Permitted Investments " means:

(cg) Investments in cash and Cash Equivalents,

(ch) Investments in negotiable instruments deposited or to be deposited for collection in the ordinary course of business,

(ci) advances made in connection with purchases of goods or services in the ordinary course of business,

(cj) Investments received in settlement of amounts due to any Loan Party or any of its Subsidiaries effected in the ordinary course of business or owing to any Loan Party or any of its Subsidiaries as a result of Insolvency Proceedings involving an Account Debtor or upon the foreclosure or enforcement of any Lien in favor of any Loan Party or any of its Subsidiaries,

(ck) Investments owned by any Loan Party or any of its Subsidiaries on the Closing Date and set forth on Schedule P-1 ,

(cl) guarantees permitted under the definition of Permitted Indebtedness,

(cm) Permitted Intercompany Advances,

(cn) Stock or other securities acquired in connection with the satisfaction or enforcement of Indebtedness or claims due or owing to any Loan Party or any of its Subsidiaries (in bankruptcy of customers or suppliers or otherwise outside the ordinary course of business) or as security for any such Indebtedness or claims,

(co) deposits of cash made in the ordinary course of business to secure performance of operating leases,

(cp) non-cash loans to employees, officers, and directors of Parent for the purpose of purchasing Stock in Parent so long as the proceeds of such loans are used in their entirety to purchase such stock in Parent,

(cq) Permitted Acquisitions,

(cr) Investments resulting from entering into (i) Bank Product Agreements, or (ii) agreements relative to Indebtedness that is permitted under clause (i) of the definition of Permitted Indebtedness,

(cs) Investments held by a Person acquired in a Permitted Acquisition to the extent that such Investments were not made in contemplation of or in connection with such Permitted Acquisition and were in existence on the date of such Permitted Acquisition,

(ct) any other Investments in an aggregate amount not to exceed $2,000,000 during the term of the Agreement, provided, that, as of the date of any such Investment and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing,

(cu) Investments in any of the Loan Parties or any of their respective Subsidiaries relating to the provision of services to any such Persons, including related to accounting, information technology, logistics, administrative, legal, insurance expenses paid or incurred on behalf of any such Persons and transfer of pricing obligations relating to any such Persons, in each case, made or incurred in the ordinary course of the business of Parent and its Subsidiaries consistent with past practice,

(cv) Investments in Eyelock LLC, Voxx Hong Kong Ltd. and Voxx Consumer Electronics Hong Kong Ltd., provided , that , (i) as of the date of any such Investment and after giving effect thereto, the Loan Parties shall be in compliance with the covenant set forth in Section 7.1 of the Agreement, whether or not such covenant is required to be tested at such time pursuant to the terms of Section 7.1 , (ii) as of the date of any such Investment and after giving effect thereto, there shall be Availability and (iii) as of the date of any such Investment and after giving effect thereto, no Default or Event of Default shall exist or have occurred, and

(cw) any other Investment not otherwise permitted in clauses (a) through (p) above, provided , that ,

(i) as of the date of any such Investment, and after giving effect thereto, either: (A) (1) the daily average of the Excess Availability for the immediately preceding ninety (90) consecutive day period shall have been not less than fifteen percent (15%) of the Maximum Revolver Amount and, on a pro forma basis using the Excess Availability as of the date of the most recent calculation of the Borrowing Base immediately prior to any such Investment, the Excess Availability shall be not less than such amount and (2) on a pro forma basis, the Fixed Charge Coverage Ratio for the twelve (12) month period ending on the last day of the month prior to the date of such Investment for which Agent has received financial statements shall be not less than 1.10 to 1.00, or (B) the daily average of the Excess Availability for the immediately preceding ninety (90) consecutive day period shall have been not less than twenty percent (20%) of the Maximum Revolver Amount and, on a pro forma basis, using the Excess Availability as of the date of the most recent calculation of the Borrowing Base immediately prior to any such Investment, the Excess Availability shall be not less than twenty percent (20%) of the Maximum Revolver Amount,

(ii) Agent has received reasonably satisfactory projections for the twelve (12) month period after the date of such Investment showing, on a pro forma basis after giving effect to the Investment, either (i) minimum Excess Availability at all times during such period of not less than fifteen percent (15%) of the Maximum Revolver Amount and that the Fixed Charge Coverage Ratio is at all times not less than 1.10 to 1.00 during such period, or (ii) minimum Excess Availability at all times during such period of not less than twenty percent (20%) of the Maximum Revolver Amount, and

(iii) Agent shall have received, at least ten (10) Business Days prior to the anticipated date of the proposed Investment and, not later than three (3) Business Days prior to the anticipated date of the proposed Investment, prior written notice of the proposed Investment and such information with respect thereto as Agent may reasonably request (in each case with such information to include (i) parties to such Investment, (ii) the proposed date and amount of the Investment and (iii) the purpose of such Investment.

" Permitted Liens " means

(cx) Liens granted to, or for the benefit of, Agent to secure the Obligations,

(cy) Liens for unpaid taxes, assessments, or other governmental charges or levies that either (i) are not yet delinquent, or (ii) do not have priority over Agent's Liens and the underlying taxes, assessments, or charges or levies are the subject of Permitted Protests,

(cz) judgment Liens arising solely as a result of the existence of judgments, orders, or awards that do not constitute an Event of Default under Section 8.3 of the Agreement,

(da) Liens set forth on Schedule P-2 ; provided , that , in order to be a Permitted Lien, any such Lien described on Schedule P-2 shall only secure the Indebtedness that it secures on the Closing Date and any Refinancing Indebtedness in respect thereof,

(db) the interests of lessors under operating leases and non-exclusive licensors under license agreements,

(dc) purchase money Liens or the interests of lessors under Capital Leases as to Equipment, Real Property or fixtures to the extent that such Liens or interests secure Permitted Purchase Money Indebtedness and so long as (i) such Lien attaches only to the Equipment, Real Property or fixtures purchased or acquired and the proceeds thereof, and (ii) such Lien only secures the Indebtedness that was incurred to acquire the asset purchased or acquired or any Refinancing Indebtedness in respect thereof,

(dd) Liens arising by operation of law in favor of warehousemen, landlords, carriers, mechanics, materialmen, laborers, or suppliers, incurred in the ordinary course of business and not in connection with the borrowing of money, and which Liens either (i) are for sums not overdue by more than thirty (30) days, or (ii) are the subject of Permitted Protests,

(de) Liens on amounts deposited to secure a Borrower's obligations in connection with worker's compensation or other unemployment insurance,

(df) Liens on amounts deposited to secure a Borrower's obligations in connection with the making or entering into of bids, tenders, or leases in the ordinary course of business and not in connection with the borrowing of money,

(dg) Liens on amounts deposited to secure a Borrower's reimbursement obligations with respect to surety or appeal bonds obtained in the ordinary course of business,

(dh) with respect to any Real Property, easements, rights of way, and zoning restrictions that do not materially interfere with or impair the use or operation thereof,

(di) non-exclusive licenses and exclusive licenses of patents, trademarks, copyrights, and other intellectual property rights in the ordinary course of business, so long as, with respect to any such exclusive license (other than for existing exclusive licenses in effect as of the Closing Date set forth on Schedule P-2) (i) the grant of such exclusive license does not adversely affect the ability of Agent or any Lender to sell or otherwise dispose of or realize upon any Inventory, Accounts or other Collateral in any material respect and (ii) in the event that either the amount of the royalties to be paid in respect of such license within any twelve (12) month period are reasonably anticipated to be more than $2,500,000 or the sales of assets pursuant to such license within any twelve (12) month period are reasonably anticipated to be more than $2,500,000, Agent shall have received five (5) Business Days prior written notice of the grant of such exclusive license, together with such information with respect thereto as Agent may reasonably request,

(dj) Liens that are replacements of Permitted Liens to the extent that the original Indebtedness is the subject of permitted Refinancing Indebtedness and so long as the replacement Liens only encumber those assets that secured the original Indebtedness,

(dk) rights of setoff or bankers' liens upon deposits of cash in favor of banks or other depository institutions, solely to the extent incurred in connection with the maintenance of such deposit accounts in the ordinary course of business,

(dl) Liens granted in the ordinary course of business on the unearned portion of insurance premiums securing the financing of insurance premiums to the extent the financing is permitted under the definition of Permitted Indebtedness,

(dm) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods,

(dn) Liens solely on any cash earnest money deposits made by any Borrower or any of its Subsidiaries in connection with any letter of intent or purchase agreement with respect to a Permitted Acquisition,

(do) Liens on the Orange County Real Property in favor of the Orange County IRB Bondholder arising pursuant to the Orange County IRB Mortgage and the other Orange County IRB Documents,

(dp) Liens on Eligible Real Property in connection with Indebtedness permitted under clause (p) of the definition of Permitted Indebtedness,

(dq) Liens on the Wal-Mart Receivables in favor of Wal-Mart Receivables Purchaser pursuant to the sales of Wal-Mart Receivables under the Wal-Mart Receivables Purchase Agreements to the extent provided in and in accordance with the terms and conditions of clause (p) of the definition of Permitted Dispositions,

(dr) Liens on the Best Buy Receivables in favor of Best Buy Receivables Purchaser pursuant to the sales of Best Buy Receivables under the Best Buy Receivables Purchase Agreements to the extent provided in and in accordance with the terms and conditions of clause (q) of the definition of Permitted Dispositions, and

(ds) Liens assumed by any Loan Party or its Subsidiaries in connection with a Permitted Acquisition that secure Acquired Indebtedness.

" Permitted Preferred Stock " means and refers to any Preferred Stock issued by Parent (and not by one or more of its Subsidiaries) that is not Prohibited Preferred Stock.

" Permitted Protest " means the right of any Borrower or any of its Subsidiaries to protest any Lien (other than any Lien that secures the Obligations), taxes, or rental payment, provided that (a) a reserve with respect to such obligation is established on such Borrower's or its Subsidiaries' books and records in such amount as is required under GAAP, (b) any such protest is instituted promptly and prosecuted diligently by such Borrower or its Subsidiary, as applicable, in good faith, and (c) Agent is reasonably satisfied that, while any such protest is pending, there will be no impairment of the enforceability, validity, or priority of any of Agent's Liens.

" Permitted Purchase Money Indebtedness " means, as of any date of determination, Purchase Money Indebtedness incurred after the Closing Date in an aggregate principal amount outstanding at any one time not in excess of $10,000,000.

" Person " means natural persons, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, trusts, land trusts, business trusts, or other organizations, irrespective of whether they are legal entities, and governments and agencies and political subdivisions thereof.

" PPSA " means the Personal Property Security Act (Ontario), the Civil Code of Québec or any other applicable Canadian Federal or Provincial statute pertaining to the granting, perfecting, priority or ranking of security interests, liens, hypothecs on personal property, and any successor statutes, together with any regulations thereunder, in each case as in effect from time to time. References to sections of the PPSA shall be construed to also refer to any successor sections.

" Preferred Stock " means, as applied to the Stock of any Person, the Stock of any class or classes (however designated) that is preferred with respect to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Stock of any other class of such Person.

" Principal Obligations " means the Obligations other than the Parallel Debt, to the extent these are for the payment of money (*tot voldoening van een geldsom*).

" Priority Payables " means, as to any Borrower or Guarantor at any time, (a) the full amount of the liabilities of such Borrower or Guarantor at such time which (i) have a trust imposed to provide for payment or a security interest, pledge, lien, hypothec or charge ranking or capable of ranking senior to or pari passu with security interests, liens, hypothecs or charges securing the Obligations under Federal, Provincial, Territorial, county, district, municipal, or local law in Canada or (ii) have a right imposed to provide for payment ranking or capable of ranking senior to or pari passu with the Obligations under local or national law, regulation or directive, including, but not limited to, claims for unremitted and/or accelerated rents, taxes, wages, withholding taxes (including claims for debts due to Canada Revenue Agency), VAT and other amounts payable to an insolvency administrator, employee withholdings or deductions, severance pay, termination pay and vacation pay, workers' compensation obligations, government royalties or pension fund obligations or contributions, in each case to the extent such trust, or security interest, lien or charge has been or may be imposed and (b) the amount equal to the percentage applicable to Inventory in the calculation of the Borrowing Base multiplied by the aggregate Value of the Eligible Inventory which Agent, in good faith, considers is or may be subject to retention of title by a supplier or a right of a supplier to recover possession thereof, where such supplier's right has priority over the security interests, liens or charges securing the Obligations, including, without limitation, Eligible Inventory subject to a right of a supplier to repossess goods pursuant to Section 81.1 of the BIA or any applicable laws granting revendication or similar rights to unpaid suppliers or any similar laws of Canada or any other applicable jurisdiction (provided , that , to the extent such Inventory has been identified and has been excluded from Eligible Inventory, the amount owing to the supplier shall not be considered a Priority Payable).

" Prohibited Preferred Stock " means any Preferred Stock that by its terms is mandatorily redeemable or subject to any other payment obligation (including any obligation to pay dividends, other than dividends of shares of Preferred Stock of the same class and series payable in kind or dividends of shares of common stock) on or before a date that is less than ninety-one (91) days after the Maturity Date, or, on or before the date that is less than 91 days after the Maturity Date, is redeemable at the option of the holder thereof for cash or assets or securities (other than distributions in kind of shares of Preferred Stock of the same class and series or of shares of common stock).

" Projections " means Borrowers' forecasted (a) balance sheets, (b) profit and loss statements, (c) cash flow statements, and (d) Excess Availability, all prepared on a basis consistent with Borrowers' historical financial statements, together with appropriate supporting details and a statement of underlying assumptions.

" Pro Rata Share " means, as of any date of determination,

(a) with respect to each Lender with a Revolver Commitment, the percentage obtained by dividing (i) the Revolving Loan Exposure of such Lender by (ii) the aggregate Revolving Loan Exposure of all Lenders;

provided, that, if the Revolver Commitments have been terminated, the Pro Rata Share shall be determined as if the Revolver Commitments had not been terminated and based upon the Revolver Commitments as they existed immediately prior to their termination, and

(b) with respect to each Lender with a Term Loan Commitment, the percentage obtained by dividing (i) the Term Loan Exposure of such Lender by (ii) the aggregate Term Loan Exposure of all Lenders.

For purposes of this definition, the amount of the Advances attributable to the outstanding amount of the Orange County IRB Bond shall be allocated to Wells Fargo, in its capacity as a Lender.

" Protective Advances " has the meaning specified therefor in Section 2.3(d)(i) of the Agreement.

" Purchase Money Indebtedness " means Indebtedness (other than the Obligations, but including Capitalized Lease Obligations), incurred at the time of, or within twenty (20) days after, the acquisition of any fixed assets for the purpose of financing all or any part of the acquisition cost thereof.

" Qualified Cash " means, as of any date of determination, the amount of unrestricted cash or, subject to the terms below, Cash Equivalents of Borrowers that are (a) subject to the valid, enforceable and first priority perfected security interest of Agent in Deposit Accounts or in Securities Accounts maintained at Wells Fargo, or any combination thereof, and which such Deposit Account or Securities Account is the subject of a Control Agreement (and for which Agent shall have received evidence, in form and substance reasonably satisfactory to Agent, of the amount of such cash or Cash Equivalents held in such deposit account or investment account as of the applicable date of the calculation of the Excess Availability), (b) free and clear of any other Lien other than (i) those permitted in clauses (b) and (c) of the definition of the term Permitted Liens (but as to liens referred to in clause (c) only to the extent that Agent has established a reserve in respect thereof) and (ii) any other liens permitted under this Agreement that are subject to an intercreditor agreement in form and substance reasonably satisfactory to Agent between the holder of such Lien and Agent; provided , that , to the extent such amounts represent payments in respect of Accounts or other Collateral included in the Borrowing Base as of such date, such amounts shall not constitute Qualified Cash (and Borrower Agent shall provide such evidence thereof as Agent may reasonably request). For purposes of this definition, "Qualified Cash" shall only include Cash Equivalents maturing within ninety (90) days from the date of the acquisition thereof and in the case of obligations or indebtedness described in clauses (b) and (c) of the definition of the term Cash Equivalents, obligations or indebtedness having a rating of at least A-1 from S&P or at least P-1 from Moody's (or, if at any time neither S&P nor Moody's shall be rating such obligations, then an equivalent rating from another nationally recognized rating service).

" Qualified ECP Guarantor " means, in respect of any Swap Obligation, each Loan Party that has total assets exceeding $10,000,000 at the time the relevant guaranty or grant of the relevant security interest becomes effective with respect to such Swap Obligation or such other person as constitutes an "eligible contract participant" under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another person to qualify as an "eligible contract participant" at such time by entering into a keepwell under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

" Quarterly Average Excess Availability " means, at any time, the average of the aggregate amount of the Excess Availability for the immediately preceding fiscal quarter.

