

AUDIOVOX CORP
Form PRER14A
October 06, 2004

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. 2)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

AUDIOVOX CORPORATION

(Name of Registrant as Specified In Its Charter)

NOT APPLICABLE

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

- (2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**150 Marcus Boulevard
Hauppauge, New York 11788**

, 2004

To our stockholders:

You are cordially invited to attend the 2004 annual meeting of stockholders of Audiovox Corporation to be held on _____, 2004, at the Sheraton Smithtown, the Seminar Room, 110 Vanderbilt Motor Parkway, Smithtown, NY 11788 at 10:00 a.m. In addition to the other matters for which we are seeking your approval at our annual meeting, we intend to seek shareholder approval of the sale of substantially all of the assets (excluding receivables) relating to our wireless business to UTStarcom, Inc.

Our board of directors has unanimously approved all of the proposals described in the proxy statement and is recommending that stockholders also approve them.

On June 11, 2004, we entered into an asset purchase agreement to sell to UTStarcom, Inc. substantially all of the assets (excluding receivables) relating to our wireless business, which consists of marketing mobile cellular handset systems and other wireless communications devices. The asset purchase agreement provides that UTStarcom, Inc. will assume certain of our liabilities relating to our wireless business. The aggregate purchase price for these assets is \$165.1 million, subject to a net working capital adjustment, which, if the asset sale closed on May 31, 2004, would have resulted in an aggregate purchase price of \$187.4 million. The net proceeds we will receive will be reduced by payments to former employees of the wireless business, transaction costs, payments to Toshiba Corporation with respect to the repayment of certain indebtedness and the purchase of their interest in our subsidiary that owns the wireless business, payment of an incentive award to our President and CEO, Mr. John Shalam and taxes relating to the asset sale. If the asset sale closed on May 31, 2004, the aggregate amount of these reductions would be approximately \$74 million and we would retain approximately \$113.4 million. In addition, we are retaining the receivables of the wireless business which at May 31, 2004 were, net of reserves, \$103.6 million.

Please review in detail the attached proxy statement for a more complete statement regarding the proposal to approve the asset sale, including a description of the asset purchase agreement, the background of the decision to enter into the asset purchase agreement, the reasons that our board of directors has decided to recommend that you approve of the asset sale and the section beginning on page 53 titled "Special Considerations Regarding the Proposal to Sell the Wireless Business" describing risk factors relating to the asset sale.

We are selling our wireless business because, among other reasons, it will allow us to devote our energies and resources to the development of our consumer electronics business, which has been more profitable than our wireless business for the past several years.

Your vote is very important to us, regardless of the number of shares you own; however, Mr. Shalam who owns in excess of 50% of the outstanding votes of our common shares, has agreed to vote in favor of approval of the asset sale unless the asset purchase agreement is terminated. Accordingly, approval of the asset sale is assured unless the asset purchase agreement is terminated. Whether or not you plan to attend the annual meeting, please vote as soon as possible to make sure your shares are represented at the meeting.

A copy of our Annual Report for the fiscal year ended November 30, 2003 is also enclosed. On behalf of our board of directors, I thank you for your support and urge you to vote "FOR" each of the proposals described in the proxy statement.

By order of the Board of Directors,

CHRIS LIS JOHNSON,
Secretary

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Hauppauge, New York

, 2004

The proxy statement is dated _____, 2004 and is first being mailed to stockholders of our company on or about _____, 2004.

**150 Marcus Boulevard
Hauppauge, New York 11788**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON _____, 2004**

To our stockholders:

The 2004 annual meeting of stockholders of Audiovox Corporation will be held on _____, 2004, at the Sheraton Smithtown, the Seminar Room, 110 Vanderbilt Motor Parkway, Smithtown, NY 11788 at 10:00 a.m. At the meeting, you will be asked:

1. To elect our board of ten directors;
2. To approve the sale of substantially all of the assets (excluding receivables) relating to our wireless business to UTStarcom, Inc. under the terms of the asset purchase agreement attached as Annex A to the proxy statement;
3. To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending November 30, 2004;
4. To approve an amendment to the Audiovox Corporation 1997 Stock Option Plan;
5. To approve an amendment to the Audiovox Corporation 1999 Stock Compensation Plan; and
6. To transact such other business as may properly come before the meeting.

Your board of directors has unanimously approved, and recommends that an affirmative vote be cast in favor, of each of the proposals listed on the proxy card and described in the enclosed proxy statement.

Only holders of record of common stock at the close of business on _____, 2004, will be entitled to notice of and to vote at the annual meeting or any adjournment thereof.

Stockholders are urged to review carefully the information contained in the enclosed proxy statement prior to deciding how to vote their shares at the annual meeting.

Because of the significance of the sale of our wireless business, your participation in the annual meeting, in person or by proxy, is especially important. We hope you will be able to attend the annual meeting.

Whether or not you plan to attend the annual meeting, please complete, sign, date, and return the enclosed proxy card promptly.

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If you attend the annual meeting, you may revoke your proxy and vote in person if you wish, even if you have previously returned your proxy card. Simply attending the annual meeting, however, will not revoke your proxy; you must vote at the annual meeting. If you do not attend the annual meeting, you may still revoke your proxy at any time prior to the annual meeting by providing a later dated proxy or by providing written notice of your revocation to our company's Secretary. Your prompt cooperation will be greatly appreciated.

The notice and proxy statement are first being mailed to stockholders on or about _____, 2004.

Please follow the instructions on the enclosed proxy card to vote either by mail, telephone or electronically by the Internet.

By order of the Board of Directors,

CHRIS LIS JOHNSON,
Secretary

Hauppauge, New York
, 2004

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SUMMARY TERM SHEET

This summary term sheet is an overview of selected information contained in the proxy statement about the proposed asset sale deemed most material by us and may not contain all of the detailed information that may be important to you. To understand the asset sale fully and for a more complete description of the legal terms of the asset sale, you should carefully read this entire document and the additional documents to which we refer, including the asset purchase agreement attached as Annex A. This proxy statement is first being mailed on or about to our stockholders of record as of the close of business on .

The Parties

Audiovox Corporation. Audiovox Corporation designs and markets a diverse line of products and provides related services throughout the world. We operate in two primary markets, the wireless business and the consumer electronics business:

Our wireless business markets wireless handsets and accessories through domestic and international wireless carriers and their agents, independent distributors and retailers. Our wireless business accounted for 65% of our consolidated revenues and 33% of our consolidated gross profit for the six months ended May 31, 2004 and is conducted through our subsidiary, Audiovox Communications Corp., or ACC, and its subsidiaries.

Our consumer electronics business sells autosound, mobile electronics and consumer electronics primarily to mass merchants, power retailers, specialty retailers, new car dealers, original equipment manufacturers, independent installers of automotive accessories and the U.S. military. Our consumer electronics business accounted for 35% of our consolidated revenues and 67% of our consolidated gross profit for the six months ended May 31, 2004.

Our principal executive offices are located at 150 Marcus Boulevard, Hauppauge, New York 11788. The telephone number of our principal executive offices is (631) 231-7750.

Audiovox Communications Corp. Audiovox Communication Corp., or ACC, is an 80%-owned subsidiary of Audiovox Corporation. Toshiba Corporation, or Toshiba, owns the remaining 20% of ACC. The ACC shares that we own include 7.5 class B shares of ACC that we acquired from Toshiba prior to our entering into the asset purchase agreement on June 11, 2004. Concurrently with the closing of the asset purchase agreement, we will acquire all of Toshiba's remaining shares in ACC pursuant to the stock purchase agreement between us and Toshiba. These transactions with Toshiba are described below under "Proposal 2 The Sale of the Wireless Business Agreements With Toshiba." As a result of these transactions, at and after the closing of the sale of our wireless business, we will own 100% of ACC. After the completion of the asset sale, ACC will not conduct any ongoing operations and will only hold those assets and liabilities that were excluded from the asset sale. ACC's principal executive offices are located at 555 Wireless Boulevard, Hauppauge, New York 11788. The telephone number of ACC's principal executive offices (631) 233-3300.

Quintex Mobile Communications Corporation; Audiovox Communications Canada Co. Quintex Mobile Communications Corp., or Quintex, and Audiovox Communications Canada, or ACCC, are each wholly-owned subsidiaries of ACC. Quintex's principal executive offices are located at 525 Wireless Boulevard, Hauppauge, New York 11788. The telephone number of Quintex's principal executive offices is (631) 952-4800. ACCC's principal executive offices are located at 5155 Spectrum Way, UNITF #5, Mississauga, Ontario, LIW 5A1. The telephone number of ACCC's principal executive offices is (905) 712-9299.

UTStarcom, Inc. UTStarcom, Inc., or UTStarcom, designs, manufactures and sells telecommunications equipment and products and provides services associated with their

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operation. UTStarcom's products are deployed and installed mainly by telecommunications wireless and wireline service providers. UTStarcom provides an extensive range of products for transportation of voice, data and video traffic for service providers around the world. UTStarcom's business is conducted globally in China, Japan, India, the Central and Latin American region, North America, the European, Middle Eastern and African region and southeastern and northern Asia. Historically, substantially all of UTStarcom's sales have been to service providers in China. UTStarcom's principal executive offices are located at 1275 Harbor Bay Parkway, Alameda, California 94502. The telephone number of UTStarcom's principal executive offices is (510) 864-8800.

UTStarcom Canada Company. UTStarcom Canada Company, or UTStarcom Canada, is a wholly-owned subsidiary of UTStarcom. UTStarcom Canada's principal executive offices are located at Suite 900, 1959 Upper Water Street, Halifax, Nova Scotia, Canada B3J 3N2. The telephone number of UTStarcom Canada's principal executive offices is (902) 420-3200.

Proceeds from the Asset Sale

Audiovox's Net Proceeds from the Sale of the Wireless Business. If the asset sale had closed on May 31, 2004, Audiovox would have received the \$165.1 million purchase price at closing and would have received an additional \$22.3 million pursuant to the post-closing net working capital adjustment. This amount would be reduced by payments to former employees of the wireless business of \$25 million (comprised of \$20 million to Mr. Philip Christopher, the President and CEO of ACC, and \$5 million to other employees), transaction costs that are estimated to be \$4 million, payments to Toshiba with respect to certain indebtedness and the purchase of their 25% interest in ACC for \$15 million, payment of an incentive award to Mr. Shalam of \$1.9 million and taxes relating to the asset sale which are estimated to be \$28.1 million. If the asset sale closed on May 31, 2004, the aggregate amount of these reductions would be approximately \$74 million and Audiovox would retain approximately \$113.4 million. Audiovox will also retain all of the receivables (including accounts receivables, vendor receivables and certain other current assets) related to the wireless business, which, as of May 31, 2004, were, net of reserves, \$103.6 million.

Other Material Transactions Related to the Asset Sale

Toshiba Corporation. Toshiba is currently a 20% stockholder of ACC and an inventory supplier to ACC. Prior to entering into the asset purchase agreement with UTStarcom, Audiovox purchased 5% of the outstanding shares of ACC from Toshiba (which at the time owned 25% of the shares of ACC) for \$1.4 million. Immediately prior to the closing of the asset sale, ACC will repay to Toshiba \$8.1 million as payment in full of the outstanding principal amount of the note due to Toshiba and Audiovox will purchase from Toshiba its remaining 20% interest in ACC for \$5.5 million. Toshiba agreed to sell its 25% stake in ACC for a total of \$6.9 million and the repayment of \$8.1 million of indebtedness because, in addition to that amount, ACC agreed to terminate certain agreements with Toshiba. In particular, ACC released Toshiba from its obligation to continue to supply wireless handsets to ACC until May 29, 2007 and released Toshiba from all claims that ACC or Audiovox have or may have against it (except with respect to or related to claims asserted by third parties, as well as certain intellectual property claims and warranty claims resulting from the distribution agreement).

Incentive Payment to Mr. Shalam. Mr. Shalam, our President and CEO, will receive \$1.9 million upon the closing of the asset sale pursuant to an amendment to a long-term incentive compensation award which clarified that such payment would be paid pursuant to a sale of the wireless business pursuant to an asset sale.

Payments to Mr. Christopher. Mr. Christopher is the President and CEO of ACC. Upon completion of the asset sale, Mr. Christopher's employment agreement with ACC will be terminated and pursuant to his employment agreement and his long-term incentive compensation award he will receive \$4 million. ACC will also purchase certain of Mr. Christopher's personally held intangibles for a purchase price of \$16 million. The Company purchased Mr. Christopher's personally held intangibles in order for ACC to have the ability to convey all of the assets used in connection with the conduct of the wireless business to UTStarcom. The terms of the asset purchase agreement provide for the sale to UTStarcom of all of the assets used in connection with the conduct of the wireless business. Prior to entering into the agreement to purchase Mr. Christopher's personally held intangibles, Mr. Christopher had never legally transferred or assigned his personally held intangibles to ACC or Audiovox; *however*, Mr. Christopher used these intangibles, which are integral to the wireless business, while fulfilling his obligations pursuant to his employment agreement with ACC. Audiovox initiated discussions with Mr. Christopher to determine his willingness to enter into an employment agreement with UTStarcom, as requested by UTStarcom, and to transfer his personally held intangibles to ACC so that ACC could transfer all of the assets used in the wireless business. In our discussions with Mr. Christopher, it became apparent that he was not willing to consummate these transactions unless he was fairly paid for the value of his personally held intangibles. Mr. Christopher's employment agreement with Audiovox will terminate upon the completion of the sale of the wireless business to UTStarcom. Therefore, Mr. Christopher would not have a contractual obligation to continue to use these intangibles to further the wireless business being purchased by UTStarcom. In order to be able to convey all of the assets used in the wireless business to UTStarcom, Audiovox and ACC entered into an arm's-length negotiation regarding the purchase of his personally held intangibles.

Unless the context otherwise requires, "Audiovox," "we," the "Company," or "us" refers to Audiovox Corporation and when we refer to our wireless business we are referring to our wireless business as previously described in our public filings with the Securities and Exchange Commission. This business includes marketing mobile cellular handset systems and other wireless communications devices that use the infrastructure of wireless communication carriers and are sold through carriers' direct and indirect distribution channels. The wireless business does not include the consumer electronic products (including those with wireless communications capability) that do not have as their primary function cellular telephone connectivity or cellular telephone activation.

Special Factors (see page 31)

Reasons for the Sale of the Wireless Business (see page 36). In determining to authorize the sale of our wireless business, our board of directors considered a number of positive and negative factors, including the opinion dated June 10, 2004 that we received from Jefferies & Company, Inc., or Jefferies, our financial advisor, that the purchase price to be received by ACC pursuant to the asset purchase agreement, consisting of \$165.1 million, subject to the net working capital adjustment, is fair to us from a financial point of view. We believe that the sale of our wireless business and the terms of the related asset purchase agreement, which is attached as Annex A, are in the best interests of Audiovox and its stockholders. Our board of directors has identified various benefits that are likely to result from the sale of our wireless business which include, among others, an opportunity for us to exit the wireless industry and not be subject to the volatile and competitive nature of the wireless industry. The wireless industry is subject to intense price competition amongst suppliers to the carriers, consolidation in the industry, and rapid technological development. These factors have resulted in our wireless business experiencing significant inventory write-downs and declines in gross margins. Specifically, the volatility and competitive nature of the wireless industry resulted in ACC writing down inventory of approximately \$37 million and gross margins ranging between 2.0% and 4.7%

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during the three-year period ending November 30, 2003. This has resulted in overall returns for our wireless business to decline. The wireless business accounted for 65% of our consolidated revenues for the six months ended May 31, 2004; *however*, the wireless business accounted for only 33% of consolidated gross profit for that period. In addition, while sales relating to the wireless business have represented 68% of the Company's consolidated sales for the cumulative three-year period ending November 30, 2003, the cumulative pre-tax loss for the wireless business was approximately \$37 million for the same period. As noted below under "UTStarcom's Announced Reasons for the Purchase of the Wireless Business", UTStarcom believes it will be able to increase operating efficiencies of our wireless business. Our board of directors believes the sale of that business will allow us to devote our energies and resources to our consumer electronics business, which has experienced an approximately 74% increase in sales from fiscal 2001 to fiscal 2003, and to consider other market opportunities, including acquisitions.

Principal Risks and Disadvantages of the Transaction. Our board of directors also considered various risks when evaluating the sale of the wireless business which include, among others, that:

the wireless business contributed approximately 68% of our consolidated sales for the three-year period ending November 30, 2003;

after the asset sale we will have a less diversified business;

the public announcement of the asset sale could have a negative effect on our stock price;

the asset sale might not be consummated;

there might be a disruption of management and employees as a result of the asset sale;

we will be restricted from competing in the wireless business for five years;

there is no current plan to distribute any of the proceeds from the asset sale to our stockholders and that the stockholders may disagree with how the proceeds are spent;

we will be subject to contingent liabilities pursuant to the asset purchase agreement;

the net working capital adjustment could result in our receiving less proceeds than it anticipated;

our consumer business does not have any long-term sales contracts;

our consumer business does not manufacture its products and relies on its suppliers for products on a timely basis; and

many of the suppliers of our consumer business are based in the Pacific Rim which subjects us to changes in conditions in that region and to fluctuations in foreign currencies.

UTStarcom's Announced Reasons for the Purchase of the Wireless Business (see page 38). According to UTStarcom, UTStarcom believes that the transaction will extend UTStarcom's handset leadership internationally and accelerate its time to market with a proven brand and will provide UTStarcom with a valuable sales, service, and support platform and top-tier U.S. operator customers, such as Verizon and Sprint. UTStarcom has also said that it believes it will be able to increase operating efficiencies in the wireless handset business following its acquisition of our wireless business by broadening the supply chain with UTStarcom's own CDMA handset designs, manufactured in China, using components, suppliers, and

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facilities already in place for high-volume production of PAS handsets.

Opinions of the Financial Advisor to the Board of Directors of Audiovox (see page 38). Audiovox's board of directors engaged Jefferies to act as financial advisor in connection with the potential

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sale of ACC or any of ACC's material assets. On June 10, 2004, Jefferies rendered its oral and written opinion, to the effect that, as of that date and based upon the assumptions made, matters considered and limits of review, as set forth in its opinion, the purchase price, consisting of \$165.1 million subject to the net working capital adjustment specified in the asset purchase agreement, to be received in the transaction by ACC, is fair, from a financial point of view, to Audiovox. The full text of the Jefferies opinion dated June 10, 2004, which sets forth assumptions made, matters considered and limitations on the scope of review undertaken, is attached to this proxy statement as Annex B. The opinion is addressed to the board and does not constitute a recommendation to any stockholders as to how to vote with respect to matters relating to the sale of our wireless business. Jefferies noted, but the Jefferies opinion dated June 10, 2004 did not address, the net proceeds to be received by Audiovox after taking into account the payments to former employees of the wireless business, transaction costs, payments to Toshiba Corporation with respect to the repayment of certain indebtedness and the purchase of its interest in ACC and the taxes relating to the asset sale. However, because these payments were discussed in Jefferies' oral presentation to Audiovox's board of directors and certain of them were noted in the Jefferies opinion dated June 10, 2004, Audiovox's board of directors believed that Jefferies would have rendered the opinion dated June 10, 2004 even if these payments had been taken into account. In order to confirm its belief, Audiovox's board of directors requested Jefferies to render an opinion orally and in writing that the purchase price, subject to the net working capital adjustment and after taking into account payments to former employees of the wireless business (including Mr. Christopher) and transaction costs, is fair, from a financial point of view, to Audiovox. On September 8, 2004, Jefferies rendered its oral and written opinion, to the effect that, as of that date and based upon the assumptions made, matters considered and limits of review, as set forth in its opinion, the net consideration to be received in the transaction by ACC, consisting of the \$165.1 million purchase price, subject to the net working capital adjustment, payments to former employees of the wireless business (including Mr. Christopher) and transaction costs, is fair, from a financial point of view, to Audiovox. The full text of the Jefferies opinion dated September 8, 2004, which sets forth assumptions made, matters considered and limitations on the scope of review undertaken, is attached to this proxy statement as Annex C. The opinion is addressed to the board and does not constitute a recommendation to any stockholders as to how to vote with respect to matters relating to the sale of our wireless business. Jefferies noted, but the Jefferies opinion dated September 8, 2004 did not address, the net proceeds to be received by Audiovox after taking into account the payments to Toshiba Corporation with respect to the repayment of certain indebtedness and the purchase of its interest in ACC and the taxes relating to the asset sale.

Proceeds of the Sale of the Wireless Business. We intend to use the proceeds of the sale of our wireless business to repay our outstanding domestic bank obligations, which as of May 31, 2004, were approximately \$61 million, and to fund and grow our consumer electronics business; however, we may allocate all or a portion of these proceeds, after the repayment of indebtedness, for other purposes and we will also consider other market opportunities, including acquisitions.

Stockholder Approval of the Sale of the Wireless Business; Vote Required (see page 48). We are organized under the corporate laws of the State of Delaware. Under Section 271 of the Delaware General Corporation Law, the sale by us of "all or substantially all" of our assets requires approval by the affirmative vote of the holders of a majority of the voting power of all outstanding shares of our common stock on the record date. The Delaware statute does not define the phrase "all or substantially all" and since we are retaining on-going businesses after the asset sale, the meaning of the phrase is not entirely clear in this context. As a result, we are seeking approval of our stockholders to the sale of our wireless business rather than risk a challenge to the sale.

No Changes to the Rights of Security Holders; No Appraisal Rights (see page 48). Our stockholders will not experience any change in their rights as stockholders as a result of the sale of our wireless business. Neither Delaware law, our certificate of incorporation nor our bylaws provides for appraisal or other similar rights for dissenting stockholders in connection with this transaction. Accordingly, our stockholders will have no right to dissent and obtain payment for their shares.

Regulatory Matters (see page 48). In order to complete the asset sale, Audiovox and UTStarcom are required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or the HSR Act, to make filings with the United States Federal Trade Commission and the United States Department of Justice and wait for the expiration or early termination of the required waiting period. These filings were made on June 25, 2004 and early termination was granted on July 9, 2004.

In addition, in order to complete the asset sale, pursuant to the Interim Regulations on the Acquisition of Domestic Enterprises by Foreign Investors, UTStarcom is required to notify China's Ministry of Commerce and State Administration of Industry and Commerce of the transaction and their approval must be obtained. This notification was made on May 31, 2004 and UTStarcom submitted supplemental information requested by China's Ministry of Commerce on July 12, 2004.