" Real Property " means any estates or interests in real property now owned or hereafter acquired by any Loan Party and the improvements thereto, including the real property and related assets more particularly described in the Mortgages.

" Real Property Availability " means $17,220,000; provided , that , commencing on July 1, 2016, and as of the first day of each calendar quarter thereafter, the Real Property Availability shall be reduced by $287,000.

" Real Property Collateral " means the Real Property identified on Schedule R-1 and any Real Property hereafter acquired by any Loan Party having a fair market value of at least $2,500,000.

" Real Property Reserves " means such reserves as the Agent from time to time determines in its Permitted Discretion as being appropriate to reflect the impediments to Agent's ability to realize upon any Eligible Real Property. Without limiting the generality of the foregoing, Real Property Reserves may include (but are not limited to) (a) Environmental Compliance Reserves, (b) reserves for (i) municipal taxes and assessments that may be required to be repaid in connection with any sale or other disposition of any of such Real Property, (ii) at any time, repairs required to maintain the Real Property at such time and/or to prepare it for a sale or other disposition, (iii) remediation of title defects, and (c) reserves for Indebtedness secured by liens that are pari passu with, or have priority over, the lien of the Agent.

" Record " means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

" Refinancing Indebtedness " means refinancings, renewals, or extensions of Indebtedness so long as:

(dt) Agent shall have received not less than ten (10) Business Days' prior written notice of the intention to incur such Indebtedness, which notice shall set forth in reasonable detail satisfactory to Agent, the amount of such Indebtedness, the schedule of repayments and maturity date with respect thereto and such other information with respect thereto as Agent may reasonably request,

(du) promptly upon Agent's request, Agent shall have received true, correct and complete copies of all agreements, documents and instruments evidencing or otherwise related to such Indebtedness, as duly authorized, executed and delivered by the parties thereto,

(dv) the Refinancing Indebtedness shall have a Weighted Average Life to Maturity and a final maturity equal to or greater than the Weighted Average Life to Maturity and the final maturity, respectively, of the Indebtedness being extended, refinanced, replaced, or substituted for,

(dw) the Refinancing Indebtedness shall rank in right of payment no more senior than, and be at least subordinated (if subordinated) to, the Obligations as the Indebtedness being extended, refinanced, replaced or substituted for,

(dx) the Refinancing Indebtedness shall not include terms and conditions with respect to any Borrower or Guarantor which are more burdensome or restrictive in any material respect than those contained in this Agreement, taken as a whole,

(dy) such Indebtedness incurred by any Borrower or Guarantor shall be at rates and with fees or other charges that are commercially reasonable,

(dz) as of the date of incurring such Indebtedness and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing,

(ea) the principal amount of such Refinancing Indebtedness shall not exceed the principal amount of the Indebtedness so extended, refinanced, replaced or substituted for (plus the amount of reasonable refinancing fees and expenses incurred in connection therewith outstanding on the date of such event),

(eb) the Refinancing Indebtedness shall be secured by substantially the same assets, provided, that, such security interests (if any) with respect to the Refinancing Indebtedness shall have a priority no more senior than, and be at least as subordinated, if subordinated (on terms and conditions substantially similar to the subordination provisions applicable to the Indebtedness so extended, refinanced, replaced or substituted for or as is otherwise acceptable to Agent) as the security interest with respect to the Indebtedness so extended, refinanced, replaced or substituted for, and

(ec) Borrowers and Guarantors may only make payments of principal, interest and fees, if any, in respect of such Indebtedness to the extent such payments would have been permitted hereunder in respect of the Indebtedness so extended, refinanced, replaced or substituted for.

" Register " has the meaning set forth in Section 13.1(h) of the Agreement.

" Registered Loan " has the meaning set forth in Section 13.1(h) of the Agreement.

" Reimbursement Undertaking " has the meaning specified therefor in Section 2.11(a) of the Agreement.

" Related Fund " means, with respect to any Lender that is an investment fund, any other investment fund that invests in commercial loans and that is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

" Remedial Action " means all actions taken to (a) clean up, remove, remediate, contain, treat, monitor, assess, evaluate, or in any way address Hazardous Materials in the indoor or outdoor environment, (b) prevent or minimize a release or threatened release of Hazardous Materials so they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment, (c) restore or reclaim natural resources or the environment, (d) perform any pre-remedial studies, investigations, or post-remedial operation and maintenance activities, or (e) conduct any other actions with respect to Hazardous Materials required by Environmental Laws.

" Replacement Lender " has the meaning specified therefor in Section 2.13(b) of the Agreement.

" Report " has the meaning specified therefor in Section 15.16 of the Agreement.

" Required Lenders " means, at any time, Lenders having or holding more than fifty percent (50%) of the sum of (a) the aggregate Revolving Loan Exposure of all Lenders, plus (b) the aggregate Term Loan Exposure of all Lenders; provided, that (i) the Revolving Loan Exposure and the Term Loan Exposure of any Defaulting Lender shall be disregarded in the determination of the Required Lenders, and (ii) at any time there are two (2) or more Lenders, "Required Lenders" must include at least 2 Lenders.

" Restricted Junior Payment " means to (a) declare or pay any dividend or make any other payment or distribution on account of Stock issued by Parent (including any payment in connection with any merger or consolidation involving Parent) or to the direct or indirect holders of Stock issued by a Borrower in their capacity as such (other than dividends or distributions payable in Stock (other than Prohibited Preferred Stock) issued by Parent, or (b) purchase, redeem, or otherwise acquire or retire for value (including in connection with any merger or consolidation involving Parent) any Stock issued by Parent.

" Revolver Commitment " means, with respect to each Revolving Lender, its Revolver Commitment, and, with respect to all Revolving Lenders, their Revolver Commitments, in each case as such Dollar amounts are set forth beside such Revolving Lender's name under the applicable heading on Schedule C-1 to the Agreement or in the Assignment and Acceptance pursuant to which such Revolving Lender became a Revolving Lender under the Agreement, as such amounts may be reduced or increased from time to time pursuant to assignments made in accordance with the provisions of Section 13.1 of the Agreement or pursuant to Sections 2.4(c) or 2.14 of the Agreement.

" Revolver Usage " means, as of any date of determination, the sum of (a) the amount of outstanding Advances, plus (b) the amount of the Letter of Credit Usage.

" Revolving Loan Exposure " means, with respect to any Revolving Lender, as of any date of determination (a) prior to the termination of the Revolver Commitments, the amount of such Lender's Revolver Commitment, and (b) after the termination of the Revolver Commitments, the aggregate outstanding principal amount of the Advances of such Revolving Lender.

" Revolving Loan Lender " means a Lender that has a Revolving Loan Commitment or that has an outstanding Advance.

" Sanctioned Entity " means, at any time, (a) a country or territory, or a government of a country or territory, (b) an agency of the government of a country or territory, (c) an organization directly or indirectly controlled by a country or a territory or its government, (d) a Person located, organized or resident in or determined to be resident in a country or territory, in each case, that is subject to a country or territory sanctions program administered and enforced by Sanctions Authorities.

" Sanctioned Person " means a person that is, or is owned or controlled by persons that are, the target of any sanctions administered by Sanctions Authorities.

" Sanctions Authorities " means, collectively, OFAC, the US Department of State, the United Nations Security Council, the European Union or Her Majesty's Treasury.

" S&P " has the meaning specified therefor in the definition of Cash Equivalents.

" SEC " means the United States Securities and Exchange Commission and any successor thereto.

" Securities Account " means, as to each Loan Party, all of such Loan Party's now owned and hereafter existing or acquired accounts to which a financial asset is or may be credited in accordance with an agreement under which the person maintaining the account undertakes to treat the person for whom the account is maintained as entitled to exercise the rights that comprise the financial asset.

" Securities Act " means the Securities Act of 1933, as amended from time to time, and any successor statute.

" Security Agreement " means a Security Agreement, dated of even date herewith, in form and substance reasonably satisfactory to Agent, executed and delivered by each Loan Party to Agent.

" Settlement " has the meaning specified therefor in Section 2.3(e)(i) of the Agreement.

" Settlement Date " has the meaning specified therefor in Section 2.3(e)(i) of the Agreement.

" Solvent " means, with respect to any Person on a particular date, that, at fair valuations, the sum of such Person's assets is greater than all of such Person's debts.

" Specified Subsidiaries " means, collectively, each of the following: (a) Caribbean Technical Services Corp., a company organized under the laws of the British Virgin Islands, (b) Servicios Administravios Audiovox, S.de.RL.de.CV, a company organized under the laws of Mexico, (c) Klipsch Asia/Pacific Holdings, a company organized under the laws of Mauritius, (d) Klipsch Audio Trading (Shanghai) Co., Ltd., a company organized under the laws of China, (e) Jamo China, Ltd., a company organized under the laws of Hong Kong, (f) Donguan KGI Technical Consulting, Ltd., a company organized under the laws of China, (g) Audiovox Venezuela C.A., a company organized under the laws of Venezuela, (h) Voxx Hong Kong, Ltd, a company organized under the laws of Hong Kong and (i) Voxx Consumer Electronics Hong Kong, Ltd, a company organized under the laws of Hong Kong.

" Stock " means all shares, options, warrants, interests, participations, or other equivalents (regardless of how designated) of or in a Person, whether voting or nonvoting, including common stock, preferred stock, or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the SEC under the Exchange Act).

" Subsidiary " of a Person means a corporation, partnership, limited liability company, or other entity in which that Person directly or indirectly owns or controls the shares of Stock having ordinary voting power to elect a majority of the board of directors (or appoint other comparable managers) of such corporation, partnership, limited liability company, or other entity; in relation to a person incorporated (or established) in the Netherlands, Subsidiary means a " *dochtermaatschappij* " within the meaning of section 2:24a DDC (regardless whether the shares or voting rights on the shares in such company are held directly or indirectly through another " *dochtermaatschappij* ").

" Swap Obligation " means, with respect to any Loan Party, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of section 1a(47) of the Commodity Exchange Act.

" Swing Lender " means Wells Fargo or any other Lender that, at the request of Borrowers and with the consent of Agent agrees, in such Lender's sole discretion, to become the Swing Lender under Section 2.3(b) of the Agreement.

" Swing Loan " has the meaning specified therefor in Section 2.3(b) of the Agreement.

" Taxes " means any taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein with respect to such payments and all interest, penalties or similar liabilities with respect thereto; provided , that , Taxes shall exclude (i) any tax imposed on the net income or net profits of any Lender or any Participant (including any branch profits taxes), in each case imposed by the jurisdiction (or by any political subdivision or taxing authority thereof) in which such Lender or such Participant is organized or the jurisdiction (or by any political subdivision or taxing authority thereof) in which such Lender's or such Participant's principal office is located in each case as a result of a present or former connection between such Lender or such Participant and the jurisdiction or taxing authority imposing the tax (other than any such connection arising solely from such Lender or such Participant having executed, delivered or performed its obligations or received payment under, or enforced its rights or remedies under the Agreement or any other Loan Document); (ii) taxes resulting from a Lender's or a Participant's failure to comply with the requirements of Section 16(c) or (d) of the Agreement, (iii) any United States federal withholding taxes that would be imposed on amounts payable to a Foreign Lender based upon the applicable withholding rate in effect at the time such Foreign Lender becomes a party to the Agreement (or designates a new lending office), except that Taxes shall include (A) any amount that such Foreign Lender (or its assignor, if any) was previously entitled to receive pursuant to Section 16(a) of the Agreement, if any, with respect to such withholding tax at the time such Foreign Lender becomes a party to the Agreement (or designates a new lending office), and (B) additional United States federal withholding taxes that may be imposed after the time such Foreign Lender becomes a party to the Agreement (or designates a new lending office), as a result of a change in law, rule, regulation, order or other decision with respect to any of the foregoing by any Governmental Authority; and (iv) any United States federal withholding taxes imposed under FATCA. For purposes of this definition, the Dodd-Frank Wall Street Reform and Consumer Protection Act and all rules, regulations, orders, requests, guidelines or directives in connection therewith are deemed to have been enacted and become effective after the Closing Date.

" Tax Lender " has the meaning specified therefor in Section 14.2(a) of the Agreement.

" Term Loan " has the meaning specified therefor in Section 2.2(a) of the Agreement.

" Term Loan Availability " means the lesser of (a) $15,000,000 and (b) the Term Loan Borrowing Base.

" Term Loan Borrowing Base " means (a) the sum of (i) the amount equal to five percent (5%) of the amount of Eligible Accounts of each Borrower, each Canadian Guarantor and Dutch Guarantor plus (ii) until no later than the one (1) year anniversary of the Closing Date, the amount equal to the least of (A) five percent (5%) multiplied by the Value of Eligible Inventory of each Borrower, each Canadian Guarantor and Dutch Guarantor, (B) five percent (5%) of the Net Recovery Percentage multiplied by the Value of such Eligible Inventory or (C) $1,500,000 plus (iii) the Term Loan Trademark Availability minus (b) the aggregate amount of reserves, if any, established by Agent under Section 2.1(f) of the Agreement (without duplication of any reserves established pursuant to the definition of Borrowing Base), which reserves shall not be based on accounting based impairment charges or reserves, but on the value of the Eligible Trademarks and Eligible Accounts included in the Term Loan Borrowing Base.

" Term Loan Commitment " means, with respect to each Lender, its Term Loan Commitment, and, with respect to all Lenders, their Term Loan Commitments, in each case as such Dollar amounts are set forth beside such Lender's name under the applicable heading on Schedule C-1 to the Agreement or in the Assignment and Acceptance pursuant to which such Lender became a Lender under the Agreement, as such amounts may be reduced or increased from time to time pursuant to assignments made in accordance with the provisions of Section 13.1 of the Agreement.

" Term Loan Exposure " means, with respect to any Term Loan Lender with a Term Loan Commitment, as of any date of determination (a) prior to the funding of the Term Loan, the amount of such Term Loan Lender's Term Loan Commitment, and (b) after the funding of the Term Loan, the outstanding principal amount of the Term Loan held by such Term Loan Lender.

" Term Loan Lender " means a Lender that has a Term Loan Commitment or that has a portion of the Term Loans.

" Term Loan Trademark Availability " means $11,300,000.

" Trademark Security Agreement " has the meaning specified therefor in the Security Agreement.

" Trademarks " means any and all trademarks, trade names, registered trademarks, trademark applications, service marks, registered service marks and service mark applications, including (a) all renewals thereof, (b) all income, royalties, damages and payments now and hereafter due or payable under and with respect thereto, including payments under all licenses entered into in connection therewith and damages and payments for past or future infringements or dilutions thereof, (c) the right to sue for past, present and future infringements and dilutions thereof, (d) the goodwill of each Loan Party's business symbolized by the foregoing or connected therewith, and (e) all of each Loan Party's rights corresponding thereto throughout the world.

" Underlying Issuer " means Wells Fargo or one of its Affiliates.

" Underlying Letter of Credit " means a Letter of Credit that has been issued by an Underlying Issuer.

" United States " means the United States of America.

" Value " shall mean, as determined by Agent in good faith, (a) with respect to Inventory, the lower of cost or market, with cost determined on a weighted moving average basis or on a standard cost basis, as applicable, consistent with the current practices of Borrowers, Canadian Guarantors and Dutch Guarantor, as applicable, without regard to intercompany profit or increases for currency exchange rates and (b) with respect to Eligible Trademarks, the fair market value reasonably determined based on appraisals in form and containing assumptions and appraisal methods reasonably satisfactory to Agent by an appraiser reasonably acceptable to Agent, on which Agent and Lenders are specifically permitted to rely received by Agent prior to the Closing Date.

" Voidable Transfer " has the meaning specified therefor in Section 17.8 of the Agreement.

" VOXX HQ " means VOXX HQ, LLC, a Florida limited liability company, and its successors and assigns.

" Wal-Mart " means, collectively, together with their successors and assigns, Wal-Mart Stores, Inc., a Delaware corporation, Sam's West, Inc., an Arkansas corporation and their Affiliates.

" Wal-Mart Intercreditor Agreement " means the Consent to Sale of Receivables, dated as of the date hereof, among Agent, Parent and Wal-Mart Receivables Purchaser, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

" Wal-Mart Receivables " means any and all Accounts of any Borrower with respect to which Wal-Mart is the account debtor arising from the sale by any Borrower of goods and services to Wal-Mart, together with the Purchased Assets (as defined in the Wal-Mart Intercreditor Agreement), and with respect to each of the foregoing, all proceeds thereof.