Other than applicable U.S. antitrust laws and the applicable approvals and/or clearances with respect to the antitrust review in the People's Republic of China, neither we nor UTStarcom are aware of any other regulatory requirements or governmental approvals or actions that may be required to consummate the sale of our wireless business, except for compliance with the applicable regulations of the Securities and Exchange Commission in connection with this proxy statement and the Delaware General Corporation Law in connection with the sale of our wireless business.

Accounting Treatment (see page 49). The proposed sale of the wireless business is expected to be accounted for as a sale of net assets. The results of operations will be treated as discontinued operations.

United States Federal Income Tax Consequences (see page 49). We do not expect that the sale of our wireless business will result in any federal income tax consequences to our stockholders. However, we will be subject to federal income taxes as a result of the consummation of the asset sale as discussed in "Proposal 2 The Sale of the Wireless Business Special Factors United States Federal Income Tax Consequences."

Voting by Audiovox's Directors and Executive Officers (see page 50). As of June 18, 2004, our directors and executive officers owned of record 4,155,892 outstanding shares of our Class A common stock and 2,144,152 outstanding shares of our Class B common stock, collectively representing approximately 54.42% of the outstanding votes of our common stock.

Pursuant to the terms of a voting agreement entered into between John Shalam, our President & Chief Executive Officer, and UTStarcom, Mr. Shalam has agreed to vote all of the Audiovox shares that he owns directly in favor of the proposal to approve the asset purchase agreement, unless the asset purchase agreement has been terminated. Mr. Shalam owns in excess of 50% of the votes of our shares through his ownership of 19.6% of our Class A Common Stock, each share of which is entitled to one vote per share, and 94.8% of our Class B Common Stock, each share of which is entitled to ten votes per share. Since Mr. Shalam owns in excess of 50% of the votes of our shares, unless the asset purchase agreement is terminated, the asset purchase agreement will be approved by our stockholders.

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We believe that each of our other directors and executive officers intends to vote at the annual meeting in favor of all of the proposals that you are being asked to approve.

At the meeting of the board of directors at which the arrangements with Mr. Shalam and Mr. Christopher were approved, each absented himself when the board approved their respective arrangements. At the meeting of the board of directors to approve the asset sale both Mr. Shalam and Mr. Christopher voted to approve the asset sale.

Interests of Audiovox's Directors and Executive Officers in the Sale of the Wireless Business (see page 50).

On June 10, 2004, ACC and Philip Christopher, the President and Chief Executive Officer of ACC, entered into a Personally Held Intangibles Purchase Agreement, pursuant to which Philip Christopher will sell to ACC for \$16 million all of his goodwill relating to or useable by ACC on the closing date of the asset purchase agreement which include all of Mr. Christopher's personal contacts and personal and professional relationships with suppliers, customers, contractors, financiers, employees and ex-employees of ACC, and his personal know-how, trademarks, trade names and patentable assets relating to or usable by ACC. Audiovox and ACC purchased these assets in order for ACC to have the ability to convey all of the assets used in connection with the conduct of the wireless business to UTStarcom. The terms of the assets purchase agreement provide for the sale to UTStarcom of all of the assets used in connection with the conduct of the wireless business. Prior to entering into the agreement to purchase Mr. Christopher's personally held intangibles, Mr. Christopher had never legally transferred or assigned his personally held intangibles to ACC or Audiovox; *however*, Mr. Christopher used these intangibles, which are integral to the wireless business, while fulfilling his obligations pursuant to his employment agreement with Audiovox. Mr. Christopher's employment agreement with Audiovox will terminate upon the completion of the sale of the wireless business to UTStarcom. Therefore, Mr. Christopher would not have a contractual obligation to continue to use these intangibles to further the wireless business being purchased by UTStarcom. In order to be able to convey all of the assets used in the wireless business to UTStarcom, Audiovox and ACC entered into an arm's-length negotiation regarding the purchase of his personally held intangibles. On July 30, 2004, Audiovox received the report of Wharton Valuations Associates, Inc., an independent qualified appraiser, which concluded that Mr. Christopher's personally held intangibles were worth in excess of the maximum purchase price of \$16 million payable pursuant to the purchase agreement with respect to the personally held intangibles. The full text of the Wharton Valuations Associates valuation report, which sets forth assumptions made, matters considered and limitations on the scope of the appraisal, is attached to this proxy statement as Annex D.

On June 10, 2004, we and Mr. Christopher entered into the Agreement and General Release, pursuant to which the Employment Agreement and the Award Agreement between us and Mr. Christopher will be terminated and pursuant to which Mr. Christopher will receive \$4 million. This agreement further provided that Mr. Christopher will be paid his regular salary for services performed during the period through the closing of the asset purchase agreement, in accordance with prevailing company payroll practices. The Award Agreement was intended to motivate and reward Mr. Christopher for fulfilling his personal responsibilities with regard to our long-range achievements. The intention of the board of directors was to reward Mr. Christopher for his efforts to bring about a sale of ACC. Although the original award did not contemplate a sale of the assets of ACC, the compensation committee of our board of directors and our board of directors determined that the sale to UTStarcom of substantially all of the operational assets of the wireless business was equivalent to ACC being sold and that the award to Mr. Christopher should be amended to clarify, as was originally intended, that a sale of the wireless business by means of an asset sale should be included in the change of control

provisions of the award. As a result of the amendment, upon the sale of our wireless business, Mr. Christopher would have been entitled to \$1,916,477. Upon the termination of Mr. Christopher's employment, pursuant to the terms of his employment agreement, Mr. Christopher would be entitled to approximately \$2.8 million. After discussions between Mr. Christopher and the board of directors, it was agreed that Mr. Christopher would accept \$4 million on the closing date of the asset sale in connection with the termination of his Employment Agreement and Award Agreement.

On June 11, 2004, Mr. Christopher and UTStarcom entered into an employment agreement which will become effective upon the closing of the asset purchase agreement. Under this employment agreement, UTStarcom will employ Mr. Christopher as President, Audiovox Handset Division of UTStarcom. The term of this employment agreement will be for three years and, commencing 12 months prior to the expiration of this term, the parties will undertake good faith negotiations to extend the term. Mr. Christopher will receive a base salary of \$500,000 per year. During the term, Mr. Christopher will be eligible to earn an annual cash bonus equal to 2% of pre-tax annual earnings of the Handset Division, less all deductions or withholdings required by applicable law. Mr. Christopher will also be granted under UTStarcom's 1997 Stock Plan an option to purchase 200,000 shares of common stock of UTStarcom having a per share exercise price equal to the fair market value of the per share price on the date of the grant.

Subject to consummation of the transactions contemplated by the asset purchase agreement, ACC will establish a pool of \$5 million to be paid to certain of our employees as a severance payment and in exchange for which we will receive a release from each of these employees. The pool will be distributed in the sole discretion of Philip Christopher to those employees, other than himself, in amounts that he deems appropriate. The determination of which employees, and in what amounts, are to receive distributions from this pool is not expected to be made by Mr. Christopher until the closing of the asset sale.

We issued a Long-Term Incentive Compensation Award to John Shalam as of May 29, 2002 to motivate and reward Mr. Shalam for fulfilling his personal responsibilities with regard to our long-range achievements. The intention of the board of directors was to reward Mr. Shalam for his efforts to bring about a sale of ACC. Although the original award did not contemplate a sale of the assets of ACC, the compensation committee of our board of directors and our board of directors determined that the sale to UTStarcom of substantially all of the operational assets of the wireless business was equivalent to ACC being sold and that the award to Mr. Shalam should be amended to clarify, as was originally intended, that a sale of the wireless business by means of an asset sale should be included in the change of control provisions of the award. As a result of the amendment, upon the sale of our wireless business, we will pay Mr. Shalam \$1,916,477. As a condition to entering into the asset purchase agreement, UTStarcom required that Mr. Shalam enter into a voting agreement whereby Mr. Shalam agreed to vote all of his shares of Class A Common Stock and Class B Common Stock in favor of the asset sale (see page 79). Mr. Shalam agreed to enter into the voting agreement because he determined that the asset sale was in the best interests of Audiovox and its stockholders.

Audiovox's Operations Following the Sale of the Wireless Business (see page 52). If the conditions to closing of the asset sale are satisfied or waived, we will sell our wireless business to UTStarcom. After the asset sale, we intend to focus our future efforts on developing our consumer electronics business and to consider other market opportunities, including acquisitions.

Terms of the Asset Purchase Agreement (see page 59)

Assets to be Sold (see page 59). We are selling substantially all of the assets (other than receivables as discussed below) that relate to our wireless business.

Assets to be Retained (see page 61). We are retaining certain assets, referred to as the Excluded Assets, associated with our wireless business, including without limitation, all receivables of our wireless business as of 5:30 p.m. EST on the closing date of the sale. The amount of the wireless business receivables on May 31, 2004 was, net of reserves, \$103.6 million.

Liabilities to be Assumed (see page 61). UTStarcom will assume only certain specified liabilities of our wireless business, referred to as the Assumed Liabilities, subject to certain exceptions, including without limitation:

all liabilities reflected or reserved against on the closing statement of net assets dated as of the date of the closing (other than tax liabilities);

all of our liabilities arising under certain contracts (other than liabilities or obligations attributable to (A) any failure by us to comply with the terms of those contracts prior to the closing, (B) products liability or personal injury claims arising prior to the closing and (C) intellectual property infringement claims arising prior to the closing); and

product warranties and claims under the foregoing items relating to products of our wireless business.

Liabilities to be Retained (see page 62). Other than the Assumed Liabilities, we will retain all of the liabilities of the wireless business, which we refer to as the Excluded Liabilities, which include, without limitation:

certain taxes;

all liabilities relating to or arising out of the Excluded Assets;

claims arising prior to the closing made by our employees relating to their employment with us; and

all liabilities or obligations attributable to (A) any failure by us to comply with the terms of any assumed contract prior to the closing, (B) products liability or personal injury claims arising prior to the closing and (C) intellectual property infringement claims arising prior to the closing.

As of May 31, 2004, the amount of accrued liabilities of the wireless business that we are retaining amounted to approximately \$2 million.

Purchase Price (see page 62). In exchange for the assets that we are selling, we will receive \$165.1 million in cash, subject to a net working capital adjustment. The post-closing net working capital adjustment will result in an increase in the purchase price to the extent the net working capital for the wireless business exceeds \$40 million and will result in a decrease in the purchase price to the extent the net working capital for the wireless business is less than \$40 million. If the asset sale closed on May 31, 2004, the net working capital adjustment would have resulted in an increase to the purchase price of \$22.3 million.

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No Solicitation or Negotiation (see page 68). We have agreed not to solicit or encourage any proposal from any person to acquire Audiovox or ACC or a significant portion of Audiovox's or ACC's assets, but Audiovox may respond in certain circumstances to unsolicited proposals that it receives.

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Conditions to Our Obligations (see page 74). Our obligation to complete the sale of the wireless business is subject to the fulfillment or waiver prior to closing of certain conditions, including without limitation:

the accuracy of UTStarcom's representations and warranties;

UTStarcom complying with its covenants and agreements in all material respects;

any waiting period (and any extension) under the HSR Act will have expired or will have been terminated and the applicable antitrust approvals in the People's Republic of China will have been received;

no material action will have been commenced by any governmental authority against either party; and

the asset purchase agreement will have been approved by the requisite vote of our stockholders.

Conditions to UTStarcom's Obligations (see page 74). UTStarcom's obligation to complete the sale of the wireless business is subject to the fulfillment or waiver prior to closing of certain conditions, including without limitation:

the accuracy of our representations and warranties;

our complying with our covenants and agreements in all material respects;

any waiting period (and any extension) under the HSR Act will have expired or will have been terminated and the applicable antitrust approvals in the Peoples Republic of China will have been received;

no material action will have been commenced by any governmental authority against either party;

the parties will have received all necessary authorizations of all governmental authorities;

we will have received third party consents to assign certain agreements to UTStarcom;

Philip Christopher will become an employee of UTStarcom pursuant to his employment agreement with UTStarcom;

at least 80% of the 15 key employees to whom UTStarcom extended offers of employment will have accepted UTStarcom's offer of employment;

the asset purchase agreement will have been approved by the requisite vote of our stockholders;

we and UTStarcom will have entered into a sublease for space at 555 Wireless Blvd., Hauppauge, New York and UTStarcom and an entity controlled by John Shalam will have entered into a lease for space at 16820 Marquardt Avenue, Cerritos, California; and

we will have implemented the internal financial reporting controls necessary to prepare for the commencement of outside auditor testing of compliance with Section 404 of the Sarbanes-Oxley Act of 2002, on or before

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September 30, 2004. This condition, which will no longer be a condition after January 1, 2005, is referred to as the Section 404 Condition.

Termination (see page 78). The asset purchase agreement may be terminated at any time prior to the closing:

by (i) UTStarcom if between the date of the asset purchase agreement and the closing any of our representations, warranties or covenants will have become untrue or not have been

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complied with or (ii) by us if, between the date of the asset purchase agreement and the closing any representations, warranties or covenants of UTStarcom will have become untrue or not have been complied with;

by either party if the closing will not have occurred by December 15, 2004 (which date will be extended to January 15, 2005, in the event that the Section 404 Condition will fail to have been satisfied or waived), provided that, at any time after this date, if the antitrust approvals required to be received from the People's Republic of China have not been received, and at that time we are otherwise prepared to close, we may terminate the asset purchase agreement, in which case UTStarcom will pay to us \$1 million as reimbursement for our expenses; provided, further, that, at any time after February 15, 2005, UTStarcom may terminate the asset purchase agreement if UTStarcom pays us \$1 million as reimbursement for our expenses;

by either party in the event that any governmental authority will have prohibited the transactions contemplated by the asset purchase agreement;

by UTStarcom under certain circumstances relating to our board failing to support the proposal to approve the asset sale in connection with a competing transaction;

by either party if the asset purchase agreement will fail to receive the requisite vote for approval at our annual stockholders' meeting, provided that we cannot terminate under this provision if John Shalam breaches the voting agreement;

by us if our board has recommended a proposal, referred to as a Superior Proposal, to enter into a change of control transaction on terms that our board determines, in its good faith judgment, to be more favorable to our stockholders than the transactions contemplated by the asset purchase agreement, or in order to enter into a definitive agreement relating to a Superior Proposal; or

by the mutual written consent of us and UTStarcom.

Termination Fee and Expenses (see page 79). The asset purchase agreement provides that, except as discussed below, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with the asset purchase agreement will be paid by the party incurring those costs and expenses, whether or not the closing will have occurred.

We have agreed that if either of the following events occurs, we will pay UTStarcom a fee of 3.5% of the purchase price, plus an amount equal to the amount of certain of UTStarcom's expenses, up to a maximum of \$1 million:

if UTStarcom terminates the asset purchase agreement on the basis that our board no longer supports the transaction sale in connection with a competing transaction; or

if we terminate the asset purchase agreement on the basis that our board has recommended a Superior Proposal or in order to enter into a definitive agreement relating to a Superior Proposal.

QUESTIONS AND ANSWERS ABOUT THE 2004 ANNUAL MEETING

Q: What is the proposal relating to the election of directors that I will be voting on at the annual meeting?

A: You will be asked to consider and vote upon a proposal to elect the following individuals to the board of directors: Paul C. Kreuch, Jr., Dennis F. McManus, Irving Halevy, Peter A. Lesser, John J. Shalam, Philip Christopher, Charles M. Stoehr, Patrick M. Lavelle, Ann M. Boutcher and Richard A. Maddia.

Q: What is the proposal relating to the sale of the wireless business that I will be voting on at the annual meeting?

A: You will be asked to consider and vote upon a proposal to approve the sale by us of substantially all of the assets (excluding receivables which were, net of reserves, approximately \$103.6 million at May 31, 2004) relating to our wireless business pursuant to the asset purchase agreement, dated June 11, 2004, by and among Audiovox, ACC, Quintex, ACCC, UTStarcom and UTStarcom Canada. The asset purchase agreement is attached to this proxy statement as Annex A.

Q: What is the proposal relating to the ratification of the board of directors' appointment of independent registered public accounting firm that I will be voting on at the annual meeting?

A: You will be voting to ratify the board of directors' appointment of Grant Thornton LLP, an independent registered public accounting firm, as our independent registered public accounting firm for the fiscal year ending November 30, 2004.

Q: What is the proposal to approve an amendment to the Audiovox Corporation 1997 Stock Option Plan that I will be voting on at the annual meeting?

A: The Audiovox Corporation 1997 Stock Option Plan currently provides that, in the event of the termination of an option holder's employment with us and our affiliates, all rights of the individual to exercise non-qualified options granted under such plan automatically terminate. In connection with the proposed sale of our wireless business, we have amended this provision of the plan to permit our compensation committee to extend the post-termination exercise periods of options granted under the 1997 plan. If the amendment of such plan is not approved, it will continue in effect in accordance with its terms prior to the proposed amendment. Our compensation committee has approved an extension of the post-termination exercise period of options held by employees who become employees of UTStarcom so that they expire 1 year after the closing of the asset purchase agreement.

Q: What is the proposal to approve an amendment to the Audiovox Corporation 1999 Stock Compensation Plan that I will be voting on at the annual meeting?

A: Under the Audiovox Corporation 1999 Stock Compensation Plan currently, exercisability of an option is generally conditioned upon continuity of employment by the option holder with us or our subsidiaries. In connection with the proposed asset sale, we have amended this provision of such plan to permit our compensation committee to extend the post-termination exercise periods of options granted under such plan. If the amendment of such plan is not approved, it will continue in effect in accordance with its terms prior to the proposed amendment. Our compensation committee has approved an extension of the post-termination exercise period of options held by employees who become employees of UTStarcom so that they expire 1 year after the closing of the asset purchase agreement.

Q: Who is soliciting my proxy?

A: Our board of directors.

Q: How does the board recommend that I vote on the matters proposed?

A: Your board unanimously recommends that stockholders vote "FOR" each of the proposals submitted at the annual meeting.

Q: Will any of the proceeds from the sale of the wireless business be distributed to me as a stockholder?

A: We intend to repay indebtedness, retain the remaining proceeds and use them in connection with our future business plan.

Q: Can I still sell my shares?

A: Yes. None of the asset purchase agreement, the sale of our wireless business or any of the other proposals discussed in this proxy statement will affect your right to sell or otherwise transfer your shares of our common stock.

Q: Who is entitled to vote at the annual meeting?

A: Only holders of record of our common stock as of the close of business on _____ will be entitled to notice of and to vote at the annual meeting.

Q: When and where is the annual meeting?

A: The annual meeting of our stockholders will be held on _____, 2004, at the Sheraton Smithtown, the Seminar Room, 110 Vanderbilt Motor Parkway, Smithtown, NY 11788 at 10:00 a.m.

Q: If my shares are held in "street name" by my broker, will my broker vote my shares for me?

A: Your broker may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted on those matters, and will not be counted in determining the number of shares necessary for approval. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares.

Q: May I change my vote after I have mailed my signed proxy card?

A: Yes. Just send in a written revocation or a later dated, signed proxy card before the annual meeting or simply attend the annual meeting and vote in person. Simply attending the annual meeting, however, will not revoke your proxy; you must vote at the annual meeting.

Q: What do I need to do now?

A: Please vote your shares as soon as possible so that your shares may be represented at the annual meeting. You may vote by signing and dating your proxy card and mailing it in the enclosed return envelope, or you may vote in person at the annual meeting. Alternatively, you may vote by telephone or via the Internet in accordance with the instructions on your proxy card.

Q: What are the United States federal income tax consequences of the sale of the wireless business?

A: We do not expect that the sale of our wireless business will result in any federal income tax consequences to our stockholders. However, we will be subject to federal income taxes as a result of the consummation of the asset sale as discussed in this proxy statement on page 49.

Q: What happens if I do not vote?

A: Pursuant to the terms of a voting agreement entered into between John Shalam, our President & Chief Executive Officer, and UTStarcom, Mr. Shalam has agreed to vote all of his shares in favor of the proposal to approve the asset purchase agreement, unless the asset purchase agreement has been terminated. Since Mr. Shalam owns in excess of 50% of the votes of our shares, unless the asset purchase agreement is terminated, the asset purchase agreement will be approved by our stockholders, even if our other stockholders do not vote on the proposal to approve the asset sale.

Q: Whom should I call if I have any questions?

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A: If you have questions about any of the proposals on which you are voting, you may call Charles M. Stoehr, our Senior Vice President and Chief Financial Officer, at (631) 231-7750.

THE ANNUAL MEETING OF STOCKHOLDERS

This proxy statement is provided in connection with the annual meeting of stockholders of Audiovox Corporation, and any adjournment or postponement of the meeting. The accompanying proxy is solicited by the board of directors. This proxy statement and the accompanying form of proxy are first being sent or given to stockholders beginning on or about _____, 2004.

Time and Place

The annual meeting of stockholders of Audiovox Corporation will be held at 10:00 a.m. on _____, 2004 at the Sheraton Smithtown, the Seminar Room, 110 Vanderbilt Motorway, Smithtown NY 11788.

Purposes

At the annual meeting, you will be asked:

to elect ten directors to the board of directors to hold office until the next annual meeting of stockholders or until their respective successors are duly elected and qualified;

to approve the sale of substantially all of the assets (excluding receivables) relating to our wireless business, pursuant to an asset purchase agreement by and among Audiovox Corporation, Audiovox Communications Corp., Quintex Mobile Communications Corporation, Audiovox Communications Canada Co., UTStarcom, Inc. and UTStarcom Canada Company;

to ratify our board of directors' appointment of Grant Thornton LLP, an independent registered public accounting firm, as our independent registered public accounting firm for the fiscal year ending November 30, 2004;

to consider and act upon a proposal to approve an amendment to our 1997 Stock Option Plan to permit our compensation committee to extend the post-termination periods of options granted under this plan;

to consider and act upon a proposal to approve an amendment to our 1999 Stock Compensation Plan to permit our compensation committee to extend the post-termination periods of options granted under this plan; and

to transact such other business as may properly come before the meeting or any adjournment thereof.

The board of directors knows of no other matters to be presented for action at the annual meeting. If any other matters properly come before the annual meeting, however, the persons named in the proxy will vote on such other matters in accordance with their best judgment. This includes a motion to adjourn or postpone the annual meeting to solicit additional proxies. However, no proxy voted against any of the proposals will be voted in favor of an adjournment or postponement to solicit additional votes in favor of approval of those proposals.

Record Date; Stockholders Entitled to Vote

The record date for the determination of stockholders entitled to notice of and to vote at the annual meeting was the close of business on _____, 2004.