" Wal-Mart Receivables Purchase Agreement " means the Receivables Purchase Agreement, dated June 25, 2013, between Wal-Mart Receivables Purchaser and Parent, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

" Wal-Mart Receivables Purchase Agreements " means, collectively (as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced): (i) the Wal-Mart Receivables Purchase Agreement; (ii) the Wal-Mart Intercreditor Agreement; and (iii) the other agreements, documents and instruments executed and/or delivered in connection with any of the foregoing.

" Wal-Mart Receivables Purchaser " means Wells Fargo Bank, National Association, in its individual capacity, as the purchaser of the Purchased Assets (as defined in the Wal-Mart Intercreditor Agreement) and under the Wal-Mart Receivables Purchase Agreement.

" Weighted Average Life to Maturity " means, when applied to any Indebtedness at any date, the number of years obtained by dividing (a) the then outstanding principal amount of such Indebtedness into (b) the total of the product obtained by multiplying (c) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (d) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment.

" Wells Fargo " means Wells Fargo Bank, National Association, a national banking association.

" Write-Down and Conversion Powers " means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

SECOND AMENDED AND RESTATED SECURITY AGREEMENT

This **SECOND AMENDED AND RESTATED SECURITY AGREEMENT** (this " Agreement "), dated as of April 26, 2016, among the Grantors listed on the signature pages hereof and those additional entities that hereafter become parties hereto by executing the form of Joinder attached hereto as Annex 1 (each, a " Grantor "), and **WELLS FARGO BANK, NATIONAL ASSOCIATION,** a national banking association ("Wells"), in its capacity as agent for the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, " Agent ")

W I T N E S S E T H:

WHEREAS , pursuant to the Second Amended and Restated Credit Agreement, dated of even date herewith (as amended, restated, supplemented, or otherwise modified from time to time, the " Credit Agreement "), by and among VOXX International Corporation, a Delaware corporation (" Parent "), VOXX Accessories Corp., a Delaware corporation (" VAC "), VOXX Electronics Corp., a Delaware corporation (" VEC "), Code Systems, Inc., a Delaware corporation (" CSI "), Invision Automotive Systems Inc., a Delaware corporation (" IAS ") and Klipsch Group, Inc., an Indiana corporation (" Klipsch " and together with each of VAC, VEC, CSI and IAS, each, individually, a " Borrower " and, collectively, " Borrowers "), the lenders party thereto as "Lenders" (such Lenders, together with their respective successors and assigns in such capacity, each, individually, a " Lender " and, collectively, the " Lenders ") and Agent, the Lender Group has agreed to make certain financial accommodations available to Borrowers from time to time pursuant to the terms and conditions thereof;

WHEREAS , certain Grantors party hereto are parties to the Amended and Restated U.S. Security Agreement, dated as of March 14, 2012 (as the same may have been heretofore amended and modified and as in effect on the date hereof, the " Existing Security Agreement "), by and among such Grantors and Wells, in its capacity as Administrative Agent thereunder;

WHEREAS , Agent has agreed to act as agent for the benefit of the Lender Group and the Bank Product Providers in connection with the transactions contemplated by the Credit Agreement and this Agreement; and

WHEREAS , in order to induce the Lender Group to enter into the Credit Agreement and the other Loan Documents and to induce the Lender Group to make financial accommodations to Borrowers as provided for in the Credit Agreement, Grantors have agreed to grant a continuing security interest in and to the Collateral in order to secure the prompt and complete payment, observance and performance of, among other things, the Secured Obligations.

NOW, THEREFORE , for and in consideration of the recitals made above and other good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, the parties hereto agree that the Existing Security Agreement shall be (and hereby is) amended and restated as follows:

1. Defined Terms . All initially capitalized terms used herein (including in the preamble and recitals hereof) without definition shall have the meanings ascribed thereto in the Credit Agreement. Any terms (whether capitalized or lower case) used in this Agreement that are defined in the Code shall be construed and defined as set forth in the Code unless otherwise defined herein or in the Credit Agreement; provided , however , that to the extent that the Code is used to define any term used herein and if such term is defined differently in different Articles of the Code, the definition of such term contained in Article 9 of the Code shall govern. In addition to those terms defined elsewhere in this Agreement, as used in this Agreement, the following terms shall have the following meanings:

(a) " Account " means an account (as that term is defined in Article 9 of the Code).

(b) " Account Debtor " means an account debtor (as that term is defined in the Code).

(c) " Activation Instruction " has the meaning specified therefor in Section 6(k) .

(d) " Agent " has the meaning specified therefor in the preamble to this Agreement.

(e) " Agent's Lien " has the meaning specified therefor in the Credit Agreement.

(f) " Agreement " has the meaning specified therefor in the preamble to this Agreement.

(g) " Bank Product Obligations " has the meaning specified therefor in the Credit Agreement.

(h) " Bank Product Provider " has the meaning specified therefor in the Credit Agreement.

(i) " Books " means books and records (including each Grantor's Records indicating, summarizing, or evidencing such Grantor's assets (including the Collateral) or liabilities, each Grantor's Records relating to such Grantor's business operations or financial condition, and each Grantor's goods or General Intangibles related to such information).

(j) " Borrowers " has the meaning specified therefor in the recitals to this Agreement.

(k) " Cash Dominion Event " has the meaning specified therefor in the Credit Agreement.

(l) " Cash Equivalents " has the meaning specified therefor in the Credit Agreement.

(m) " Chattel Paper " means chattel paper (as that term is defined in the Code), and includes tangible chattel paper and electronic chattel paper.

(n) " Code " means the New York Uniform Commercial Code, as in effect from time to time; provided , however , that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, priority, or remedies with respect to Agent's Lien on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority, or remedies.

(o) " Collateral " has the meaning specified therefor in Section 2 .

(p) " Collections " has the meaning specified therefor in the Credit Agreement.

(q) " Commercial Tort Claims " means commercial tort claims (as that term is defined in the Code), and includes those commercial tort claims listed on Schedule 1 .

(r) " Controlled Account " has the meaning specified therefor in Section 6(k) .

(s) " Controlled Account Agreements " means those certain cash management agreements, in form and substance reasonably satisfactory to Agent, each of which is executed and delivered by a Grantor, Agent, and one of the Controlled Account Banks.

(t) " Controlled Account Bank " has the meaning specified therefor in Section 6(k) .

(u) " Copyrights " means any and all rights in any works of authorship, including (i) copyrights and moral rights, (ii) copyright registrations and recordings thereof and all applications in connection therewith including those listed on Schedule 2 , (iii) income, license fees, royalties, damages, and payments now and hereafter due or payable under and with respect thereto, including payments under all licenses entered into in connection therewith and damages and payments for past, present, or future infringements thereof, (iv) the right to sue for past, present, and future infringements thereof, and (v) all of each Grantor's rights corresponding thereto throughout the world.

(v) " Copyright Security Agreement " means each Copyright Security Agreement executed and delivered by Grantors, or any of them, and Agent, in substantially the form of Exhibit A .

(w) " Credit Agreement " has the meaning specified therefor in the recitals to this Agreement.

(x) " Deposit Account " means a deposit account (as that term is defined in the Code).

(y) " Equipment " means equipment (as that term is defined in the Code).

(z) " Event of Default " has the meaning specified therefor in the Credit Agreement.

(aa) " Fixtures " means fixtures (as that term is defined in the Code).

(ab) " General Intangibles " means general intangibles (as that term is defined in the Code), and includes payment intangibles, contract rights, rights to payment, rights arising under common law, statutes, or regulations, choses or things in action, goodwill, Intellectual Property, Intellectual Property Licenses, purchase orders, customer lists, monies due or recoverable from pension funds, route lists, rights to payment and other rights under any royalty or licensing agreements, including Intellectual Property Licenses, infringement claims, pension plan refunds, pension plan refund claims, insurance premium rebates, tax refunds, and tax refund claims, interests in a partnership or limited liability company which do not constitute a security under Article 8 of the Code, and any other personal property other than Commercial Tort Claims, money, Accounts, Chattel Paper, Deposit Accounts, goods, Investment Related Property, Negotiable Collateral, and oil, gas, or other minerals before extraction.

(ac) " Grantor " and " Grantors " have the respective meanings specified therefor in the preamble to this Agreement.

(ad) " Guaranty " has the meaning specified therefor in the Credit Agreement.

(ae) " Insolvency Proceeding " has the meaning specified therefor in the Credit Agreement.

(af) " Intellectual Property " means any and all Patents, Copyrights, Trademarks, trade secrets, know-how, inventions (whether or not patentable), algorithms, software programs (including source code and object code), processes, product designs, industrial designs, blueprints, drawings, data, customer lists, URLs and domain names, specifications, documentations, reports, catalogs, literature, and any other forms of technology or proprietary information of any kind, including all rights therein and all applications for registration or registrations thereof.

(ag) " Intellectual Property Licenses " means, with respect to any Person (the " Specified Party "), (i) any licenses or other similar rights provided to the Specified Party in or with respect to Intellectual Property owned or controlled by any other Person, and (ii) any licenses or other similar rights provided to any other Person in or with respect to Intellectual Property owned or controlled by the Specified Party, in each case, including (A) any software license agreements (other than license agreements for commercially available off-the-shelf software that is generally available to the public which have been licensed to a Grantor pursuant to end-user licenses), (B) the license agreements listed on Schedule 3 , and (C) the right to use any of the licenses or other similar rights described in this definition in connection with the enforcement of the Lender Group's rights under the Loan Documents.

(ah) " Inventory " means inventory (as that term is defined in the Code).

(ai) " Investment Related Property " means (i) any and all investment property (as that term is defined in the Code), and (ii) any and all of the following (regardless of whether classified as investment property under the Code): all Pledged Interests, Pledged Operating Agreements, and Pledged Partnership Agreements.

(aj) " Joinder " means each Joinder to this Agreement executed and delivered by Agent and each of the other parties listed on the signature pages thereto, in substantially the form of Annex 1 .

(ak) " Lender Group " has the meaning specified therefor in the Credit Agreement.

(al) " Lender " and " Lenders " have the respective meanings specified therefor in the recitals to this Agreement.

(am) " Loan Document " has the meaning specified therefor in the Credit Agreement.

(an) " Negotiable Collateral " means letters of credit, letter-of-credit rights, instruments, promissory notes, drafts and documents (as each such term is defined in the Code).

(ao) " Obligations " has the meaning specified therefor in the Credit Agreement.

(ap) " Parent " has the meaning specified therefor in the recitals to this Agreement.

(aq) " Patents " means patents and patent applications, including (i) the patents and patent applications listed on Schedule 4 , (ii) all continuations, divisionals, continuations-in-part, re-examinations, reissues, and renewals thereof and improvements thereon, (iii) all income, royalties, damages and payments now and hereafter due or payable under and with respect thereto, including payments under all licenses entered into in connection therewith and damages and payments for past, present, or future infringements thereof, (iv) the right to sue for past, present, and future infringements thereof, and (v) all of each Grantor's rights corresponding thereto throughout the world.

(ar) " Patent Security Agreement " means each Patent Security Agreement executed and delivered by Grantors, or any of them, and Agent, in substantially the form of Exhibit B .

(as) " Permitted Liens " has the meaning specified therefor in the Credit Agreement.

(at) " Person " has the meaning specified therefor in the Credit Agreement.

(au) " Pledged Companies " means each Person listed on Schedule 6 as a "Pledged Company", together with each other Person, all or a portion of whose Stock is acquired or otherwise owned by a Grantor after the Closing Date.

(av) " Pledged Interests " means all of each Grantor's right, title and interest in and to all of the Stock now owned or hereafter acquired by such Grantor, regardless of class or designation, including in each of the Pledged Companies, and all substitutions therefor and replacements thereof, all proceeds thereof and all rights relating thereto, also including any certificates representing the Stock, the right to receive any certificates representing any of the Stock, all warrants, options, share appreciation rights and other rights, contractual or otherwise, in respect thereof and the right to receive all dividends, distributions of income, profits, surplus, or other compensation by way of income or liquidating distributions, in cash or in kind, and all cash, instruments, and other

property from time to time received, receivable, or otherwise distributed in respect of or in addition to, in substitution of, on account of, or in exchange for any or all of the foregoing.

(aw) " Pledged Interests Addendum " means a Pledged Interests Addendum substantially in the form of Exhibit C .

(ax) " Pledged Operating Agreements " means all of each Grantor's rights, powers, and remedies under the limited liability company operating agreements of each of the Pledged Companies that are limited liability companies.

(ay) " Pledged Partnership Agreements " means all of each Grantor's rights, powers, and remedies under the partnership agreements of each of the Pledged Companies that are partnerships.

(az) " Proceeds " has the meaning specified therefor in Section 2 .

(ba) " PTO " means the United States Patent and Trademark Office.

(bb) " Real Property " means any estates or interests in real property now owned or hereafter acquired by any Grantor or any Subsidiary of any Grantor and the improvements thereto.

(bc) " Records " means information that is inscribed on a tangible medium or which is stored in an electronic or other medium and is retrievable in perceivable form.

(bd) " Rescission " has the meaning specified therefor in Section 6(k) .

(be) " Secured Obligations " means each and all of the following: (a) all of the present and future obligations of each of the Grantors arising from, or owing under or pursuant to, this Agreement, the Credit Agreement, or any of the other Loan Documents (including any Guaranty), (b) all Bank Product Obligations, and (c) all Obligations of Grantors (including, in the case of each of clauses (a), (b) and (c), reasonable attorneys fees and expenses and any interest, fees, or expenses that accrue after the filing of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any Insolvency Proceeding).

(bf) " Securities Account " means a securities account (as that term is defined in the Code).

(bg) " Security Interest " has the meaning specified therefor in Section 2 .

(bh) " Stock " has the meaning specified therefor in the Credit Agreement.

(bi) " Supporting Obligations " means supporting obligations (as such term is defined in the Code), and includes letters of credit and guaranties issued in support of Accounts, Chattel Paper, documents, General Intangibles, instruments or Investment Related Property.

(bj) " Trademarks " means any and all trademarks, trade names, registered trademarks, trademark applications, service marks, registered service marks and service mark applications, including (i) the trade names, registered trademarks, trademark applications, registered service marks and service mark applications listed on Schedule 5 , (ii) all renewals thereof, (iii) all income, royalties, damages and payments now and hereafter due or payable under and with respect thereto, including payments under all licenses entered into in connection therewith and damages and payments for past or future infringements or dilutions thereof, (iv) the right to sue for past, present and future infringements and dilutions thereof, (v) the goodwill of each Grantor's business symbolized by the foregoing or connected therewith, and (vi) all of each Grantor's rights corresponding thereto throughout the world.

(bk) " Trademark Security Agreement " means each Trademark Security Agreement executed and delivered by Grantors, or any of them, and Agent, in substantially the form of Exhibit D .

(bl) " URL " means "uniform resource locator," an internet web address.

2. Grant of Security . Each Grantor hereby unconditionally grants, assigns, and pledges to Agent, for the benefit of each member of the Lender Group and each of the Bank Product Providers, to secure the Secured Obligations, and hereby confirms, reaffirms and restates the prior grant thereof pursuant to the Existing Security Agreement, a continuing security interest (hereinafter referred to as the " Security Interest ") in all of such Grantor's right, title, and interest in and to the following, whether now owned or hereafter acquired or arising and wherever located (the " Collateral "):

(a) all of such Grantor's Accounts;

(b) all of such Grantor's Books;

(c) all of such Grantor's Chattel Paper;

(d) all of such Grantor's Deposit Accounts (but not deposit accounts exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of any Grantor's employees);

(e) all of such Grantor's Equipment and Fixtures;

(f) all of such Grantor's General Intangibles;

(g) all of such Grantor's Inventory;

(h) all of such Grantor's Investment Related Property;

(i) all of such Grantor's Negotiable Collateral;

(j) all of such Grantor's Supporting Obligations;

(k) all of such Grantor's Commercial Tort Claims;

(l) all of such Grantor's money, Cash Equivalents, or other assets of such Grantor that now or hereafter come into the possession, custody, or control of Agent (or its agent or designee) or any other member of the Lender Group; and

(m) all of the proceeds (as such term is defined in the Code) and products, whether tangible or intangible, of any of the foregoing, including proceeds of insurance or Commercial Tort Claims covering or relating to any or all of the foregoing, and any and all Accounts, Books, Chattel Paper, Deposit Accounts, Equipment, Fixtures, General Intangibles, Inventory, Investment Related Property, Negotiable Collateral, Supporting Obligations, money, or other tangible or intangible property resulting from the sale, lease, license, exchange, collection, or other disposition of any of the foregoing, the proceeds of any award in condemnation with respect to any of the foregoing, any rebates or refunds, whether for taxes or otherwise, and all proceeds of any such proceeds, or any portion thereof or interest therein, and the proceeds thereof, and all proceeds of any loss of, damage to, or destruction of the above, whether insured or not insured, and, to the extent not otherwise included, any indemnity, warranty, or guaranty payable by reason of loss or damage to, or otherwise with respect to any of the foregoing (the " Proceeds "). Without limiting the generality of the foregoing, the term "Proceeds" includes whatever is receivable or received when Investment Related Property or proceeds are sold, exchanged, collected, or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes proceeds of any indemnity or guaranty payable to any Grantor or Agent from time to time with respect to any of the Investment Related Property.

Notwithstanding anything contained in this Agreement to the contrary, the term "Collateral" shall not include (collectively, the "Excluded Collateral"): (i) as security for the Secured Obligations of a Borrower organized under the laws of a jurisdiction in the United States, Stock of any Subsidiary that is a Controlled Foreign Corporation in excess of sixty-five (65%) percent of all of the issued and outstanding shares of Stock of such Subsidiary entitled to vote (within the meaning of Treasury Regulation Section 1.956-2) if a pledge of a greater percentage would result in material adverse tax consequences to Parent or the assets of such Controlled Foreign Corporation if it would result in material adverse tax consequences to Parent; or (ii) any rights or interest in any contract, lease, permit, license, or license agreement covering real or personal property of any Grantor if under the terms of such contract, lease, permit, license, or license agreement, or applicable law with respect thereto, the grant of a security interest or lien therein is prohibited as a matter of law or under the terms of such contract, lease, permit, license, or license agreement and such prohibition or restriction has not been waived or the consent of the other party to such contract, lease, permit, license, or license agreement has not been obtained (provided, that, (A) the foregoing exclusions of this clause (ii) shall in no way be construed (1) to apply to the extent that any described prohibition or restriction is unenforceable under Section 9-406, 9-407, 9-408, or 9-409 of the Code or other applicable law, or (2) to apply to the extent that any consent or waiver has been obtained that would permit Agent's security interest or lien notwithstanding the prohibition or restriction on the pledge of such contract, lease, permit, license, or license agreement and (B) the foregoing exclusions of clauses (i) and (ii) shall in no way be construed to limit, impair, or otherwise affect any of Agent's, any other member of the Lender Group's or any Bank Product Provider's continuing security interests in and liens upon any rights or interests of any Grantor in or to (1) monies due or to become due under or in connection with any described contract, lease, permit, license, license agreement, or Stock (including any Accounts or Stock), or (2) any proceeds from the sale, license, lease, or other dispositions of any such contract, lease, permit, license, license agreement, or Stock); (iii) any United States intent-to-use trademark applications to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark applications under applicable federal law, provided that upon submission and acceptance by the PTO of an amendment to allege use pursuant to 15 U.S.C. Section 1060(a) (or any successor provision), such intent-to-use trademark application shall be considered Collateral; or (iv) the Stock of Alvox Trademark Holding Company, LLC, ASA Electronics LLC and Eyelock LLC, so long as Parent or any of its Subsidiaries own less than one hundred percent (100%) of such Stock.

3. Security for Secured Obligations . The Security Interest created hereby secures the payment and performance of the Secured Obligations, whether now existing or arising hereafter. Without limiting the generality of the foregoing, this Agreement secures the payment of all amounts which constitute part of

the Secured Obligations and would be owed by Grantors, or any of them, to Agent, the Lender Group, the Bank Product Providers or any of them, but for the fact that they are unenforceable or not allowable (in whole or in part) as a claim in an Insolvency Proceeding involving any Grantor due to the existence of such Insolvency Proceeding.

4. Grantors Remain Liable . Anything herein to the contrary notwithstanding, (a) each of the Grantors shall remain liable under the contracts and agreements included in the Collateral, including the Pledged Operating Agreements and the Pledged Partnership Agreements, to perform all of the duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by Agent or any other member of the Lender Group of any of the rights hereunder shall not release any Grantor from any of its duties or obligations under such contracts and agreements included in the Collateral, and (c) none of the members of the Lender Group shall have any obligation or liability under such contracts and agreements included in the Collateral by reason of this Agreement, nor shall any of the members of the Lender Group be obligated to perform any of the obligations or duties of any Grantors thereunder or to take any action to collect or enforce any claim for payment assigned hereunder. Until an Event of Default shall occur and be continuing, except as otherwise provided in, and subject to the terms of, this Agreement, the Credit Agreement, or any other Loan Document, Grantors shall have the right to possession and enjoyment of the Collateral for the purpose of conducting the ordinary course of their respective businesses. Without limiting the generality of the foregoing, it is the intention of the parties hereto that record and beneficial ownership of the Pledged Interests, including all voting, consensual, dividend, and distribution rights, shall remain in the applicable Grantor until (i) the occurrence and continuance of an Event of Default and (ii) Agent has notified the applicable Grantor of Agent's election to exercise such rights with respect to the Pledged Interests pursuant to Section 15.

5. Representations and Warranties . Each Grantor hereby represents and warrants to Agent, for the benefit of the Lender Group and the Bank Product Providers, which representations and warranties shall be true, correct, and complete, in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof), as of the Closing Date, and shall be true, correct, and complete, in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof), as of the date of the making of each Advance (or other extension of credit) made thereafter, as though made on and as of the date of such Advance (or other extension of credit) (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true, correct and complete in all material respects as of such earlier date) and such representations and warranties shall survive the execution and delivery of this Agreement:

(a) The exact legal name of each of the Grantors is set forth on the signature pages of this Agreement or a written notice provided to Agent from time to time pursuant to Section 6.5 of the Credit Agreement.

(b) Schedule 7 sets forth all Real Property owned by any of the Grantors as of the Closing Date.

(c) As of the Closing Date: (i) Schedule 2 provides a complete and correct list of all registered Copyrights owned by any Grantor, all applications for registration of Copyrights owned by any Grantor, and all other Copyrights owned by any Grantor and material to the conduct of the business of any Grantor; (ii) Schedule 3 provides a complete and correct list of all Intellectual Property Licenses entered into by any Grantor pursuant to which (A) any Grantor has provided any license or other rights in Intellectual Property owned or controlled by such Grantor to any other Person other than non-exclusive software licenses granted in the ordinary course of business or (B) any Person has granted to any Grantor any license or other rights in Intellectual Property owned or controlled by such Person that is material to the business of such Grantor, including any Intellectual Property that is incorporated in any Inventory, software, or other product marketed, sold, licensed, or distributed by such Grantor; (iii) Schedule 4 provides a complete and correct list of all Patents owned by any Grantor and all applications for Patents owned by any Grantor; and (iv) Schedule 5 provides a complete and correct list of all registered Trademarks owned by any Grantor, all applications for registration of Trademarks owned by any Grantor, and all other Trademarks owned by any Grantor and material to the conduct of the business of any Grantor.

(d) (i) (A) each Grantor, to its knowledge, owns exclusively or holds licenses in all Intellectual Property that is necessary in any material respect to the conduct of its business, and (B) all contractors of each Grantor who were involved in the creation or development of any Intellectual Property for such Grantor that is necessary in any material respect to the business of such Grantor have signed agreements containing assignment of Intellectual Property rights to such Grantor and obligations of confidentiality;

(i) to each Grantor's knowledge after reasonable inquiry, no Person has infringed or misappropriated or is currently infringing or misappropriating any Intellectual Property rights owned by such Grantor, in each case, that either individually or in the aggregate, could reasonably be expected to result in a Material Adverse Change;

(ii) (A) to each Grantor's knowledge after reasonable inquiry, (1) such Grantor is not currently infringing or misappropriating any Intellectual Property rights of any Person, and (2) no product manufactured, used, distributed, licensed, or sold by or service provided by such Grantor is currently infringing or misappropriating any Intellectual Property rights of any Person, in each case, except where such infringement, either individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Change, and (B) there are no pending, or to any Grantor's knowledge after reasonable inquiry, threatened, infringement or misappropriation claims or proceedings pending against any Grantor, and no Grantor has received any notice or other communication of any actual or alleged infringement or misappropriation of any Intellectual Property rights of any Person, in each case, except where such infringement, either individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Change;

(iii) to each Grantor's knowledge after reasonable inquiry, all registered Copyrights, registered Trademarks, and issued Patents that are owned by such Grantor and necessary in any material respect to the conduct of its business are valid, subsisting and enforceable and in compliance with all material legal requirements, filings, and payments and other actions that are required to maintain such Intellectual Property in full force and effect; and

(iv) each Grantor has taken reasonable steps to maintain the confidentiality of and otherwise protect and enforce its rights in all trade secrets owned by such Grantor that are necessary in the business of such Grantor;

(e) This Agreement creates a valid security interest in the Collateral of each Grantor, to the extent a security interest therein can be created under the Code, securing the payment of the Secured Obligations. Except to the extent a security interest in the Collateral cannot be perfected by the filing of a financing statement under the Code, all filings and other actions necessary or desirable to perfect and protect such security interest have been duly taken or will have been taken upon the filing of financing statements listing each applicable Grantor, as a debtor, and Agent, as secured party, in the jurisdictions listed next to such Grantor's name on Schedule 8 . Upon the making of such filings, Agent shall have a first priority perfected security interest in the Collateral of each Grantor to the extent such security interest can be perfected by the filing of a financing statement, except to the extent of the existing Liens on the Orange County Real Property arising pursuant to the Orange County IRB Documents (as in effect on the date hereof) and Permitted Liens under clause (g) of the definition of Permitted Liens and which are permitted purchase money Liens or the interests of lessors under Capital Leases. Upon filing of the Copyright Security Agreement with the United States Copyright Office, filing of the Patent Security Agreement and the Trademark Security Agreement with the PTO, and the filing of appropriate financing statements in the jurisdictions listed on Schedule 8 , all action necessary to protect and perfect the Security Interest in and to on each Grantor's Patents, Trademarks, or Copyrights has been taken and such perfected Security Interest is enforceable as such as against any and all creditors of and purchasers from any Grantor. All action requested by Agent to be taken by any Grantor necessary to protect and perfect such security interest on each item of Collateral has been duly taken.

(f) (i) Except for the Security Interest created hereby, each Grantor is and will at all times be the sole holder of record and the legal and beneficial owner, free and clear of all Liens other than Permitted Liens, of the Pledged Interests included in the Collateral indicated on Schedule 6 as being owned by such Grantor and, when acquired by such Grantor, any Pledged Interests included in the Collateral acquired after the Closing Date; (ii) all of the Pledged Interests are duly authorized, validly issued, fully paid and nonassessable and the Pledged Interests constitute or will constitute the percentage of the issued and outstanding Stock of the Pledged Companies of such Grantor identified on Schedule 6 as supplemented or modified by any Pledged Interests Addendum or any Joinder to this Agreement; (iii) such Grantor has the right and requisite authority to pledge the Investment Related Property pledged by such Grantor to Agent as provided herein; (iv) all actions necessary to perfect and establish the first priority of, or otherwise protect, Agent's Liens in the Investment Related Property included in the Collateral, and the proceeds thereof, have been duly taken, upon (A) the execution and delivery of this Agreement; (B) the taking of possession by Agent (or its agent or designee) of any certificates representing the Pledged Interests that are certificated securities, together with undated powers (or other documents of transfer acceptable to Agent) endorsed in blank by the applicable Grantor; (C) the filing of financing statements in the applicable jurisdiction set forth on Schedule 8 for such Grantor with respect to the Pledged Interests of such Grantor that are not certificated securities,

and (D) with respect to any Securities Accounts (except to the extent not required under Section 6.11(b) of the Credit Agreement), the delivery of Control Agreements with respect thereto subject to clause (h) of the definition of "Permitted Liens" as set forth in the Credit Agreement; and (v) each Grantor has delivered to and deposited with Agent all certificates representing the Pledged Interests included in the Collateral owned by such Grantor to the extent such Pledged Interests are represented by certificates, and undated powers (or other documents of transfer acceptable to Agent) endorsed in blank with respect to such certificates subject to the definition of Excluded Collateral. None of the Pledged Interests owned or held by such Grantor has been issued or transferred in violation of any securities registration, securities disclosure, or similar laws of any jurisdiction to which such issuance or transfer may be subject.

(g) No consent, approval, authorization, or other order or other action by, and no notice to or filing with, any Governmental Authority or any other Person is required (i) subject to the definition of Excluded Collateral, for the grant of a Security Interest by such Grantor in and to the Collateral pursuant to this Agreement or for the execution, delivery, or performance of this Agreement by such Grantor, or (ii) for the exercise by Agent of the voting or other rights provided for in this Agreement with respect to the Investment Related Property or the remedies in respect of the Collateral pursuant to this Agreement, except as may be required in connection with such disposition of Investment Related Property by laws affecting the offering and sale of securities generally. Subject to the definition of Excluded Collateral, no Intellectual Property License of any Grantor that is necessary to the conduct of such Grantor's business requires any consent of any other Person in order for such Grantor to grant the security interest granted hereunder in such Grantor's right, title or interest in or to such Intellectual Property License.

(h) As to all limited liability company or partnership interests, issued under any Pledged Operating Agreement or Pledged Partnership Agreement, each Grantor hereby represents and warrants that the Pledged Interests issued pursuant to such agreement (A) are not dealt in or traded on securities exchanges or in securities markets, (B) do not constitute investment company securities, and (C) are not held by such Grantor in a securities account. In addition, none of the Pledged Operating Agreements, the Pledged Partnership Agreements, or any other agreements governing any of the Pledged Interests issued under any Pledged Operating Agreement or Pledged Partnership Agreement, provide that such Pledged Interests are securities governed by Article 8 of the Uniform Commercial Code as in effect in any relevant jurisdiction.

6. Covenants. Each Grantor, jointly and severally, covenants and agrees with Agent that from and after the date of this Agreement and until the date of termination of this Agreement in accordance with Section 22:

(a) Possession of Collateral. In the event that any Collateral, including Proceeds, is evidenced by or consists of Negotiable Collateral, Investment Related Property, or Chattel Paper, in each case, having an aggregate value or face amount of $500,000 or more for all such Negotiable Collateral, Investment Related Property, or Chattel Paper, the Grantors shall promptly (and in any event within five (5) Business Days after receipt thereof), notify Agent thereof, and if and to the extent that perfection or priority of Agent's Security Interest is dependent on or enhanced by possession, the applicable Grantor, promptly (and in any event within three (3) Business Days) after request by Agent, shall execute such other documents and instruments as shall be requested by Agent or, if applicable, endorse and deliver physical possession of such Negotiable Collateral, Investment Related Property, or Chattel Paper to Agent, together with such undated powers (or other relevant document of transfer acceptable to Agent) endorsed in blank as shall be reasonably requested by Agent, and shall do such other acts or things reasonably deemed necessary or desirable by Agent to protect Agent's Security Interest therein;

(b) Chattel Paper.

(i) Promptly (and in any event within five (5) Business Days) after request by Agent, each Grantor shall take all steps reasonably necessary to grant Agent control of all electronic Chattel Paper included in the Collateral in accordance with the Code and all "transferable records" as that term is defined in Section 16 of the Uniform Electronic Transaction Act and Section 201 of the federal Electronic Signatures in Global and National Commerce Act as in effect in any relevant jurisdiction, to the extent that the aggregate value or face amount of such electronic Chattel Paper equals or exceeds $500,000;

(ii) If any Grantor retains possession of any Chattel Paper or instruments (which retention of possession shall be subject to the extent permitted hereby and by the Credit Agreement) included in the Collateral, promptly upon the request of Agent, such Chattel Paper and instruments shall be marked with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the Security Interest of Wells Fargo Bank, National Association, as Agent for the benefit of the Lender Group and the Bank Product Providers";

(c) Control Agreements .