Quorum

The presence in person or by proxy of the holders of a majority of the issued and outstanding shares of common stock entitled to vote as of the record date is necessary to constitute a quorum at the annual meeting. Abstentions and broker non-votes are treated as present at the meeting and are therefore counted to determine a quorum. The annual meeting may be adjourned by a majority of the

votes cast upon the question, whether or not a quorum is present. If a quorum is not present, the chairman of the meeting may adjourn the meeting to another place, date or time, without notice other than announcement at the meeting. At any adjourned meeting, any business may be transacted that might have been transacted at the annual meeting as originally notified.

Vote Required

At the close of business on June 18, 2004, there were 20,773,338 shares of our Class A common stock, par value \$.01 per share, and 2,260,954 shares of our Class B common stock, par value \$.01 per share, issued and outstanding. At the annual meeting, each share of Class A common stock is entitled to one vote (whether in person or by proxy or pursuant to a stockholders' consent) and each share of Class B common stock is entitled to ten votes (whether in person or by proxy or pursuant to a stockholders' consent).

Class A directors are elected by a plurality of the votes of the Class A shares present in person or represented by proxy at the annual meeting and entitled to vote on the election of directors. The joint directors are elected by the Class A and Class B stockholders voting together. The sale of our wireless business must be approved by the holders of a majority of the votes attributable to all the outstanding shares of common stock on the record date, whether or not represented at the annual meeting. The amendment to the 1997 Stock Option Plan, the amendment to the 1999 Stock Compensation Plan, and the ratification of the appointment of independent registered public accounting firm must be approved by holders of a majority of the shares of common stock present in person or represented by proxy at the annual meeting and entitled to vote thereon.

Mr. Shalam, our Chairman and Chief Executive officer, owns in excess of 50% of our outstanding votes and has agreed to vote his shares in favor of the asset purchase agreement. In addition, he intends to vote his shares to approve all of the other matters to be voted upon at the meeting that are described in this proxy statement.

Board Recommendation

The board of directors recommends that an affirmative vote be cast in favor of each of the proposals listed in the proxy card and described in this proxy statement.

Voting Your Shares

The board of directors is soliciting proxies from our stockholders. By completing and returning the accompanying proxy, you will be authorizing Charles M. Stoehr and Ann M. Boutcher to vote your shares. If your proxy is properly signed and dated it will be voted as you direct. If you attend the annual meeting in person, you may vote your shares by completing a ballot at the meeting. You may also vote your shares by mail, telephone or electronically by Internet as described on your proxy card.

Changing Your Vote By Revoking Your Proxy

Your proxy may be revoked at any time before it is voted at the annual meeting by giving notice of revocation to us, in writing, by execution of a later dated proxy or by attending and voting at the annual meeting. Simply attending the annual meeting, however, will not revoke your proxy; you must vote at the annual meeting.

How Proxies Are Counted

If you return a signed and dated proxy card but do not indicate how your shares are to be voted, those shares will be voted "FOR" each of the listed proposals. Votes cast by proxy or in person at the annual meeting will be tabulated by the election inspectors appointed for the annual meeting.

Shares voted as abstentions on any matter will be counted for purposes of determining the presence of a quorum at the annual meeting and treated as unvoted, although present and entitled to vote, for purposes of determining the approval of each matter as to which a stockholder has abstained. As a result, abstentions, with respect to any proposal other than the election of directors, will have the same effect as a vote against such proposal. If a broker submits a proxy that indicates the broker does not have discretionary authority as to certain shares to vote on one or more matters, those shares will be counted for purposes of determining the presence of a quorum at the annual meeting, but will not be considered as present and entitled to vote with respect to such matters.

A "broker non-vote" on a proposal on the sale of the wireless business will have the same effect as a vote against this proposal.

Cost of Solicitation

We will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy and any additional information furnished to you. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of our common stock beneficially owned by others to forward to such beneficial owners. We may reimburse persons representing beneficial owners of common stock for their costs of forwarding solicitation materials to such beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, telegram or personal solicitation by our directors, officers or other regular employees.

**PROPOSAL 1
ELECTION OF DIRECTORS**

Nominees for Election of Directors

Each of the nominees for director named below has continuously served as a director since the year indicated. The directors will hold office until the next annual meeting of stockholders and until their successors are elected and qualified. The Class A directors are elected by the Class A stockholders voting separately as a class. The joint directors are elected by the Class A and Class B stockholders voting together.

If any nominee becomes unable or unwilling to accept nomination or election, the proxies will be voted for another person designated by the board of directors. The management has no reason to believe that any of said nominees will be unable or unwilling to serve if elected to office.

The following persons have been nominated and are proposed to be elected:

Name and Principal Occupation	Age	Director Since
CLASS A DIRECTORS		
Paul C. Kreuch, Jr. Chairman, International Asset Transactions, LLC	65	1997
Dennis F. McManus VP.-New Product Marketing, LSSI Corporation	53	1998
Irving Halevy Retired Professor and Arbitrator	88	2001
Peter A. Lesser President, X-10 (USA) Inc.	68	2003
JOINT DIRECTORS		
John J. Shalam President and Chief Executive Officer	70	1960
Philip Christopher Executive Vice President	55	1973
Charles M. Stoehr Senior Vice President and Chief Financial Officer	58	1987
Patrick M. Lavelle Senior Vice President	52	1993
Ann M. Boutcher Vice President	53	1995
Richard Maddia Vice President	45	1996

Paul C. Kreuch, Jr. was elected to the Board of Directors in February 1997. Mr. Kreuch became the Non-Executive Chairman of International Asset Transactions, LLC, a securitization and asset management firm, in May 2004. Prior to May 2004, he was Managing Director of WJM Associates, Inc., a leading executive development firm. Prior career responsibilities include Executive Vice President of Natwest Bank, N.A. from 1993 to 1996, and before that, President of National Westminster Bank, USA.

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Dennis F. McManus was elected to the Board of Directors in March 1998. Mr. McManus is currently the Vice President, New Product Marketing at LSSI Corporation. Prior to that Mr. McManus was self-employed as a telecommunications consultant. Before that, he was employed by NYNEX Corp. for over 27 years, most recently as a Senior Vice President and Managing Director. Mr. McManus held this position from 1991 through December 31, 1997.

Irving Halevy served on the Board of Directors from 1987 to 1997 and was re-elected to the Board of Directors in 2001. Mr. Halevy is a retired professor of Industrial Relations and Management at Fairleigh Dickinson University where he taught from 1952 to 1986. He was also a panel member of the Federal Mediation and Conciliation Service.

Peter A. Lesser was elected to the Board of Directors in 2003. Mr. Lesser is the President of X-10 (USA) Inc., a wholesaler of electronic home control and security systems. Mr. Lesser is the founder of and has also served as a director and been stockholder of X-10 Limited, the Hong Kong parent company of X-10 (USA) Inc. since 1979. He is a Member-at-Large of the Executive Board of the Consumer Electronics Association. From 1997 through 1999 Mr. Lesser served as the President of the Security Industry Association.

John J. Shalam has served as President, Chief Executive Officer and as Director of Audiovox or its predecessor since 1960. Mr. Shalam also serves as President and a Director of most of Audiovox's operating subsidiaries. Mr. Shalam is on the Board of Directors of the Electronics Industry Alliance and is on the Executive Committee of the Consumer Electronics Association.

Philip Christopher, our Executive Vice President, has been with Audiovox since 1970 and has held his current position since 1983. Before 1983 he served as Senior Vice President of Audiovox. Mr. Christopher is Chief Executive Officer of Audiovox's wireless subsidiary, Audiovox Communications Corp. From 1973 through 1987, he was a Director of our predecessor, Audiovox Corp. Mr. Christopher serves on the Executive Committee of the Cellular Telephone Industry Association.

Charles M. Stoehr has been our Chief Financial Officer since 1979 and was elected Senior Vice President in 1990. Mr. Stoehr has been a Director of Audiovox since 1987. From 1979 through 1990 he was a Vice President of Audiovox.

Patrick M. Lavelle has been a Vice President of Audiovox since 1980 and was appointed Senior Vice President in 1991. He was elected to the Board of Directors in 1993. Mr. Lavelle is Chief Executive Officer and President of Audiovox's subsidiary, Audiovox Electronics Corp. Mr. Lavelle is also a member of the Board of Directors and Executive Committee of the Consumer Electronics Board and serves as Chairman of its Mobile Electronics Division.

Ann M. Boutcher has been Audiovox's Vice President of Marketing since 1984. Ms. Boutcher's responsibilities include the development and implementation of Audiovox's advertising, sales promotion and public relations programs. Ms. Boutcher was elected to the Board of Directors in 1995.

Richard A. Maddia has been our Vice President of Information Systems since 1992. Prior thereto, Mr. Maddia was Assistant Vice President, MIS. Mr. Maddia's responsibilities include development and maintenance of information systems. Mr. Maddia was elected to the Board of Directors in 1996.

MANAGEMENT RECOMMENDS VOTING "FOR" THE ELECTION OF KREUCH, MCMANUS, HALEVY, LESSER, SHALAM, CHRISTOPHER, STOEHR, LAVELLE, BOUTCHER AND MADDIA AS DIRECTORS. UNLESS OTHERWISE DIRECTED BY A SHAREHOLDER, SUCH STOCKHOLDER'S PROXY WILL BE VOTED "FOR" THE ELECTION OF SUCH NOMINEES.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of June 18, 2004, certain information with respect to shares beneficially owned by (i) each person who is known by Audiovox to be the beneficial owner of more than five percent (5%) of Audiovox's outstanding shares of common stock, (ii) each of Audiovox's directors and the executive officers named in the Summary Compensation Table below and (iii) all current directors and executive officers as a group. Except as otherwise provided, the table below relates to shares of Class A common stock. At the close of business on June 18, 2004, there were 20,773,338 shares of our Class A common stock, par value \$.01 per share, and 2,260,954 shares of our Class B common stock, par value \$.01 per share, issued and outstanding. Each share of Class A common stock is entitled to one vote and each share of Class B common stock is entitled to ten votes.

Beneficial ownership has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended. Under this rule, certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire shares (for example, upon exercise of an option or warrant) within sixty (60) days of the date as of which the information is provided. In computing the percentage ownership of any person, the number of shares is deemed to include the number of shares beneficially owned by such person (and only such person) by reason of such acquisition rights. As a result, the percentage of outstanding shares of any person as shown in the following table does not necessarily reflect the person's actual voting power at any particular date.