(i) Except to the extent otherwise excused by the Credit Agreement or by this Agreement, each Grantor shall obtain an authenticated Control Agreement (which may include a Controlled Account Agreement), from each bank maintaining a Deposit Account for such Grantor (other than from JPMorgan Bank London branch with respect to the accounts of Klipsch Group Europe B.V. maintained with JPMorgan Bank London branch in the United Kingdom);

(ii) Except to the extent otherwise excused by the Credit Agreement or by this Agreement, each Grantor shall obtain an authenticated Control Agreement, from each issuer of uncertificated securities, securities intermediary, or commodities intermediary issuing or holding any financial assets or commodities to or for any Grantor;

(iii) Except to the extent otherwise excused by the Credit Agreement or by this Agreement, each Grantor shall obtain an authenticated Control Agreement with respect to all of such Grantor's investment property;

(d) Letter-of-Credit Rights . If the Grantors (or any of them) are or become the beneficiary of letters of credit included in the Collateral having a face amount or value of $500,000 or more in the aggregate, then the applicable Grantor or Grantors shall promptly (and in any event within five (5) Business Days after becoming a beneficiary), notify Agent thereof and, promptly (and in any event within three (3) Business Days) after request by Agent, enter into a tri-party agreement with Agent and the issuer or confirming bank with respect to letter-of-credit rights assigning such letter-of-credit rights to Agent and directing all payments thereunder to Agent's Account, all in form and substance reasonably satisfactory to Agent;

(e) Commercial Tort Claims . If the Grantors (or any of them) obtain Commercial Tort Claims having a value, or involving an asserted claim, in the amount of $500,000 or more in the aggregate for all Commercial Tort Claims, then the applicable Grantor or Grantors shall promptly (and in any event within five (5) Business Days of obtaining such Commercial Tort Claim), notify Agent upon incurring or otherwise obtaining such Commercial Tort Claims and, promptly (and in any event within three (3) Business Days) after request by Agent, amend Schedule 1 to describe such Commercial Tort Claims in a manner that reasonably identifies such Commercial Tort Claims and which is otherwise reasonably satisfactory to Agent, and hereby authorizes the filing of additional financing statements or amendments to existing financing statements describing such Commercial Tort Claims, and agrees to do such other acts or things reasonably deemed necessary or desirable by Agent to give Agent a first priority, perfected security interest in any such Commercial Tort Claim;

(f) Government Contracts . Other than Accounts and Chattel Paper the aggregate value of which does not at any one time exceed $500,000, if any Account or Chattel Paper that constitutes Collateral arises out of a contract or contracts with the United States of America or any department, agency, or instrumentality thereof, Grantors shall promptly (and in any event within five (5) Business Days of the creation thereof) notify Agent thereof and, promptly (and in any event within three (3) Business Days) after request by Agent, execute any instruments or take any steps reasonably required by Agent in order that all moneys due or to become due under such contract or contracts shall be assigned to Agent, for the benefit of the Lender Group and the Bank Product Providers, and shall provide written notice thereof under the Assignment of Claims Act or other applicable law;

(g) Intellectual Property .

(i) Upon the request of Agent, in order to facilitate filings with the United States Patent and Trademark Office and the United States Copyright Office, each Grantor shall execute and deliver to Agent one or more Copyright Security Agreements, Trademark Security Agreements, or Patent Security Agreements to further evidence Agent's Lien on such Grantor's Patents, Trademarks, or Copyrights, and the General Intangibles of such Grantor relating thereto or represented thereby;

(ii) Each Grantor shall have the duty, with respect to Intellectual Property that is necessary in the conduct of such Grantor's business, to protect and diligently enforce and defend at such Grantor's expense its Intellectual Property, including (A) with respect to Trademarks and Copyrights (and Patents, to the extent commercially reasonable to do so) to diligently enforce and defend, including promptly suing for infringement, misappropriation, or dilution and to recover any and all damages for such infringement, misappropriation, or dilution, and filing for opposition, interference, and cancellation against conflicting Intellectual Property rights of any Person, (B) to prosecute diligently any trademark application or service mark application that is part of the Trademarks pending as of the date hereof or hereafter until the termination of this Agreement, unless the Patent and Trademark Office has issued a final refusal to register the Trademark which is the subject of such trademark application or service mark application, (C) to prosecute diligently any patent application that is part of the Patents

pending as of the date hereof or hereafter until the termination of this Agreement, unless the Patent and Trademark Office has issued a final refusal to issue the Patent which is the subject of such patent application, (D) to take all reasonable and necessary action to preserve and maintain all of such Grantor's Trademarks, Patents, Copyrights, Intellectual Property Licenses, and its rights therein, including paying all maintenance fees and filing of applications for renewal, affidavits of use, and affidavits of noncontestability, provided , that , a Grantor may abandon, cancel, not renew or otherwise not maintain a Trademark, Patent or Copyright so long as (1) such Trademark, Patent or Copyright is no longer used or useful in the business of such Grantor or any other Loan Party, (2) such Trademark, Patent or Copyright has not been used in the business of such Grantor or any other Loan Party for a period of three (3) consecutive months, (3) such Trademark, Patent or Copyright is not otherwise material to the business of such Grantor or any other Loan Party, and (4) no Default or Event of Default shall have occurred as of such time, and (E) to require all consultants, and contractors of each Grantor who were involved in the creation or development of any such material Intellectual Property to sign agreements containing assignment of Intellectual Property rights and obligations of confidentiality. Each Grantor further agrees not to abandon any Intellectual Property or Intellectual Property License that is necessary in any material respect in the conduct of such Grantor's business. Each Grantor hereby agrees to take the steps described in this Section 6(g)(ii) with respect to all new or acquired Intellectual Property to which it is now or later becomes entitled that is necessary in the conduct of such Grantor's business;

(iii) Grantors acknowledge and agree that the Lender Group shall have no duties with respect to any Intellectual Property or Intellectual Property Licenses of any Grantor. Without limiting the generality of this Section 6(g)(iii) , Grantors acknowledge and agree that no member of the Lender Group shall be under any obligation to take any steps necessary to preserve rights in the Collateral consisting of Intellectual Property or Intellectual Property Licenses against any other Person, but any member of the Lender Group may do so at its option from and after the occurrence and during the continuance of an Event of Default, and all expenses incurred in connection therewith (including reasonable fees and expenses of attorneys and other professionals) shall be for the sole account of Borrower and shall be chargeable to the Loan Account;

(iv) Each Grantor shall promptly file an application with the United States Copyright Office for any Copyright owned by such Grantor that has not been registered with the United States Copyright Office if such Copyright is necessary in any material respect in connection with the conduct of such Grantor's business. Any expenses incurred in connection with the foregoing shall be borne by the Grantors;

(v) On each date on which an IP Reporting Certificate is delivered by Borrowers pursuant to Section 5.2 of the Credit Agreement, each Grantor shall provide Agent with a written report of all new Patents or Trademarks that are registered or the subject of pending applications for registrations, and of all Intellectual Property License Agreements that are material to the conduct of such Grantor's business, in each case, which were acquired, registered, or for which applications for registration were filed by any Grantor during the prior period and any statement of use or amendment to allege use with respect to intent-to-use trademark applications. In the case of such registrations or applications therefor, which were acquired by any Grantor, each such Grantor shall file the necessary documents with the appropriate Governmental Authority identifying the applicable Grantor as the owner (or as a co-owner thereof, if such is the case) of such Intellectual Property. In each of the foregoing cases, the applicable Grantor shall promptly cause to be prepared, executed, and delivered to Agent supplemental schedules to the applicable Loan Documents to identify such Patent and Trademark registrations and applications therefor (with the exception of Trademark applications filed on an intent-to-use basis for which no statement of use or amendment to allege use has been filed) and Intellectual Property Licenses as being subject to the security interests created thereunder;

(vi) Anything to the contrary in this Agreement notwithstanding, in no event shall any Grantor, either itself or through any agent, employee, licensee, or designee, file an application for the registration of any Copyright with the United States Copyright Office or any similar office or agency in another country without giving Agent written notice thereof within three (3) Business Days after such filing and complying with Section 6(g)(i) . Upon receipt from the United States Copyright Office of notice of registration of any Copyright, each Grantor shall promptly (but in no event later than three (3) Business Days following such receipt) notify (but without duplication of any notice required by Section 6(g)(vi)) Agent of such registration by delivering, or causing to be delivered, to Agent, documentation sufficient for Agent to perfect Agent's Liens on such Copyright. If any Grantor acquires from any Person any Copyright registered with the United States Copyright Office or an application to register any Copyright with the United States Copyright Office, such Grantor shall promptly (but in no event later than seven (7)

Business Days following such acquisition) notify Agent of such acquisition and deliver, or cause to be delivered, to Agent, documentation sufficient for Agent to perfect Agent's Liens on such Copyright. In the case of such Copyright registrations or applications therefor which were acquired by any Grantor, each such Grantor shall promptly (but in no event later than three (3) Business Days following such acquisition) file the necessary documents with the appropriate Governmental Authority identifying the applicable Grantor as the owner (or as a co-owner thereof, if such is the case) of such Copyrights;

(vii) Each Grantor shall take reasonable steps to maintain the confidentiality of, and otherwise protect and enforce its rights in, the Intellectual Property that is necessary in any material respect in the conduct of such Grantor's business, including, as applicable (A) protecting the secrecy and confidentiality of its confidential information and trade secrets by having and enforcing a policy requiring all current employees, consultants, licensees, vendors and contractors with access to such information to execute appropriate confidentiality agreements; (B) taking actions reasonably necessary to ensure that no trade secret falls into the public domain; and (C) protecting the secrecy and confidentiality of the source code of all software programs and applications of which it is the owner or licensee by having and enforcing a policy requiring any licensees (or sublicensees) of such source code to enter into license agreements with commercially reasonable use and non-disclosure restrictions; and

(viii) No Grantor shall enter into any Intellectual Property License to receive any license or rights in any Intellectual Property of any other Person unless such Grantor has used commercially reasonable efforts to permit the assignment of or grant of a security interest in such Intellectual Property License (and all rights of Grantor thereunder) to the (and any transferees of Agent);

(h) Investment Related Property .

(i) If any Grantor shall acquire, obtain, receive or become entitled to receive any Pledged Interests included in the Collateral after the Closing Date, it shall promptly (and in any event within ten (10) Business Days of acquiring or obtaining such Collateral) deliver to Agent a duly executed Pledged Interests Addendum identifying such Pledged Interests; provided , that , only sixty-five (65%) percent of the total outstanding voting Stock of any Subsidiary of any Grantor that is a controlled foreign corporation (and none of the Stock of any Subsidiary of such controlled foreign corporation) shall be required to be pledged if pledging a greater amount would result in adverse tax consequences to the Parent or if the costs to any of the Grantors of providing such pledge or perfecting the security interests created thereby are unreasonably excessive (as determined by Agent in consultation with Grantors) in relation to the benefits of Agent and the Lenders of the security or guarantee afforded thereby (which pledge, if reasonably requested by Agent, shall be governed by the laws of the jurisdiction of such Subsidiary);

(ii) Upon the occurrence and during the continuance of an Event of Default, following the request of Agent, all sums of money and property paid or distributed in respect of the Investment Related Property included in the Collateral that are received by any Grantor shall be held by the Grantors in trust for the benefit of Agent segregated from such Grantor's other property, and such Grantor shall deliver it forthwith to Agent in the exact form received;

(iii) Each Grantor shall promptly deliver to Agent a copy of each material notice or other material communication received by it in respect of any Pledged Interests;

(iv) No Grantor shall make or consent to any amendment or other modification or waiver with respect to any Pledged Interests, Pledged Operating Agreement, or Pledged Partnership Agreement, or enter into any agreement or permit to exist any restriction with respect to any Pledged Interests if the same is prohibited pursuant to the Loan Documents;

(v) Each Grantor agrees that it will cooperate with Agent in obtaining all necessary approvals and making all necessary filings under federal, state, local, or foreign law to effect the perfection of the Security Interest on the Investment Related Property included in the Collateral or to effect any sale or transfer thereof;

(vi) As to all limited liability company or partnership interests, issued under any Pledged Operating Agreement or Pledged Partnership Agreement, each Grantor hereby covenants that the Pledged Interests issued pursuant to such agreement (A) are not and shall not be dealt in or traded on securities exchanges or in securities markets, (B) do not and will not constitute investment company securities, and (C) are not and will not be held by such Grantor in a securities account. In addition, none of the Pledged Operating Agreements, the Pledged Partnership Agreements, or any other agreements governing any of the Pledged Interests issued under any Pledged Operating Agreement or Pledged Partnership Agreement, provide or shall provide that such Pledged Interests are securities governed by Article 8 of the Uniform Commercial Code as in effect in any relevant jurisdiction.

(i) Real Property; Fixtures . Each Grantor covenants and agrees that upon the acquisition of any fee interest in Real Property with a fair market value in excess of $2,500,000, it will promptly (and in any event within five (5) Business Days of acquisition) notify Agent of the acquisition of such Real Property and will grant to Agent, for the benefit of the Lender Group and the Bank Product Providers, a first priority Mortgage (subject to liens permitted under clauses (f), (k), (r) (s) and (m) (in connection with clauses (r) or (s) only) of the definition of "Permitted Liens") on each fee interest in Real Property now or hereafter owned by such Grantor and shall deliver such other documentation and opinions, in form and substance reasonably satisfactory to Agent, in connection with the grant of such Mortgage as Agent shall request in its Permitted Discretion, including title insurance policies, financing statements, fixture filings and environmental audits and such Grantor shall pay all recording costs, intangible taxes and other fees and costs (including reasonable attorneys fees and expenses) incurred in connection therewith. Each Grantor acknowledges and agrees that, to the extent permitted by applicable law, all of the Collateral shall remain personal property regardless of the manner of its attachment or affixation to real property;

(j) Transfers and Other Liens . Grantors shall not (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral, except as expressly permitted by the Credit Agreement (including Permitted Acquisitions), or (ii) create or permit to exist any Lien upon or with respect to any of the Collateral of any Grantor, except for Permitted Liens. The inclusion of Proceeds in the Collateral shall not be deemed to constitute Agent's consent to any sale or other disposition of any of the Collateral except as expressly permitted in this Agreement or the other Loan Documents; and

(k) Controlled Accounts .

(i) Each Grantor shall (A) maintain cash management services of a type and on terms reasonably satisfactory to Agent at one or more of the banks set forth on Schedule 6(k) (each a " Controlled Account Bank "), and shall take reasonable steps to ensure that all of its Account Debtors forward payment of the amounts owed by them directly to such Controlled Account Bank, and (B) deposit or cause to be deposited promptly, and in any event no later than the second Business Day after the date of receipt thereof, all of their Collections (including those sent directly by their Account Debtors to a Grantor) into a bank account of such Grantor (each, a " Controlled Account ") at one of the Controlled Account Banks.

(ii) Except to the extent not required under Section 6.11(b) of the Credit Agreement and except with respect to the bank accounts of Dutch Guarantor located in the United Kingdom and maintained at JPMorgan Chase Bank which are required to be closed pursuant to Section 5.20 of the Credit Agreement, each Grantor shall establish and maintain Controlled Account Agreements with Agent and the applicable Controlled Account Bank, in form and substance reasonably acceptable to Agent. Each such Controlled Account Agreement shall provide, among other things, that (A) the Controlled Account Bank will comply with any instructions originated by Agent directing the disposition of the funds in such Controlled Account without further consent by the applicable Grantor, (B) the Controlled Account Bank waives, subordinates, or agrees not to exercise any rights of setoff or recoupment or any other claim against the applicable Controlled Account other than for payment of its service fees and other charges directly related to the administration of such Controlled Account and for returned checks or other items of payment, and (C) upon the instruction of Agent (an " Activation Instruction "), the Controlled Account Bank will forward by daily sweep all available amounts in the applicable Controlled Account to the Agent's Account. Agent agrees not to issue an Activation Instruction with respect to the Controlled Accounts unless a Cash Dominion Event has occurred and is continuing at the time such Activation Instruction is issued. Agent agrees to promptly rescind an Activation Instruction (the " Rescission ") if: (1) the Cash Dominion Event upon which such Activation Instruction was issued has been waived in writing in accordance with the terms of the Credit Agreement or no longer exists in accordance with the terms of the definition of Cash Dominion Event, and (2) no additional Cash Dominion Event has occurred and is continuing prior to the date of the Rescission.

(iii) So long as no Default or Event of Default has occurred and is continuing, Borrowers may amend Schedule 6(k) to add or replace a Controlled Account Bank or Controlled Account; provided , however , that (A) such prospective Controlled Account Bank shall be reasonably satisfactory to Agent, and (B) prior to the time of the opening of such Controlled Account, the applicable Grantor and such prospective Controlled Account Bank shall have executed and delivered to Agent a Controlled Account Agreement. Each Grantor shall close any of its Controlled Accounts (and establish replacement Controlled Account accounts in accordance with the foregoing sentence) as promptly as practicable and in any event within forty-five (45) days of notice from Agent that the operating performance, funds transfer, or availability procedures or performance of the Controlled Account Bank

with respect to Controlled Account Accounts or Agent's liability under any Controlled Account Agreement with such Controlled Account Bank is no longer acceptable in Agent's reasonable judgment.

7. Relation to Other Security Documents. The provisions of this Agreement shall be read and construed with the other Loan Documents referred to below in the manner so indicated.

(a) Credit Agreement. In the event of any conflict between any provision in this Agreement and a provision in the Credit Agreement, such provision of the Credit Agreement shall control.

(b) Patent, Trademark, Copyright Security Agreements. The provisions of the Copyright Security Agreements, Trademark Security Agreements, and Patent Security Agreements are supplemental to the provisions of this Agreement, and nothing contained in the Copyright Security Agreements, Trademark Security Agreements, or the Patent Security Agreements shall limit any of the rights or remedies of Agent hereunder. In the event of any conflict between any provision in this Agreement and a provision in a Copyright Security Agreement, Trademark Security Agreement or Patent Security Agreement, such provision of this Agreement shall control.

8. Further Assurances.

(a) Each Grantor agrees that from time to time, at its own expense, such Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that Agent may reasonably request, in order to perfect and protect the Security Interest granted hereby, to create, perfect or protect the Security Interest purported to be granted hereby or to enable Agent to exercise and enforce its rights and remedies hereunder with respect to any of the Collateral.

(b) Each Grantor authorizes the filing by Agent of financing or continuation statements, or amendments thereto, and such Grantor will execute and deliver to Agent such other instruments or notices, as Agent may reasonably request, in order to perfect and preserve the Security Interest granted or purported to be granted hereby.

(c) Each Grantor authorizes Agent at any time and from time to time to file, transmit, or communicate, as applicable, financing statements and amendments (i) describing the Collateral as "all personal property of debtor" or "all assets of debtor" or words of similar effect, (ii) describing the Collateral as being of equal or lesser scope or with greater detail, or (iii) that contain any information required by part 5 of Article 9 of the Code for the sufficiency or filing office acceptance. Each Grantor also hereby ratifies any and all financing statements or amendments previously filed by Agent in any jurisdiction.

(d) Each Grantor acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement filed in connection with this Agreement without the prior written consent of Agent, subject to such Grantor's rights under Section 9-509(d)(2) of the Code.

9. Agent's Right to Perform Contracts, Exercise Rights, etc. Upon the occurrence and during the continuance of an Event of Default, Agent (or its designee) (a) may proceed to perform any and all of the obligations of any Grantor contained in any contract, lease, or other agreement and exercise any and all rights of any Grantor therein contained as fully as such Grantor itself could, (b) shall have the right to use any Grantor's rights under Intellectual Property Licenses in connection with the enforcement of Agent's rights hereunder, including the right to prepare for sale and sell any and all Inventory and Equipment now or hereafter owned by any Grantor and now or hereafter covered by such licenses, and (c) shall have the right to request that any Stock that is pledged hereunder be registered in the name of Agent or any of its nominees.

10. Agent Appointed Attorney-in-Fact. Each Grantor hereby irrevocably appoints Agent its attorney-in-fact, with full authority in the place and stead of such Grantor and in the name of such Grantor or otherwise, at such time as an Event of Default has occurred and is continuing under the Credit Agreement, to take any action and to execute any instrument which Agent may reasonably deem necessary or advisable to accomplish the purposes of this Agreement, including:

(a) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in connection with the Accounts or any other Collateral of such Grantor;

(b) to receive and open all mail addressed to such Grantor and to notify postal authorities to change the address for the delivery of mail to such Grantor to that of Agent;

(c) to receive, indorse, and collect any drafts or other instruments, documents, Negotiable Collateral or Chattel Paper;

(d) to file any claims or take any action or institute any proceedings which Agent may deem necessary or desirable for the collection of any of the Collateral of such Grantor or otherwise to enforce the rights of Agent with respect to any of the Collateral;

(e) to repair, alter, or supply goods, if any, necessary to fulfill in whole or in part the purchase order of any Person obligated to such Grantor in respect of any Account of such Grantor;

(f) to use any Intellectual Property or Intellectual Property Licenses of such Grantor, including but not limited to any labels, Patents, Trademarks, trade names, URLs, domain names, industrial designs, Copyrights, or advertising matter, in preparing for sale, advertising for sale, or selling Inventory or other Collateral and to collect any amounts due under Accounts, contracts or Negotiable Collateral of such Grantor; and

(g) Agent, on behalf of the Lender Group or the Bank Product Providers, shall have the right, but shall not be obligated, to bring suit in its own name to enforce the Intellectual Property and Intellectual Property Licenses and, if Agent shall commence any such suit, the appropriate Grantor shall, at the request of Agent, do any and all lawful acts and execute any and all proper documents reasonably required by Agent in aid of such enforcement.

To the extent permitted by law, each Grantor hereby ratifies all that such attorney-in-fact shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest and shall be irrevocable until this Agreement is terminated.

11. Agent May Perform . If any Grantor fails to perform any agreement contained herein, Agent may itself perform, or cause performance of, such agreement, and the reasonable expenses of Agent incurred in connection therewith shall be payable, jointly and severally, by Grantors.

12. Agent's Duties . The powers conferred on Agent hereunder are solely to protect Agent's interest in the Collateral, for the benefit of the Lender Group and the Bank Product Providers, and shall not impose any duty upon Agent to exercise any such powers. Except for the safe custody of any Collateral in its actual possession and the accounting for moneys actually received by it hereunder, Agent shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Agent shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its actual possession if such Collateral is accorded treatment substantially equal to that which Agent accords its own property.

13. Collection of Accounts , General Intangibles and Negotiable Collateral . At any time upon the occurrence and during the continuance of an Event of Default (but at no other time), Agent or Agent's designee may (a) notify Account Debtors of any Grantor that the Accounts, General Intangibles, Chattel Paper or Negotiable Collateral of such Grantor have been assigned to Agent, for the benefit of the Lender Group and the Bank Product Providers, or that Agent has a security interest therein, and (b) collect the Accounts, General Intangibles and Negotiable Collateral of any Grantor directly, and any collection costs and expenses shall constitute part of such Grantor's Secured Obligations under the Loan Documents.

14. Disposition of Pledged Interests by Agent . None of the Pledged Interests existing as of the date of this Agreement are, and none of the Pledged Interests hereafter acquired on the date of acquisition thereof will be, registered or qualified under the various federal or state securities laws of the United States and disposition thereof after an Event of Default and during the continuance thereof may be restricted to one or more private (instead of public) sales in view of the lack of such registration. Each Grantor understands that in connection with such disposition, Agent may approach only a restricted number of potential purchasers and further understands that a sale under such circumstances may yield a lower price for the Pledged Interests than if the Pledged Interests were registered and qualified pursuant to federal and state securities laws and sold on the open market. Each Grantor, therefore, agrees that: (a) if Agent shall, pursuant to the terms of this Agreement, sell or cause the Pledged Interests or any portion thereof to be sold at a private sale, Agent shall have the right to rely upon the advice and opinion of any nationally recognized brokerage or investment firm (but shall not be obligated to seek such advice and the failure to do so shall not be considered in determining the commercial reasonableness of such action) as to the best manner in which to offer the Pledged Interest or any portion thereof for sale and as to the best price reasonably obtainable at the private sale thereof; and (b) such reliance shall be conclusive evidence that Agent has handled the disposition in a commercially reasonable manner.

15. Voting and Other Rights in Respect of Pledged Interests .

(a) Upon the occurrence and during the continuation of an Event of Default, (i) Agent may, at its option, and with two (2) Business Days prior notice to any Grantor, and in addition to all rights and remedies available to Agent under any other agreement, at law, in equity, or otherwise, exercise all voting rights, or any other ownership or consensual rights (including any dividend or distribution rights) in respect of the Pledged Interests owned by such Grantor, but under no circumstances is Agent obligated by the terms of this Agreement to exercise

such rights, and (ii) if Agent duly exercises its right to vote any of such Pledged Interests, each Grantor hereby appoints Agent, such Grantor's true and lawful attorney-in-fact and IRREVOCABLE PROXY to vote such Pledged Interests in any manner Agent deems advisable for or against all matters submitted or which may be submitted to a vote of shareholders, partners or members, as the case may be. The power-of-attorney and proxy granted hereby is coupled with an interest and shall be irrevocable prior to the payment in full of the Obligations (other than unasserted contingent indemnification Obligations) in accordance with the provisions of the Credit Agreement and the expiration or termination of the Commitments.

(b) For so long as any Grantor shall have the right to vote the Pledged Interests owned by it, such Grantor covenants and agrees that it will not, without the prior written consent of Agent, vote or take any consensual action with respect to such Pledged Interests which would materially adversely affect the rights of Agent, the other members of the Lender Group, or the Bank Product Providers, or the value of the Pledged Interests.

16. Remedies . Upon the occurrence and during the continuance of an Event of Default:

(a) Agent may, and, at the instruction of the Required Lenders, shall exercise in respect of the Collateral, in addition to other rights and remedies provided for herein, in the other Loan Documents, or otherwise available to it, all the rights and remedies of a secured party on default under the Code or any other applicable law. Without limiting the generality of the foregoing, each Grantor expressly agrees that, in any such event, Agent without demand of performance or other demand, advertisement or notice of any kind (except a notice specified below of time and place of public or private sale) to or upon any Grantor or any other Person (all and each of which demands, advertisements and notices are hereby expressly waived to the maximum extent permitted by the Code or any other applicable law), may take immediate possession of all or any portion of the Collateral and (i) require Grantors to, and each Grantor hereby agrees that it will at its own expense and upon request of Agent forthwith, assemble all or part of the Collateral as directed by Agent and make it available to Agent at one or more locations where such Grantor regularly maintains Inventory, and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of Agent's offices or elsewhere, for cash, on credit, and upon such other terms as Agent may, in good faith, deem commercially reasonable. Each Grantor agrees that, to the extent notice of sale shall be required by law, at least ten (10) days notice to the applicable Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification and specifically such notice shall constitute a reasonable "authenticated notification of disposition" within the meaning of Section 9-611 of the Code. Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Grantor agrees that the internet shall constitute a "place" for purposes of Section 9-610(b) of the Code. Each Grantor agrees that any sale of Collateral to a licensor pursuant to the terms of a license agreement between such licensor and a Grantor is sufficient to constitute a commercially reasonable sale (including as to method, terms, manner, and time) within the meaning of Section 9-610 of the Code.

(b) Agent is hereby granted a license or other right to use, without liability for royalties or any other charge, each Grantor's Intellectual Property, including but not limited to, any labels, Patents, Trademarks, trade names, URLs, domain names, industrial designs, Copyrights, and advertising matter, whether owned by any Grantor or with respect to which any Grantor has rights under license, sublicense, or other agreements (including any Intellectual Property License), as it pertains to the Collateral, in preparing for sale, advertising for sale and selling any Collateral, and each Grantor's rights under all licenses and all franchise agreements shall inure to the benefit of Agent.

(c) Agent may, in addition to other rights and remedies provided for herein, in the other Loan Documents, or otherwise available to it under applicable law and without the requirement of notice to or upon any Grantor or any other Person (which notice is hereby expressly waived to the maximum extent permitted by the Code or any other applicable law), (i) with respect to any Grantor's Deposit Accounts in which Agent's Liens are perfected by control under Section 9-104 of the Code, instruct the bank maintaining such Deposit Account for the applicable Grantor to pay the balance of such Deposit Account to or for the benefit of Agent, and (ii) with respect to any Grantor's Securities Accounts in which Agent's Liens are perfected by control under Section 9-106 of the Code, instruct the securities intermediary maintaining such Securities Account for the applicable Grantor to (A) transfer any cash in such Securities Account to or for the benefit of Agent, or (B) liquidate any financial assets in such

Securities Account that are customarily sold on a recognized market and transfer the cash proceeds thereof to or for the benefit of Agent.

(d) Any cash held by Agent as Collateral and all cash proceeds received by Agent in respect of any sale of, collection from, or other realization upon all or any part of the Collateral shall be applied against the Secured Obligations in the order set forth in the Credit Agreement. In the event the proceeds of Collateral are insufficient to satisfy all of the Secured Obligations in full, each Grantor shall remain jointly and severally liable for any such deficiency.

(e) Each Grantor hereby acknowledges that the Secured Obligations arise out of a commercial transaction, and agrees that if an Event of Default shall occur and be continuing, Agent shall have the right to an immediate writ of possession without notice of a hearing. Agent shall have the right to the appointment of a receiver for the properties and assets of each Grantor, and each Grantor hereby consents to such rights and such appointment and hereby waives any objection such Grantor may have thereto or the right to have a bond or other security posted by Agent.

17. Remedies Cumulative . Each right, power, and remedy of Agent as provided for in this Agreement or in the other Loan Documents or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power, or remedy provided for in this Agreement or in the other Loan Documents or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by Agent, of any one or more of such rights, powers, or remedies shall not preclude the simultaneous or later exercise by Agent of any or all such other rights, powers, or remedies.

18. Marshaling . Agent shall not be required to marshal any present or future collateral security (including but not limited to the Collateral) for, or other assurances of payment of, the Secured Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order, and all of its rights and remedies hereunder and in respect of such collateral security and other assurances of payment shall be cumulative and in addition to all other rights and remedies, however existing or arising. To the extent that it lawfully may, each Grantor hereby agrees that it will not invoke any law relating to the marshaling of collateral which might cause delay in or impede the enforcement of Agent's rights and remedies under this Agreement or under any other instrument creating or evidencing any of the Secured Obligations or under which any of the Secured Obligations is outstanding or by which any of the Secured Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, each Grantor hereby irrevocably waives the benefits of all such laws.

19. Indemnity and Expenses .

(a) Each Grantor agrees to indemnify Agent and the other members of the Lender Group from and against all claims, lawsuits and liabilities (including reasonable attorneys fees) growing out of or resulting from this Agreement (including enforcement of this Agreement) or any other Loan Document to which such Grantor is a party, except claims, losses or liabilities growing out of or resulting from the gross negligence or willful misconduct of the party seeking indemnification as determined by a final non-appealable order of a court of competent jurisdiction. This provision shall survive the termination of this Agreement and the Credit Agreement and the repayment of the Secured Obligations.

(b) Grantors, jointly and severally, shall, upon demand, pay to Agent (or Agent, may charge to the Loan Account) all the Lender Group Expenses which Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or, upon an Event of Default, the sale of, collection from, or other realization upon, any of the Collateral in accordance with this Agreement and the other Loan Documents, (iii) the exercise or enforcement of any of the rights of Agent hereunder or (iv) the failure by any Grantor to perform or observe any of the provisions hereof.

20. Merger, Amendments; Etc . THIS AGREEMENT, TOGETHER WITH THE OTHER LOAN DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN AGREEMENTS BETWEEN THE PARTIES. No waiver of any provision of this Agreement, and no consent to any departure by any Grantor herefrom, shall in any event be effective unless the same shall be in writing and signed by Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No

amendment of any provision of this Agreement shall be effective unless the same shall be in writing and signed by Agent and each Grantor to which such amendment applies.

21. Addresses for Notices . All notices and other communications provided for hereunder shall be given in the form and manner and delivered to Agent at its address specified in the Credit Agreement, and to any of the Grantors at their respective addresses specified in the Credit Agreement or Guaranty, as applicable, or, as to any party, at such other address as shall be designated by such party in a written notice to the other party.

22. Continuing Security Interest: Assignments under Credit Agreement . This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the Obligations (other than unasserted contingent indemnification Obligations) have been paid in full in accordance with the provisions of the Credit Agreement and the Commitments have expired or have been terminated, (b) be binding upon each Grantor, and their respective successors and assigns, and (c) inure to the benefit of, and be enforceable by, Agent, and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), any Lender may, in accordance with the provisions of the Credit Agreement, assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise. Upon payment in full of the Obligations (other than unasserted contingent indemnification Obligations) in accordance with the provisions of the Credit Agreement and the expiration or termination of the Commitments, the Security Interest granted hereby shall terminate and all rights to the Collateral shall revert to Grantors or any other Person entitled thereto. At such time, Agent will immediately authorize the filing of appropriate termination statements to terminate such Security Interests. No transfer or renewal, extension, assignment, or termination of this Agreement or of the Credit Agreement, any other Loan Document, or any other instrument or document executed and delivered by any Grantor to Agent nor any additional Advances or other loans made by any Lender to Borrowers, nor the taking of further security, nor the retaking or re-delivery of the Collateral to Grantors, or any of them, by Agent, nor any other act of the Lender Group or the Bank Product Providers, or any of them, shall release any Grantor from any obligation that exists, except a release or discharge executed in writing by Agent in accordance with the provisions of the Credit Agreement. Agent shall not by any act, delay, omission or otherwise, be deemed to have waived any of its rights or remedies hereunder, unless such waiver is in writing and signed by Agent and then only to the extent therein set forth. A waiver by Agent of any right or remedy on any occasion shall not be construed as a bar to the exercise of any such right or remedy which Agent would otherwise have had on any other occasion.