Name and Address (1)	Sole Voting or Investment Power (2)	Percent of Outstanding Shares
John J. Shalam	4,588,129(3)	19.6%
Philip Christopher	1,215,474	5.6%
Patrick M. Lavelle	228,578	1.1%
Charles M. Stoehr	186,500	*
Richard Maddia	45,040	*
Ann M. Boutcher	14,323	*
Paul C. Kreuch, Jr	12,000	*
Dennis F. McManus	10,000	*
Irving Halevy	0	0
Peter Lesser	0	0
All directors and officers as a group (10 persons)	6,300,044	25.3%

Name and Address of Other 5% Holders of Class A Common Stock

Kahn Brothers & Co., Inc. (4) 1299 Ocean Ave, 11th Floor Santa Monica, CA 90401	1,693,445	8.2%
Dimensional Fund Advisors, Inc. (5) 1299 Ocean Ave, 11th Floor Santa Monica, CA 90401	1,394,860	6.7%
Barclays Global Investors, N.A.(6) 45 Fremont Street San Francisco, CA 94105	1,069,622	5.2%

*
Represents less than 1%

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- (1) The address of each person, unless otherwise noted, is c/o Audiovox Corporation, 150 Marcus Blvd., Hauppauge, NY 11788. In presenting shares beneficially owned and in calculating each holder's percentage ownership, only options exercisable by that person within 60 days of June 18, 2004 and no options exercisable by any other person are deemed to be outstanding.
- (2) The number of shares stated as "beneficially owned" includes stock options currently exercisable as follows: Mr. Shalam 525,000, Mr. Christopher 1,011,000, Mr. Lavelle 211,200, Mr. Stoehr 172,500, Mr. Maddia 40,000, Ms. Boutcher 10,000, Mr. Kreuch 10,000 and Mr. McManus 10,000.
- (3) Includes 2,144,152 shares of Class B common stock (which are entitled to 10 votes per share) held by Mr. Shalam that he may convert into Class A common stock at any time. Excludes 116,802 shares of Class B common stock and 2,002 shares of Class A common stock that are held in irrevocable trusts for the benefit of Mr. Shalam's three sons. Pursuant to the terms of the voting agreement between John Shalam and UTStarcom, Inc., Mr. Shalam has agreed to vote 1,918,977 of his Class A shares and all of his 2,144,152 Class B shares in favor of the proposal to approve the asset purchase agreement, unless the asset purchase agreement has been terminated. These shares (which represent a total of 23,360,497 votes) constitute all of the Audiovox shares that Mr. Shalam directly owns and represent an aggregate of approximately 53.8% of the aggregate outstanding voting power of Audiovox. UTStarcom, Inc. filed a Schedule 13D on June 21, 2004 to report its voting interest in these securities pursuant to the voting agreement. UTStarcom, Inc.'s principal executive offices are located at 1275 Harbor Bay Parkway, Alameda, California 94502.
- (4) Information reported is derived from a Schedule 13G of Kahn Brothers & Co., Inc. filed with the Securities and Exchange Commission on February 10, 2004.
- (5) Information reported is derived from a Schedule 13G dated February 3, 2004 of Dimensional Fund Advisors Inc. and filed with the Securities and Exchange Commission on February 6, 2004.
- (6) Information reported is derived from a Schedule 13G of Barclays Global Investors, N.A. filed with the Securities and Exchange Commission on February 27, 2004.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to Audiovox pursuant to Rule 16a-3(e) under the Securities Exchange Act of 1934, as amended, during Audiovox's fiscal year ended November 30, 2003 and Forms 5 and amendments thereto furnished to Audiovox with respect to Audiovox's fiscal year ended November 30, 2003, and any written representation referred to in paragraph (b)(2)(i) of Item 405 of Regulation S-K, Audiovox is not aware of any person who, at any time during Audiovox's fiscal year ended November 30, 2003, was a beneficial owner of more than 10 percent of Audiovox's shares (or was a director or officer of Audiovox), or any other person subject to Section 16 of the Securities Exchange Act of 1934, as amended, with respect to Audiovox because of the requirements of Section 30 of the Investment Company Act of 1940, as amended, or Section 17 of the Public Utility Holding Company Act, as amended, that failed to file on a timely basis, as disclosed in such Forms, reports required by Section 16(a) of the Securities Exchange Act of 1934, as amended, during Audiovox's fiscal year ended November 30, 2003 or prior fiscal years.

Certain Relationships and Related Transactions

We lease some of our equipment, office, warehouse and distribution facilities from entities in which our executive officers own controlling interests. The following table identifies leases that result in payments in excess of \$60,000 to any of the related entities.

Real Property Location	Expiration Date	Owner of Property	Rent Paid During Fiscal Year 2003
150 Marcus Blvd Hauppauge, NY	November 30, 2008	150 Marcus Blvd. Realty LLC(1)	\$ 538,144
16808 Marquardt Avenue Cerritos, CA	March 31, 2009	Marquardt Associates(2)	306,206
555 Wireless Blvd Hauppauge, NY	September 30, 2006	Wireless Blvd. Realty LLC(3)	570,684
110 Marcus Blvd Hauppauge, NY	Terminated November 1, 2003	110 Marcus Blvd. Realty LLC(4)	211,874
Equipment Location			
555 Wireless Blvd Hauppauge, NY	March 31, 2005	Wireless Blvd. Realty LLC(3)	410,640

- (1) Property owned by 150 Marcus Blvd. Realty, LLC, a New York limited liability company, of which John J. Shalam owns 99% and Mr. Shalam's three sons own the remaining 1%.
- (2) Property owned by Marquardt Associates, a California partnership, owned 60% by John J. Shalam and 40% by Ardama Capital LLC, a New York limited liability company owned by Mr. Shalam's three sons.
- (3) Property owned or leased by Wireless Blvd. Realty, LLC, a New York limited liability company, owned 98% by the Shalam Long Term Trust, 1% by John J. Shalam and 1% by Mr. Shalam's three sons. The Shalam Long Term Trust is a grantor trust of which Mr. Shalam is the Grantor and his three sons are the beneficiaries.
- (4) Property owned by 110 Marcus Blvd. Realty, LLC, a New York limited liability company, of which John J. Shalam owns 1% and Mr. Shalam's three sons own the remaining 99%.

We believe that the terms of each of the leases are no less favorable to us than those that could have been obtained from unaffiliated third parties. To the extent that conflicts of interest arise between us and such persons in the future, such conflicts will be resolved by a committee of disinterested directors.

Pursuant to the asset purchase agreement, Audiovox and UTStarcom are required to use reasonable commercial efforts to negotiate and agree upon the form of sublease agreement for space at 555 Wireless Boulevard, Hauppauge, NY, within 45 days after the date the asset purchase agreement was entered into. The sublease will have a net monthly amount of \$46,000 and a five year term and be renewable for an additional term of three years at \$55,000 per month. The asset purchase agreement also provides that UTStarcom will use reasonable commercial efforts to negotiate and agree upon the form of a lease with Marquardt Associates for space at 16820 Marquardt Avenue, Cerritos, California. The lease would have a monthly rent of \$23,500 per month and have a two year term. In addition, the lease will be renewable by UTStarcom for an additional term of three years upon nine months prior written irrevocable notice. The base rent during this renewal term would be at fair market value. Also, UTStarcom will assume the equipment lease to the equipment located at 555 Wireless Boulevard.

The Board of Directors and Committees

Board of Directors

The Board of Directors has an Executive Committee, an Audit Committee and a Compensation Committee but does not have a standing nominating committee. The Board of Directors held five meetings and acted by consent seven times during the fiscal year ended November 30, 2003. All incumbent directors attended 75% or more of the aggregate number of Board and related committee meetings during the year.

The board's view for the basis that it is appropriate not to have a standing nominating committee is that Audiovox is a "Controlled Company" under Rule 4350(c)(5) of the NASD Manual, as in effect as of the date of this proxy statement.

Executive Committee

The Executive Committee, which did not hold any meetings during fiscal 2003, consists of five members, namely, John J. Shalam, Philip Christopher, Charles M. Stoehr, Paul C. Kreuch, Jr. and Dennis F. McManus. The primary function of the Executive Committee is to act upon matters when the Board is not in session. The Executive Committee has full power and authority of the Board in the management and conduct of the business and affairs of Audiovox.

Audit Committee

The Audit Committee, which held twelve meetings in fiscal 2003, currently consists of four members, namely, Paul C. Kreuch, Jr., Dennis F. McManus, Irving Halevy and Peter A. Lesser. The Board of Directors has determined that each of the four members is "independent" under Rule 4200(a) of the NASD Manual, as in effect as of the date of this proxy statement. The Board of Directors has also determined that at least one member of the audit committee is an "audit committee financial expert" as defined by Item 401(h)(2) of Regulation S-K. The name of such audit committee financial expert is Paul C. Kreuch, Jr. The functions of the Audit Committee are described below under the heading " Committee Reports and Performance Audit Committee Report."

Compensation Committee

The Compensation Committee, which held one meeting and acted by consent once in fiscal 2003, currently consists of four members, namely, Messrs. Kreuch, McManus, Halevy and Lesser. The Compensation Committee recommends to the Board of Directors remuneration arrangements for senior management and the directors, approves and administers other compensation plans, including the profit sharing plan of Audiovox, in which officers, directors and employees participate.

Committee Reports and Performance

The following Compensation Committee Report on Executive Compensation and Audit Committee Report do not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Audiovox filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Audiovox specifically incorporates this information by reference therein.

Compensation Committee Report on Executive Compensation

Responsibilities of the Committee

The Compensation Committee of the Board of Directors reviews and approves compensation for Audiovox's executive officers and oversees and administers Audiovox's stock option and restricted stock plans. The Compensation Committee recommends compensation for the Chief Executive Officer

subject to the Board of Directors approval of such recommendations. The Chief Executive Officer submits recommended compensation levels for other executive officers of Audiovox to the Compensation Committee for its review and approval, subject to applicable employment agreements. Each member of the Compensation Committee is a non-employee director of Audiovox.

What is Audiovox's Philosophy of Executive Officer Compensation?

Our compensation programs are designed to attract and retain talented executives and motivate them to achieve corporate and business objectives that will increase stockholder value. To attain both near and long term corporate goals, it is our policy to provide incentives to senior management and reward outstanding performance and contributions to Audiovox's businesses. Consequently, Audiovox's compensation program for its executives includes a competitive base salary, a performance-based annual bonus and stock-based compensation.

This approach to executive compensation enables Audiovox to attract and retain executives of outstanding ability while ensuring that our executives' compensation advances the interests of our stockholders. Consequently, a large proportion of our executives' compensation, the annual bonus, is dependent in significant part on Audiovox's performance. Although Audiovox does not have employment agreements with any of its executive officers, Mr. Philip Christopher's compensation is governed by an employment agreement with ACC. For a discussion of Mr. Christopher's employment agreement, see " Executive Compensation Employment Agreements" below. However, pursuant to the Agreement and General Release, dated June 10, 2004, by and among ACC, Audiovox and Mr. Christopher, Mr. Christopher's employment agreement will be terminated on the closing date of the asset purchase agreement. In addition, Mr. Christopher will receive other consideration on the closing date of the asset purchase agreement. For a description of the Agreement and General Release and the other consideration that Mr. Christopher will receive on the closing date of the asset purchase agreement, see "Proposal 2 The Sale of the Wireless Business Agreements With Philip Christopher."

Base Salary

Salaries for the executive officers are designed to attract and retain qualified and dedicated executive officers. Annually, the Compensation Committee reviews salary recommendations made by Audiovox's Chief Executive Officer, and evaluates individual responsibility levels, experience, performance and length of service. Base salaries for Audiovox's executive officers are fixed at levels commensurate with competitive amounts paid to senior executives with comparable qualifications at companies engaged in the same or similar businesses.

Annual Bonus

Bonus compensation provides Audiovox with a means of rewarding performance based upon attainment of corporate profitability during the fiscal year. For fiscal 2003, the Compensation Committee established bonus compensation formulas for its executives based upon the pre-tax earnings of Audiovox. The annual bonus paid to Mr. Lavelle is based upon the achievement of fiscal goals within Audiovox Electronics Corp. Mr. Christopher's annual bonus for 2004 was paid pursuant to his employment agreement.

Stock Options

During fiscal 2003, no stock options were granted to Audiovox's employees, including Audiovox's executive officers.

How Is the Chief Executive Officer Compensated?