23. Governing Law .

(a) **THE VALIDITY OF THIS AGREEMENT, THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF, AND THE RIGHTS OF THE PARTIES HERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR RELATED HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.**

(b) **THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, FEDERAL COURTS, LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK; PROVIDED , HOWEVER , THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE AGENT ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. AGENT AND EACH GRANTOR WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 23(b) .**

(c) **TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, AGENT AND EACH GRANTOR HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. AGENT AND EACH GRANTOR REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING**

CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

24. New Subsidiaries . Pursuant to Section 5.11 of the Credit Agreement, certain Subsidiaries (whether by acquisition or creation) of any Grantor are required to enter into this Agreement by executing and delivering in favor of Agent a Joinder to this Agreement in substantially the form of Annex 1 . Upon the execution and delivery of Annex 1 by any such new Subsidiary, such Subsidiary shall become a Grantor hereunder with the same force and effect as if originally named as a Grantor herein. The execution and delivery of any instrument adding an additional Grantor as a party to this Agreement shall not require the consent of any Grantor hereunder. The rights and obligations of each Grantor hereunder shall remain in full force and effect notwithstanding the addition of any new Grantor hereunder.

25. Agent . Each reference herein to any right granted to, benefit conferred upon or power exercisable by the "Agent" shall be a reference to Agent, for the benefit of each member of the Lender Group and each of the Bank Product Providers.

26. Miscellaneous .

(a) This Agreement is a Loan Document. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this Agreement by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement. The foregoing shall apply to each other Loan Document *mutatis mutandis* .

(b) Any provision of this Agreement which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof in that jurisdiction or affecting the validity or enforceability of such provision in any other jurisdiction. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

(c) Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each Section applies equally to this entire Agreement.

(d) Neither this Agreement nor any uncertainty or ambiguity herein shall be construed against any member of the Lender Group or any Grantor, whether under any rule of construction or otherwise. This Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to accomplish fairly the purposes and intentions of all parties hereto.

(e) The pronouns used herein shall include, when appropriate, either gender and both singular and plural, and the grammatical construction of sentences shall conform thereto.

(f) Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms "includes" and "including" are not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or". The words "hereof", "herein", "hereby", "hereunder", and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Section, subsection, clause, schedule, and exhibit references herein are to this Agreement unless otherwise specified. Any reference in this Agreement to any agreement, instrument, or document shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). The words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts, and contract rights. Any reference herein to the satisfaction, repayment, or payment in full of the Secured Obligations shall mean the repayment in full in cash (or, in the case of Letters of Credit or Bank Products, providing Letter of Credit Collateralization or Bank Product Collateralization, as applicable) of all Secured Obligations other than unasserted contingent indemnification Secured Obligations and other than any Bank Product Obligations that, at such time, are allowed by the applicable Bank Product Provider to remain outstanding and that are not required by the provisions of the Credit Agreement to be repaid or cash collateralized. Any

reference herein to any Person shall be construed to include such Person's successors and assigns. Any requirement of a writing contained herein shall be satisfied by the transmission of a Record.

(g) All of the annexes, schedules and exhibits attached to this Agreement shall be deemed incorporated herein by reference.

27. Restatement . As of the Closing Date, the terms, conditions, agreements, covenants, representations and warranties set forth in the Existing Security Agreement are hereby amended and restated in their entirety, and as so amended and restated, replaced and superseded, by the terms, conditions, agreements, covenants, representations and warranties set forth in this Agreement; except, that, nothing herein or in the other Loan Documents shall impair or adversely affect the continuation of the liability of the Grantors for the Secured Obligations and the continuation of Agent's Liens on the Collateral heretofore granted, pledged and /or assigned pursuant to the Existing Security Agreement and the other Existing Loan Documents. The Grantors hereby acknowledge, confirm and agree that Agent, for the benefit of the Lender Group and the Bank Product Providers, has and shall continue to have a Lien upon the Collateral heretofore granted to Wells, in its capacity as Administrative Agent pursuant to the Existing Security Agreement, as well as any Collateral granted, confirmed, reaffirmed and restated under this Agreement. Agent's Liens in the Collateral shall be deemed to be continuously granted and perfected from the earliest date of the granting and perfection of such Liens, whether under the Existing Security Agreement or any other Existing Loan Documents. The amendment and restatement contained herein shall not, in and of itself, in any manner, be construed to constitute payment of, or impair, limit, cancel or extinguish, or constitute a novation in respect of, the indebtedness and other obligations and liabilities of the Grantors evidenced by or arising under the Existing Security Agreement or the other Existing Loan Documents.

[signature pages follow]

IN WITNESS WHEREOF, the undersigned parties hereto have caused this Agreement to be executed and delivered as of the day and year first above written.

GRANTORS: VOXX INTERNATIONAL CORPORATION

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

VOXX ACCESSORIES CORP.

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

VOXX ELECTRONICS CORP.

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

CODE SYSTEMS, INC.

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

INVISION AUTOMOTIVE SYSTEMS INC.

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

KLIPSCH GROUP, INC.

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

AUDIOVOX ADVANCED ACCESSORIES GROUP, LLC

By: / s/Charles M. Stoehr

Name: Charles M. Stoehr

Title: Vice President

AUDIOVOX CONSUMER ELECTRONICS, INC.

By: / s/Loriann Shelton

Name: Loriann Shelton

Title: CFO, Secretary, Treasurer

AUDIOVOX WEBSALES LLC

By: / s/Loriann Shelton

Name: Loriann Shelton

Title: Vice President, Secretary

CARIBBEAN TECHNICAL EXPORT, INC.

By: / s/Charles M. Stoehr

Name: Charles M. Stoehr

Title: President

LATIN AMERICA EXPORTS CORP.

By: / s/Charles M. Stoehr

Name: Charles M. Stoehr

Title: Treasurer

OMEGA RESEARCH AND DEVELOPMENT TECHNOLOGY LLC

By: / s/Loriann Shelton
Name: Loriann Shelton

Title: Secretary

TECHNUITY, INC.

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

ELECTRONICS TRADEMARK HOLDING COMPANY, LLC

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

AUDIOVOX ATLANTA CORP.

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

AUDIOVOX COMMUNICATIONS CORP.

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

AUDIOVOX GERMAN CORPORATION

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

AUDIOVOX INTERNATIONAL CORP.

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

AUDIOVOX LATIN AMERICA LTD.

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

KLIPSCH HOLDING LLC

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

VOXX ASIA INC.

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

Title: Vice President, Secretary, Treasurer

VOXX HQ LLC

By: Voxx International Corporation, its sole member

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

VOXX WOODVIEW TRACE LLC

By: Voxx International Corporation, its sole member

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

VOXXHIRSCHMANN CORPORATION

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

KLIPSCH GROUP EUROPE - DENMARK

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

KLIPSCH GROUP EUROPE - FRANCE S.A.R.L.

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

KLIPSCH GROUP EUROPE B.V.

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

AUDIOVOX MEXICO S. DE R.L. DE C.V.

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

AGENT: **WELLS FARGO BANK, NATIONAL ASSOCIATION**

By: / s/Robert H. Milhorat
Name: Robert H. Milhorat

Title: Director

Exhibit 21

SUBSIDIARIES OF REGISTRANT

Subsidiaries	Jurisdiction of Incorporation
VOXX Accessories Corp.	Delaware
VOXX Electronics Corp.	Delaware
Audiovox Atlanta Corp.	Georgia
Audiovox Venezuela C.A.	Venezuela
Audiovox German Holdings GmbH	Germany
Audiovox Canada Limited	Canada
Klipsch Holding LLC	Delaware
VoxxHirschmann Corporation	Delaware
VOXX International (Germany) GmbH	Germany

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Patrick M. Lavelle, certify that:

1. I have reviewed this annual report on Form 10-K of VOXX International Corporation (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 16, 2016

/s/Patrick M. Lavelle

Patrick M. Lavelle

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, C. Michael Stoehr, certify that:

1. I have reviewed this annual report on Form 10-K of VOXX International Corporation (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 16, 2016

/s/ C. Michael Stoehr

C. Michael Stoehr

Senior Vice President and Chief Financial 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 VOXX International Corporation (the "Company") on Form 10-K for the period ended February 29, 2016 (the "Report") as filed with the Securities and Exchange Commission on the date hereof, I, Patrick M. Lavelle, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 16, 2016

/s/ Patrick M. Lavelle

Patrick M. Lavelle

*A signed original of this written statement required by Section 906 has been provided to VOXX International Corporation and will be retained by VOXX International Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of VOXX International Corporation (the "Company") on Form 10-K for the period ended February 29, 2016 (the "Report") as filed with the Securities and Exchange Commission on the date hereof, I, C. Michael Stoehr, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 16, 2016

/s/ C. Michael Stoehr

C. Michael Stoehr

*A signed original of this written statement required by Section 906 has been provided to VOXX International Corporation and will be retained by VOXX International Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document

ASA Electronics, LLC
And Subsidiaries

Consolidated Financial Report
11/30/15

Contents

RSM

RSM US LLP

Independent Auditor's Report

To the Members
ASA Electronics, LLC and Subsidiaries
Elkhart, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of ASA Electronics, LLC and Subsidiaries. which comprise the consolidated balance sheet as of November 30, 2015, and the related consolidated statements of income, consolidated members' equity and consolidated cash flows for the year then ended and the related notes to the financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ASA Electronics LLC and Subsidiaries, as of November 30, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The consolidated financial statements of the Company as of and for the year ended November 30, 2014 were audited by other auditors in accordance with auditing standards generally accepted in the United States of America.

Those auditors expressed an unmodified opinion on those 2014 consolidated financial statements in their report dated January 26, 2015.

The consolidated financial statements for the year ended November 30, 2013 were audited by other auditors in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those auditors expressed an unmodified opinion on those 2013 consolidated financial statements in their report dated January 24, 2014.

RSM US LLP

Elkhart, Indiana
March 23, 2016

ASA Electronics, LLC and Subsidiaries

Balance Sheets
November 30, 2015 and 2014

		2015		2014
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**16,047,361**	$	11,728,900
Available-for-sale securities		**4,412,999**		6,612,999
Trade receivables, net		**8,810,852**		7,994,311
Inventories		**16,265,038**		18,829,431
Prepaid expenses and other current assets		**537,365**		383,822
Total current assets		**46,073,615**		45,549,463
Leasehold Improvements and Equipment at depreciated cost		**3,060,175**		2,596,302
Intangible Assets, trademark rights		**2,742,123**		2,742,123
	$	**51,875,913**	$	50,887,888
LIABILITIES AND MEMBERS' EQUITY				
Current Liabilities				
Accounts payable	**$**	**1,820,025**	$	2,901,837
Accrued expenses:				
Payroll and related taxes		**2,061,520**		1,773,665
Warranty		**1,991,483**		2,302,926
Other		**985,199**		832,818
Total current liabilities		**6,858,227**		7,811,246
Commitments and Contingencies				
Long-term liabilities				
Warranty		**332,264**		383,821
Total liabilities		**7,190,491**		8,195,067
Members' Equity		**44,685,422**		42,692,821
Total Liabilities and member's equity	**$**	**51,875,913**	$	50,887,888

See notes to consolidated financial statements.

ASA Electronics, LLC and Subsidiaries

Statements of Income
November 30, 2015 , 2014 and 2013

	2015	2014	2013
Net sales	**$ 92,484,168**	$ 92,651,340	$ 92,500,296
Cost of goods sold	**70,040,887**	71,028,347	70,567,304
Gross profit	**22,443,281**	21,622,993	21,932,992
Selling, general and administrative expenses	**9,999,150**	10,203,961	10,136,384
Operating income	**12,444,131**	11,419,032	11,796,608
Other income (expense):			
Interest income, net	**60,016**	58,373	43,744
Other	**(31,252)**	382,597	3,361
	28,764	440,970	47,105
Net income	**$ 12,472,895**	$ 11,860,002	$ 11,843,713

See notes to consolidated financial statements.

ASA Electronics, LLC and Subsidiaries

Statements of Members' Equity
November 30, 2015 , 2014 and 2013

	2015	2014	2013
Balance, beginning	**$ 42,692,821**	$ 40,188,092	$ 33,916,314
Net income	**12,472,895**	11,860,002	11,843,713
Member distributions	**(10,480,294)**	(9,355,273)	(5,571,935)
Balance, ending	**$ 44,685,422**	$ 42,692,821	$ 40,188,092

See notes to consolidated financial statements.

ASA Electronics, LLC and Subsidiaries

Statements of Cash Flows
November 30, 2015 , 2014 and 2013

	2015	2014	2013
Cash Flows From Operating Activities			
Net income	**$ 12,472,895**	$ 11,860,002	$ 11,843,713
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**1,273,380**	1,149,988	961,996
Inventory write downs and reserves	**127,738**	568,979	26,221
Loss on sale of property and equipment	**26,425**	55,703	(1,352)
Change in assets and liabilities:			
Decrease (increase) in:			
Trade receivables	**(816,541)**	(941,655)	453,779
Inventories	**2,436,655**	(2,682,688)	454,094
Prepaid expenses	**(153,543)**	215,559	(99,685)
(Decrease) increase in:			
Accounts payable	**(1,081,812)**	1,514,907	62,175
Accrued expenses	**77,236**	56,245	614,788
Other	**—**	395	—
Net cash provided by operating activities	**14,362,433**	11,797,435	14,315,729
Cash Flows From Investing Activities			
Proceeds from sale of property and equipment	**3,500**	6,533	—
Purchase of property and equipment	**(1,767,178)**	(1,414,620)	(1,335,606)
Proceeds from sale of available-for-sale securities	**4,180,213**	5,710,000	895,000
Purchase of available-for-sale securities	**(1,980,213)**	(6,323,000)	(2,895,000)
Net cash provided by (used in) investing activities	**436,322**	(2,021,087)	(3,335,606)
Cash Flows From Financing Activities			
Member distributions	**(10,480,294)**	(9,355,274)	(5,571,935)
Increase in cash and cash equivalents	**4,318,461**	421,074	5,408,188
Cash and cash equivalents, beginning	**11,728,900**	11,307,826	5,899,638
Cash and cash equivalents, ending	**$ 16,047,361**	$ 11,728,900	$ 11,307,826

See notes to consolidated financial statements.

ASA Electronics, LLC And Subsidiaries

Notes To Financial Statements

Note 1 - Nature of Business and Significant Accounting Policies

Nature of business: Since 1977, ASA Electronics, LLC formerly known as Audiovox Specialized Applications, LLC, ("ASA" or the "Company") has built a reputation for developing mobile electronics specifically designed and tested to withstand the rigors of niche markets in the Automotive Industry including: Recreational Vehicle; Commercial Vehicle, Heavy Duty Truck, Agricultural, Construction, Bus, Powersports, Marine industries. Its proprietary line of products include: **Jensen** 12 Volt LCD and LED flat panel televisions, stereos, and speakers, **Voyager** Observation Systems, and **Advent** rooftop air conditioners. In 2015, ASA designed the **Jensen** iN-Command system that replaces the control panel in the RV that historically was made up of rocker switches and buttons to a touch pad system that can be operated remotely using an app on a smart phone or tablet. These high quality mobile electronics and appliances are designed and tested in a research and development lab located at the Company's corporate offices. ASA's engineering team works in conjunction with its customers' designers, engineers and sales team to develop customized solutions. In 2012, ASA expanded its product offerings to also distribute products from **Polk Audio** . Polk Audio, also established in the 1970's, is an award-winning designer and manufacturer of high performance audio products, who has become the market share leader in premium home and marine speakers, sound bars, amplifiers, and other high end audio products. The addition of Polk products compliments ASA's existing product lineup and provides a full spectrum of audio/video options for our customers. The various products offered by ASA are sold throughout the world to Original Equipment Manufacturers as well as the respective Aftermarket segments. In addition to the headquarters in Elkhart, Indiana, ASA also has two public distribution centers in Oregon and California, and a trading office in Shenzhen, China.

Significant accounting policies:

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of consolidation: The consolidated financial statements include the accounts of the Company and wholly-owned subsidiaries. All significant intercompany accounts have been eliminated in consolidation.