The Compensation Committee has fixed the base salary of the Chief Executive Officer based on competitive compensation data, the Compensation Committee's assessment of Mr. Shalam's past performance and its expectation as to his future contributions in guiding and directing Audiovox and its business. Mr. Shalam's bonus for fiscal 2003 was calculated on Audiovox's pre-income tax profit before extraordinary items, other non-recurring transactions and income taxes of Audiovox's in accordance with Audiovox's Executive Officer Bonus Plan that was approved by the stockholders in 2000.

How Is Audiovox Addressing Internal Revenue Code Limits on Deductibility of Compensation?

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public corporations for compensation over \$1,000,000 paid for any fiscal year to the corporation's chief executive officer and four other most highly compensated executive officers as of the end of any fiscal year. However, the statute exempts qualifying performance-based compensation from the deduction limit if certain requirements are met. The Compensation Committee currently intends to structure performance based compensation, including stock option grants and annual bonuses, to executive officers who may be subject to Section 162(m) in a manner that satisfies those requirements.

The Board and the Compensation Committee reserve the authority to award non-deductible compensation in other circumstances as they deem appropriate. Further, because of ambiguities and uncertainties as to the application and interpretation of Section 162(m) and the regulations issued thereunder, no assurance can be given, notwithstanding Audiovox's efforts, that compensation intended by Audiovox to satisfy the requirements for deductibility under Section 162(m) does in fact do so.

Members of the Compensation
Committee

Paul C. Kreuch, Jr. (Chairman)
Dennis F. Mcmanus
Irving Halevy
Peter A. Lesser

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Audit Committee Report

The Audit Committee of the Board is responsible for providing independent, objective oversight of the quality and integrity of Audiovox's accounting and auditing functions, internal controls and financial reporting practices. The full responsibilities of the Audit Committee are set forth in its written charter which was approved by Audiovox's Board of Directors attached as Annex E.

In fulfillment of its responsibilities, the Audit Committee met with management and Audiovox's independent registered public accounting firm, Grant Thornton LLP ("*Grant Thornton*"), to review and discuss all financial statements included or to be included in Audiovox's annual report for the fiscal year ended November 30, 2003 (the "*Financial Statements*"). The Audit Committee also discussed with Grant Thornton the matters required to be discussed by the Statement on Auditing Standards No. 61, received the written disclosure from Grant Thornton required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and discussed with Grant Thornton that firm's independence.

Finally, the Audit Committee continued to monitor the integrity of Audiovox's financial reporting processes and its internal procedures and controls.

Based upon the Audit Committee's discussions with management and the independent accountants and the Audit Committee's review of the representations of management and Grant Thornton, the Audit Committee recommended to the Board that the Financial Statements be included in Audiovox's Annual Report on Form 10-K for the fiscal year ended November 30, 2003 for filing with the Securities and Exchange Commission.

Members of the Audit Committee

Paul C. Kreuch, Jr. (Chairman)
Dennis F. McManus
Irving Halevy
Peter A. Lesser

Executive Compensation

The following Summary Compensation Table sets forth the compensation earned by each individual who served as Audiovox's Chief Executive Officer during fiscal 2003 and the four most highly compensated executive officers who were serving as such as of November 30, 2003 (collectively, the "Named Officers").

Summary Compensation Table

Name and Principal Position(1)	Year	Annual Compensation(1)		All Other Compensation(3)
		Salary(2)	Bonus	
John J. Shalam, President and CEO	2003	\$ 450,000	\$ 673,500	\$ 12,376
	2002	450,677	128,669	11,025
	2001	450,000	122,000	9,185
Philip Christopher, Executive Vice President	2003	507,000	112,000	4,179
	2002	476,419(4)	1,800,000	2,762
	2001	450,000	117,000	8,234
Charles M. Stoehr, Senior Vice President and CFO	2003	325,000	224,500	5,831
	2002	326,418	242,890	4,253
	2001	325,000	41,000	8,234
Patrick M. Lavelle, Senior Vice President	2003	200,000	1,588,532	3,814
	2002	201,277	1,204,508	1,980
	2001	200,000	655,636	7,998
Richard A. Maddia, Vice President, Information Systems	2003	175,500	75,000	1,976
	2002	176,209	37,500	1,213
	2001	175,000	65,000	7,409

- (1) No other annual compensation was paid and no restricted stock awards or options were granted to the named individuals in 2003, 2002 and 2001 and the "Other Annual Compensation," "Restricted Stock" and "Securities Underlying Options" columns have been omitted.
- (2) For fiscal 2003, salary includes: for Mr. Shalam \$692 in 401(k) Audiovox matching contribution; for Mr. Christopher \$1,314 in 401(k) Audiovox matching contribution; for Mr. Stoehr \$1,509 in 401(k) Audiovox matching contribution; for Mr. Lavelle \$1,292 in 401(k) Audiovox matching contribution; and for Mr. Maddia \$702 in 401(k) Audiovox matching contribution.
- (3) For fiscal 2003 and 2002, this only includes executive life insurance premiums paid for the benefit of the named executive. For Fiscal 2001, includes allocation to profit sharing accounts and executive life insurance premiums paid for the benefit of the named executive.
- (4) Mr. Christopher's base salary for the first six (6) months of fiscal 2002 was \$450,000. Effective May 29, 2002 Mr. Christopher's base salary was increased to \$500,000 pursuant to an employment agreement (see discussion below under caption " Employment Agreements").

Employment Agreements

Effective May 29, 2002, ACC entered into an employment agreement with Philip Christopher. The employment agreement, unless terminated earlier, shall continue until May 29, 2007 and thereafter will automatically extend by consecutive twelve-month periods unless terminated by ACC on written notice.

Pursuant to the employment agreement, Mr. Christopher receives a base salary of \$500,000, subject to annual Consumer Price Index increases, and an annual bonus equal to two (2%) percent of ACC's annual earnings before income taxes.

The employment agreement further provides for equity incentives, vesting of stock options, reimbursement of reasonable business expenses and use of an automobile. The employment agreement also provided for a bonus pool of \$3.2 million, of which Mr. Christopher received \$1.8 million (see Bonus disclosure in Executive Compensation Table).

In the event ACC terminates Mr. Christopher's employment without cause or if Mr. Christopher resigns his employment within ninety (90) days after: a significant adverse change in his authority and responsibilities; a reduction in his base salary; nonpayment of his bonus; material breach by ACC of any obligation under the agreement; or, a change in control where the successor entity fails to assume ACC's obligations under this employment agreement, Mr. Christopher is entitled to receive a separation payment equal to his salary for the remainder of the contract term, plus an average annual bonus plus a cash payment of one million dollars. Mr. Christopher will not be entitled to a separation payment if his employment with ACC is terminated for any reason after the fifth anniversary of the effective date.

The employment agreement also contains non-competition and non-solicitation covenants. This employment agreement is only assignable to a successor entity of ACC that would grant Mr. Christopher the same compensation, benefits and rights that he would have under this employment agreement.

Notwithstanding the foregoing, pursuant to the Agreement and General Release, dated June 10, 2004, by and among ACC, Audiovox and Mr. Christopher, Mr. Christopher's employment agreement will be terminated on the closing date of the asset purchase agreement. Pursuant to the terms of his employment agreement and long-term incentive compensation award, Mr. Christopher will receive a payment equal to \$4 million on the closing date of the asset purchase agreement pursuant to the Agreement and General Release. Furthermore, Mr. Christopher will receive a payment of up to \$16 million on the closing date of the asset purchase agreement under the Personally Held Intangibles Purchase Agreement, dated June 10, 2004, between ACC and Mr. Christopher. For a description of these agreements, as well as Mr. Christopher's employment agreement with UTStarcom, see "Proposal 2 The Sale of the Wireless Business Agreements With Philip Christopher."

Option Grants in Last Fiscal Year (2003)

No options were granted in the fiscal year ended November 30, 2003.

Long-Term Incentive Compensation Award Payments

Audiovox issued Long-Term Incentive Compensation Awards to John Shalam and Philip Christopher as of May 29, 2002 to motivate and reward Mr. Shalam and Mr. Christopher for fulfilling their personal responsibilities with regard to our long-range achievements. The intention of the board of directors was to reward Mr. Shalam and Mr. Christopher for their efforts to bring about a sale of ACC. Although the original awards did not contemplate a sale of the assets of ACC, the compensation committee of our board of directors and our board of directors determined that the sale to UTStarcom of substantially all of the operational assets of the wireless business was equivalent to ACC being sold and that the awards to Mr. Shalam and Mr. Christopher should be amended to clarify that a sale of the

wireless business by means of an asset sale should be included in the change of control provisions of the award. The compensation committee of our board of directors and our board of directors determined that this amendment was necessary to reflect their intention with respect to the initial award. As a result of this amendment, upon the sale of the wireless business, Audiovox will pay Mr. Shalam \$1,916,477 and Mr. Christopher is entitled to a payment of \$1,916,477 from ACC, which payment is part of the \$4 million being paid to Mr. Christopher upon the closing of the asset sale.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth information concerning option exercises in fiscal year 2003 and option holdings as of November 30, 2003 with respect to each of the Named Officers. No stock appreciation rights were outstanding at the end of that year.

Name	Shares Acquired on Exercise	Value Realized(\$)	Number of Securities Underlying Options at November 30, 2003	Value* of In-the-Money Options at November 30, 2003
			Exercisable/Unexercisable	Exercisable/Unexercisable
John J. Shalam	0	0	525,000/0	\$ 3,614,125/\$0
Philip Christopher	0	0	1,011,000/0	\$ 2,513,545/\$0
Charles M. Stoehr	0	0	172,500/0	\$ 357,788/\$0
Patrick M. Lavelle	34,500	\$ 312,085	211,200/0	\$ 70,364/\$0
Richard A. Maddia	0	0	40,000/0	\$ 125,650/\$0

*

Based on the fair market value of Audiovox's common stock at November 30, 2003 less the exercise price payable for such shares.

Long-Term Incentive Plans Awards in Last Fiscal Year

No long-term incentive plan awards were made during the fiscal year ended November 30, 2003.

Compensation of Directors

For their service, non-employee directors receive an annual retainer of \$15,000 and meeting fees of \$500 and \$1,000 each, for telephonic and in-person attendance at meetings, respectively. Additional compensation of \$10,000 per annum and additional meeting fees of \$500 and \$1,000 each for telephonic and in-person attendance at meetings, respectively, is paid to Mr. Kreuch for his service as Chairman of the Audit and Compensation Committees. Mr. McManus receives an additional \$5,000 per annum for his service on ACC's board of directors.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is currently comprised of four independent directors, Paul C. Kreuch, Jr., Dennis F. McManus, Irving Halevy and Peter A. Lesser.

Performance Graph

The following Performance Graph does not constitute soliciting material and should not be deemed filed or incorporated by reference into any Audiovox filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent Audiovox specifically incorporates this information by reference therein.

**COMPARISON OF CUMULATIVE TOTAL RETURN
OF AUDIOVOX, INDUSTRY INDEX AND BROAD MARKET**

**COMPARE 5-YEAR CUMULATIVE TOTAL RETURN
AMONG AUDIOVOX CORPORATION,
NASDAQ MARKET INDEX AND SIC CODE INDEX**

The annual changes for the five-year period are based on the assumption that \$100 had been invested on December 1, 1998, and that all quarterly dividends were reinvested. The total cumulative dollar returns shown on the graph represent the value that such investments would have had on November 30, 2003.