Revenue recognition: The Company recognizes revenue from product sales at the time of passage of title and risk of loss to the customer either at F.O.B. Shipping Point or F.O.B. Destination, based upon terms established with the customer. The Company's selling price is fixed and determined at the time of shipment and collectability is reasonably assured and not contingent upon the customer's resale of the product. The customers are generally not given rights of return. In the event customers are granted rights of return, the Company estimates and records an allowance for future returns. At November 30, 2015 and 2014, no such allowance was deemed necessary. Product sales are generally not subject to acceptance or installation by Company or customer personnel.

All revenue transactions are denominated in U.S. dollars.

Shipping and delivery: The Company recognizes shipping and delivery costs in selling, general and administrative expenses in the accompanying consolidated statements of income. These costs for the years ended November 30, 2015, 2014 and 2013 were approximately $420,000; $529,000 and $621,000, respectively.

Sales incentives: The Company offers sales incentives to its customers primarily in the form of cooperative advertising allowances and rebates. All significant sales incentives require the customer to purchase the Company's products during a specified period of time, and are based on either a fixed dollar amount or set percentage of sales. Claims are settled either by the customer claiming a deduction against an outstanding account receivable or by the customer a requesting check. Since the incentive percentage or amount can be

reasonably estimated, the Company records the related incentive at the time of sale. The Company has also entered into the RV Aftermarket segment, with several of those customer's having dollar specific co-op advertising programs for participation in trade shows, placement in catalogues, countertop display units, and other marketing programs. These co-op advertising programs are reviewed and adjusted, as necessary, on a quarterly basis. As of November 30, 2015 and 2014, sales incentive accruals reflected as a liability on the consolidated balance sheets was approximately $612,000 and $664,000, respectively. The Company records all sales incentive as an offset to sales on the consolidated statements of income.

Members' equity and subsequent event: In accordance with the generally accepted method of presenting limited liability company financial statements, the accompanying consolidated 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 expenses.

It is the Company's intent to distribute funds to members to cover their income tax liabilities. Subsequent to November 30, 2015, the Company paid approximately $3,851,000 of member distributions relating to the fourth quarter.

The LLC operating agreement does not provide for separate classes of ownership. VOXX International (VOXX) and ASA Electronics Corporation share equally in all LLC events and the related member accounts are considered equal on a fair value basis.

Cash and cash equivalents: For purposes of the statement of cash flows, the Company considers investments in various repurchase agreements with its bank, money market accounts and treasury bills with a maturity of three months or less to be cash equivalents. Cash equivalents amounted to approximately $12,884,000 and $9,462,000 at November 30, 2015 and 2014 respectively.

The Company maintains its cash accounts which, at times, may be in excess of insurance limits provided by the Federal Deposit Insurance Corporation.

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, 2015 and 2014 are stated net of an allowance for doubtful accounts of approximately $65,000 and $55,000 respectively. Management determines the allowance for doubtful accounts by identifying troubled accounts and 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 from its date.

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 lower market prices. The Company's industry is characterized by rapid technological change and frequent new product introductions that could result in an increase in the amount of obsolete inventory quantities on-hand.

During the years ended November 30, 2015, 2014 and 2013, the Company recorded write downs of inventory of approximately $128,000; $569,000 and $26,000 respectively, related to lower of cost or market adjustments. These charges to income are included in cost of goods sold in the accompanying statements of income. As of November 30, 2015 and 2014 the Company maintained an inventory write down reserve of approximately none and $37,000 respectively.

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:

	Estimated useful life
Leasehold improvements	5-9 years
Machinery and equipment	5-10 years
Tooling and molding	1-3 years
Transportation equipment	5 years
Office furniture and fixtures	10 years
Computer equipment	3 years
Booth displays	7 years

Tooling is amortized on a per unit basis. The Company estimates annual sales volume produced and life expectancy of the tooling to determine the per unit amortization amount. This per unit amount increases inventory cost upon receipt into a U.S. warehouse and is subsequently charged to cost of goods sold upon sale of the related product.

Warranties: The Company provides a limited warranty primarily for a period of up to two years for its products. The Company's standard warranties require the original equipment manufacturer, its dealers or the end user to repair or replace defective products during such warranty periods at no cost to the consumer. The Company estimates the costs that may be incurred under its basic limited warranty and records a liability in the amount of such costs at the time product revenue is recognized. The related expense is included in cost of goods sold in the accompanying 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, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Balance, beginning of year	**$ 2,686,747**	$ 2,462,000	$ 2,245,000
Accruals for products sold	**1,114,862**	2,091,840	2,239,681
Payments made	**(1,477,862)**	(1,867,093)	(2,022,681)
Balance, end of year	**$ 2,323,747**	$ 2,686,747	$ 2,462,000

Income taxes: As a limited liability Company, the Company's taxable income is allocated to members in accordance with their respective percentage ownership. However, a provision for Hong Kong profit tax, China enterprise income tax, China value added tax, and U.S. state income tax for the years ended November 30, 2015 and 2014, in the amounts of approximately $23,200 and $29,500 respectively, has been recorded Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Company is no longer subject to tax examinations by the U.S. federal, state, or local tax authorities for years before 2012.

Long-lived assets and other intangible assets: The Company acquired certain trademark rights from VOXX in August 2003. In connection with the acquisition, VOXX sublicensed its rights in relation to the trademark to the Company and cannot terminate these rights under the terms of the acquisition agreement. The Company has accounted for trademark rights as an indefinite lived intangible asset. Accounting standards require that intangible assets with indefinite useful lives be tested for impairment at least annually or more frequently if an event occurs or circumstances change that could more likely than not reduce the fair value below its carrying amount. When determining the fair value of trademark rights, the Company uses the relief from royalty method which requires the determination of fair value based on if the Company was licensing the right to the trademark in exchange for a royalty fee. The Company utilizes the income approach to determine future revenues to which to apply a royalty rate. The royalty rate is based on market approach concepts. In considering the value of trademark rights, the Company looks to relative age, consistent use, quality, expansion possibilities, relative profitability and relative market potential. The Company has performed its annual impairment test for the years ended November 30, 2015, 2014 and 2013 and no impairment was identified.

In accordance with accounting standards, the Company reviews its long-lived assets periodically to determine potential impairment. If indicators are present, the Company compares the carrying value of the long-lived assets with the estimated future net undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future net cash flows be less that the carrying value, the Company would recognize an impairment loss at that date. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the long-lived assets. There was no impairment of long-lived assets for the years ended November 30, 2015, 2014 and 2013.

Subsequent events: The Company has evaluated subsequent events for potential recognition and/or disclosure through March 23, 2016, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements

Fair value measurements: Accounting standards specify a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs), or reflect the Company's own assumptions of market participant valuation (unobservable inputs). In accordance with the accounting standards, these two types of inputs have created the following fair value hierarchy:

Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly.

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The standard requires the use of observable market data if such data is available without undue cost and effort. For the year ended November 30, 2015, 2014 and 2013, the application of valuation techniques applied to similar assets and liabilities has been consistent.
The following methods and assumptions were used to estimate the fair value of financial instruments for which it is practicable to estimate that value.

Cash and cash equivalents, accounts receivable, accounts payable: The carrying amounts approximate fair value due to the short maturity of those instruments.

Available-for-sale securities: Available-for-sale securities consist of investments in marketable debt securities. Debt securities consist primarily of obligations of municipalities and corporate industrial revenue bonds, which are

not subject to principal risk or fluctuation. The Companies who issue the bond are the first line of defense, secondly the principal of the bond is backed by a bank line of credit, and lastly the investment brokerage company conducts due diligence on financial ability of issuer and bank to repay at the bond's maturity.

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 consolidated 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 marketable debt securities have been classified as available-for-sale in accordance with accounting standards. Available-for-sale securities are stated at fair value, and unrealized holding gains and losses, if any, are reported as a separate component of members' equity.

The amount classified as current assets on the accompanying consolidated balance sheets represents the amount of marketable debt securities expected to be sold during the next year.

A decline in the market value of any available-for-sale security below cost that is deemed other than temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. The Company considers numerous factors, on a case by case basis, in evaluating whether the decline in market value of an available-for-sale security below cost is other-than-temporary. Such factors include, but are not limited to, (i) the length of time and the extent to which the market value has been less than cost, (ii) the financial condition and the near-term prospects of the issuer or the investment and, (iii) whether the Company's intent to retain the investment for the period of time is sufficient to allow for any anticipated recovery in market value. During the year ended November 30, 2015, the Company did not hold any investments that had such a decline in value.

The bonds contain a put feature that allows the Company to periodically sell the bonds to a brokerage house at par value. The bonds also have a floating interest rate which is reset on a periodic basis and are backed by third party letters of credit. As of November 30, 2015, the bonds had a weighted-average yield of 0.19%. To estimate their fair value, the Company considered the par value of the bonds, potential default probabilities, market yield curves and the seven day put feature.

The following is a summary of the Company's investment as of November 30, 2015 and 2014:

	2015			
	Level 2			
	Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Municipal and Corporate bonds	**$ 4,412,999**	**$ —**	**$ —**	**$ 4,412,999**

	11/30/2014			
	Level 2			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Municipal and Corporate bonds	$ 6,612,999	$ —	$ —	$ 6,612,999

The cost and fair value of debt securities by contractual maturities as of November 30, 2015 are as follows:

	Cost	Fair Value
Due after three years	$ 4,412,999	$ 4,412,999

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, 2015 , 2014 , and 2013 is as follows:

	2015	2014	2013
Proceeds from the sale of available-for-sale securities	**$ 4,180,213**	$ 5,710,000	$ 895,000
Interest earned	**$ 60,016**	$ 58,373	$ 43,744

Note 3 - Leasehold Improvements and Equipment

The cost of leasehold improvements and equipment and the related accumulated depreciation at November 30, 2015 and 2014 are as follows:

	2015	2014
Leasehold improvements	**$ 1,171,479**	$ 1,115,974
Machinery and equipment	**1,607,523**	1,536,183
Tooling and molding	**4,456,921**	3,514,015
Transportation equipment	**620,201**	646,580
Office furniture and fixtures	**511,647**	500,826
Computer equipment	**1,687,089**	1,558,619
Booth displays	**198,992**	248,237
Construction in progress	**776,812**	778,243
	11,030,664	9,898,677
Less accumulated depreciation	**7,970,489**	7,302,374
	$ 3,060,175	$ 2,596,303

Note 4 - Pledged Assets and Notes Payable

The terms of a loan agreement with a bank permit the Company to borrow a maximum of $10,000,000. At November 30, 2015, no amount was outstanding under this agreement. Borrowing under the agreement bear interest at prime minus .50% or LIBOR plus 2.00%, at the Company's option, are collateralized by accounts receivable and inventories, and are subject to a tangible net worth covenant. The agreement expires July 1, 2016.

ASA Electronics, LLC And Subsidiaries

Notes To Financial Statements

Note 5 - Major Vendors

For the years ended November 30, 2015, 2014 and 2013, the Company purchased approximately 77%, 72% and 74%, respectively, of its products for resale from their top five vendors. The top five vendors varied during the years presented.

Note 6 - Transactions with Related Parties, Lease Commitments and Subsequent Event

The Company is affiliated with various entities through common ownership by VOXX. Transactions with VOXX, its affiliates and subsidiaries for the years ended November 30, 2015 , 2014 , and 2013 are approximately as follows:

	2015	2014	2013
Net product sales	**$ 6,370**	$ 2,683	$ 195,000
Purchases	**1,911,843**	2,675,451	655,000

	2015	2014	2013
Trade accounts receivable	**$ 438**	$ 313	$ 1,000
Accounts payable	**8,878**	369,523	47,000

The Company leases warehouse, manufacturing, and office facilities from Irions Investments, LLC, an entity related through common ownership, for approximately $47,000 per month, plus the payment of property taxes, normal maintenance, and insurance on the property under an agreement which expires August 2016, with two five-year options to extend, at the Company's discretion. The lease with Irions Investments contains a clause that increases the monthly rent amount each year, and is based on the Consumer Price Index (CPI). Subsequent to November 30, 2015, the Company exercised a 5 year lease term. The new expiration date of the lease agreement is August 2021. Finally, the Company leases office space in the Shenzhen province of China, with a monthly rent of $9,000 through May 31, 2016.

The Company leases certain equipment from unrelated parties under agreements that require monthly payments totaling approximately $600 and expire through September 2017.

The total rental expense included in the consolidated statements of income for the years ended November 30, 2015, 2014 and 2013 is approximately $695,000, $712,000 and $710,000, respectively, of which approximately $570,000, $555,000 and $545,000, respectively, was paid to Irions Investments, LLC.

ASA utilizes two public warehouses, with locations in California and Oregon. The leases at both locations are considered month to month and can be terminated with 90 days' notice. As a result, the commitment schedule below includes three months of outside warehouse rent charges for 2016 only.

The total approximate minimum rental commitment at November 30, 2015, including the subsequent event, under the leases is due as follows:

	Related Party	Other	Total
Year ending November 30,			
2016	$ 572,772	70,592	$ 643,364
2017	572,772	3,017	575,789
2018	572,772	—	572,772
2019	572,772	—	572,772
2020	572,772	—	572,772
2021	572,772	—	572,772
	$ 3,436,632	$ 73,609	$ 3,510,241

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 $304,000, $326,000 and $321,000 for the years ended November 30, 2015, 2014 and 2013, respectively.

The Company also maintains a discretionary employee bonus plan for the benefit of its key executive, operating officers, managers and select salespersons. The total bonus expense included in the consolidated statements of income for the years ended November 30, 2015, 2014 and 2013 is approximately $2,504,000, $2,709,000 and $2,705,000, respectively.

The Company offers a health plan for its employees, which is self-insured for medical and pharmaceutical claims up to $35,000 per participant and, after that, stop loss insurance coverage is in place. If the Company’s aggregate medical claims, including prescriptions, had exceeded approximately $537,500 in 2015, the stop loss coverage policy would have taken effect. In 2015 the stop loss policy was not utilized, however, as the medical claims totaled approximately $519,000. The stop loss portion of the coverage has been reinsured with an A rated commercial carrier. The total health plan expense included in the consolidated statements of income for the years ended November 30, 2015, 2014 and 2013 is approximately $765,000, $539,000 and $621,000, respectively. These expense figures include medical, vision and dental claims, employee life insurance premiums and third party administration fees, in addition to wellness program expenses and Company contributions to Health Savings Accounts.

Note 8 - Litigation

At times, the Company may be a party to certain legal proceedings. The proceedings are, in the opinion of management, ordinary routine matters incidental to the normal course of business conducted by the Company. Although the outcome of these matters is uncertain, the Company believes any potential settlement would not have a material adverse effect on the Company’s financial position, results of operations, or cash flows.

Note 9 - Major Customers

Net sales to customers comprising 10% of more of total net sales for the years ended November 30, 2015 , 2014 , and 2013 and the related trade receivables balance at those dates are approximately as follows:

	Net Sales			Trade Receivable Balance		
	2015	2014	2013	**2015**	2014	2013
Customer A	**$ 10,969,520**	$ 9,528,000	$ 12,705,000	**$ 1,120,653**	$ 791,000	$ 516,000
Customer B	**15,535,469**	15,101,000	15,973,000	**1,365,055**	821,000	928,000
	$ 26,504,989	$ 24,629,000	$ 28,678,000	**$ 2,485,708**	$ 1,612,000	$ 1,444,000

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Members
ASA Electronics, LLC and Subsidiaries

We have audited the accompanying consolidated financial statements of ASA Electronics, LLC (a Delaware limited liability company) and subsidiaries (the Company), which comprise the consolidated balance sheet as of November 30, 2014, and the related consolidated statements of income, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness

of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ASA Electronics, LLC and subsidiaries as of November 30, 2014, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

We also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended November 30, 2013, and our report dated January 24, 2014, expressed an unmodified opinion on those 2013 consolidated financial statements.

The consolidated financial statements of the Company as of and for the year ended November 30, 2012, were audited by other auditors in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those auditors expressed an unmodified opinion on those 2012 consolidated financial statements in their report dated February 1, 2013.

GRANT THORNTON LLP

Chicago, Illinois
01/26/2015

Grant Thornton

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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Members
ASA Electronics, LLC and Subsidiaries

We have audited the accompanying consolidated balance sheet of ASA Electronics, LLC and Subsidiaries (the Company) as of November 30, 2013, and the related consolidated statements of income, members' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, 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 ASA Electronics, LLC and Subsidiaries as of November 30, 2013, and the results of their operations and their cash flows for the period ended November 30, 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Chicago, Illinois
January 24, 2014