PROPOSAL 2
THE SALE OF THE WIRELESS BUSINESS

This section of the proxy statement describes certain aspects of the sale of substantially all of the assets (excluding receivables) related to the wireless business. However, we recommend that you read carefully the complete asset purchase agreement for the precise legal terms of the agreement and other information that may be important to you. The asset purchase agreement is included in this proxy statement as Annex A. Unless otherwise defined in this section, all capitalized terms used in this section have the meanings ascribed to them in the section titled "Summary Term Sheet."

The Parties

Audiovox Corporation

Audiovox Corporation designs and markets a diverse line of products and provides related services throughout the world. Audiovox operates in two primary markets:

the wireless business markets wireless handsets and accessories through domestic and international wireless carriers and their agents, independent distributors and retailers; and

the consumer electronics business sells autosound, mobile electronics and consumer electronics primarily to mass merchants, power retailers, specialty retailers, new car dealers, original equipment manufacturers, independent installers of automotive accessories and the U.S. military.

Audiovox Corporation's principal executive offices are located at 150 Marcus Boulevard, Hauppauge, New York 11788. The telephone number of Audiovox Corporation's principal executive offices is (631) 231-7750.

Audiovox Communications Corp.

Audiovox Communications Corp., or ACC, which operates the wireless business, markets wireless handsets and accessories primarily on a wholesale basis to wireless carriers in the United States and carriers overseas primarily in the Code Division Multiple Access (CDMA) market. ACC is an 80%-owned subsidiary of Audiovox Corporation. Toshiba Corporation owns the remaining 20% of ACC. The ACC shares that Audiovox owns include 7.5 class B shares of ACC that Audiovox acquired from Toshiba prior to entering into the asset purchase agreement on June 11, 2004. Concurrently with the closing of the asset purchase agreement, Audiovox will acquire all of Toshiba's remaining shares of ACC pursuant to a stock purchase agreement by and among Audiovox, ACC and Toshiba. These transactions are described below under "Proposal 2 The Sale of the Wireless Business Agreements With Toshiba." As a result of these transactions, at and after the closing of the sale of the wireless business, Audiovox will own 100% of ACC. After the completion of the asset sale, ACC will not conduct any ongoing operations and will only hold certain assets which were excluded from the asset sale. The retained assets include, among others, receivables of the wireless business as of the closing of the asset sale, cash, bank accounts, tax returns and refunds, trademarks other than those owned by the Seller and certain other intellectual property and certain claims against third parties. ACC's principal executive offices are located at 555 Wireless Boulevard, Hauppauge, New York 11788. The telephone number of ACC's principal executive offices is (631) 233-3300.

Quintex Mobile Communications Corporation; Audiovox Communications Canada Co.

Quintex Mobile Communications Corp., or Quintex, and Audiovox Communications Canada Co., or ACCC, are each wholly-owned subsidiaries of ACC. Quintex's principal executive offices are located at 525 Wireless Boulevard, Hauppauge, New York 11788. The telephone number of Quintex's principal executive offices is (631) 952-4800. ACCC's principal executive offices are located at 5155 Spectrum Way, UNITF #5, Mississauga, Ontario, LIW 5A1. The telephone number of ACCC's principal executive offices is (905) 712-9299.

ACC, Quintex and ACCC are collectively referred to herein as the Seller.

UTStarcom, Inc.

UTStarcom, Inc., or UTStarcom, designs, manufactures and sells telecommunications equipment and products and provides services associated with their operation. UTStarcom's products are deployed and installed mainly by telecommunications wireless and wireline service providers. UTStarcom provides an extensive range of products for transportation of voice, data and video traffic for service providers around the world. UTStarcom's business is conducted globally in China, Japan, India, the Central and Latin American region, North America, the European, Middle Eastern and African region and southeastern and northern Asia. Historically, substantially all of UTStarcom's sales have been to service providers in China.

UTStarcom's principal executive offices are located at 1275 Harbor Bay Parkway, Alameda, California 94502. The telephone number of UTStarcom's principal executive offices is (510) 864-8800.

UTStarcom Canada Company

UTStarcom Canada Company, or UTStarcom Canada, is a wholly-owned subsidiary of UTStarcom. UTStarcom Canada's principal executive offices are located at Suite 900, 1959 Upper Water Street, Halifax, Nova Scotia, Canada B3J 3N2. The telephone number of UTStarcom Canada's principal executive offices is (902) 420-3200.

Special Factors

Background of the Sale of the Wireless Business

In early September 2003, Audiovox and Curitel Communications, Inc., a mobile phone manufacturer in South Korea and our wireless business' largest supplier ("*Curitel*"), engaged in discussions regarding their continuing relationship. As part of those discussions, Curitel and Audiovox discussed a transaction that would result in Curitel acquiring a majority of ACC, with Audiovox retaining a minority interest. In furtherance of those discussions, on September 17, Curitel entered into a confidentiality agreement with Audiovox and on October 1 Curitel sent a due diligence request list to Audiovox in order to explore whether such a transaction could be agreed upon. On October 8, Audiovox's board of directors met to discuss the strategic alternatives for Audiovox's wireless business, including the proposal from Curitel.

Beginning in October 2003, Audiovox engaged in discussions with Toshiba, which at the time owned 25% of ACC, regarding Toshiba's relationship with Audiovox as well as Curitel's proposal for a transaction with ACC and Curitel's due diligence request. After the conclusion of those discussions with Toshiba, Curitel conducted due diligence on the wireless business at Audiovox's offices from February 9 through February 13, 2004. Following those due diligence meetings, Curitel and Audiovox exchanged drafts of non-binding letters of intent. On February 18, Audiovox engaged Jefferies & Company, Inc. ("*Jefferies*") to act as its financial advisor in connection with the proposed transaction with Curitel.

On February 18, Audiovox and Curitel entered into a non-binding letter of intent pursuant to which Curitel would acquire either 65% of ACC for a purchase price of \$21.67 million or 75% of ACC for a purchase price of \$25.0 million and provide ACC with sufficient funds to enable ACC to repay its intercompany accounts payable to Audiovox, which was approximately \$103.8 million and \$133.2 million at February 29, 2004 and May 31, 2004, respectively. On February 19, Audiovox issued a press release announcing that it had entered into a non-binding letter of intent to sell a controlling interest in ACC to Curitel. The press release also stated that Audiovox would consider all proposals submitted to it and that it had retained Jefferies to assist in that process.

Beginning in January 2004 and while Audiovox was engaging in the discussions with Curitel described above, Merrill Lynch & Co. ("*Merrill Lynch*") financial advisor to UTStarcom, contacted Charles M. Stoehr, the chief financial officer of Audiovox, to discuss a possible transaction between UTStarcom and Audiovox. In addition, an officer of UTStarcom contacted Philip Christopher, the

President of ACC, for the same purpose. Audiovox informed UTStarcom that they should put any proposal in writing in order for Audiovox to review it.

On January 30, Audiovox received a letter from Hong Lu, the Chairman, CEO and President of UTStarcom, in which he expressed a strong interest in acquiring Audiovox's wireless business. In the letter, UTStarcom proposed an all cash transaction, but expressed a willingness to be flexible with respect to cash, stock or mix of consideration. UTStarcom also expressed a willingness to enter into a transaction which was not conditioned on financing because it had the financial resources to consummate a cash transaction. Following receipt of the letter, Audiovox and UTStarcom agreed to meet to discuss UTStarcom's proposal. On February 11, members of UTStarcom's management and their advisors met at Audiovox's offices with members of Audiovox's management and their advisors for that purpose.

Following the meeting of February 11, UTStarcom signed a confidentiality agreement with Audiovox and on February 20, UTStarcom sent Audiovox a non-binding term sheet summarizing the principal terms on which UTStarcom proposed to acquire ACC. Under UTStarcom's February 20 proposal, UTStarcom would purchase 100% of the equity of ACC for between \$142.0-\$167.0 million, a portion of the purchase price would be held in escrow for 12 months and UTStarcom would pay the intercompany accounts payable due to Audiovox within 90 days of the closing of the acquisition. Under the proposal, UTStarcom required key employees to enter into employment agreements with UTStarcom, which agreements would contain five-year non-competition provisions. On February 25, UTStarcom signed a non-solicit agreement with Audiovox and commenced its due diligence review of Audiovox's wireless business. As part of that review, members of UTStarcom and their management met at Audiovox's offices in Hauppauge, New York on February 25-27.

On February 27, following those due diligence meetings, UTStarcom sent a revised term sheet to Audiovox. The most significant change from their February 20 proposal was that UTStarcom proposed acquiring selected operating assets and liabilities of ACC for \$165.1 million, rather than purchasing all of the stock of ACC. Audiovox believed that the terms of a transaction with UTStarcom were financially superior to those proposed by Curitel and, as a result, focused on the proposed UTStarcom transaction.

After receiving UTStarcom's term sheet, members of Audiovox's management and its advisors engaged in discussions with Toshiba and its advisors regarding the proceeds that Toshiba would receive from a sale of the wireless business to UTStarcom as well as Audiovox's relationship with Toshiba, the termination of certain contractual arrangements, primarily the distribution agreement, between Audiovox, ACC and Toshiba and Toshiba obtaining a release from all claims that ACC or Audiovox have or may have against Toshiba (except with respect to or related to claims asserted by third parties, as well as certain intellectual property claims and warranty claims resulting from the distribution agreement).

On March 5, Shearman & Sterling LLP ("*Shearman*"), outside counsel to UTStarcom, delivered an initial draft of an asset purchase agreement pursuant to which UTStarcom would acquire substantially all of the assets, and assume certain liabilities, of Audiovox's wireless business. The initial draft of the agreement provided that if the agreement were terminated under specified circumstances, Audiovox would have to pay UTStarcom a break up fee of 5%. The draft also provided that most of Audiovox's representations survived for three years after the closing and that Audiovox would be obligated to indemnify UTStarcom, without any limitations, for breaches of those representations and warranties.

On March 8, members of management of UTStarcom and their advisors met at the offices of Levy, Stopol & Camelo LLP ("*Levy Stopol*"), outside counsel to Audiovox, to discuss the draft contract and various legal considerations relating to the proposed transaction. The most significant of those discussions dealt with UTStarcom's desire to structure the transaction in a way that would preclude Audiovox from accepting a superior proposal, if one were made, prior to the closing. On March 13, Levy Stopol delivered a markup of Shearman's draft of the asset purchase agreement to UTStarcom

and Shearman. Some of the more material changes proposed by Levy Stopol's markup were to delete the break up fee, reduce the survival period for most representations to one year after closing and include a deductible and a cap on the amount that Audiovox would be obligated to indemnify UTStarcom.

During the period from March 13 through June 11, the date on which the parties entered into the asset purchase agreement, the parties and their representatives conducted numerous telephone conversations and meetings regarding the transaction and the various agreements entered into in connection with the transaction. Many of the discussions revolved around the following issues: the need for Audiovox's stockholders to approve the transaction, the timing of UTStarcom's payment of the intercompany accounts payable due from ACC to Audiovox, Audiovox's ability to terminate the transaction for a superior proposal, the extent of Audiovox's representations and indemnification obligations, the period during which Audiovox's representations would survive, the terms of Audiovox's agreement to not compete with UTStarcom, the terms of the trademark license agreement and the transition services agreement between Audiovox and UTStarcom, the extent of the conditions to UTStarcom's obligation to close the transaction, the definition of "material adverse effect," the responsibility for warranty claims relating to wireless products and the provisions of Mr. Shalam's voting agreement, particularly the damages payable to UTStarcom if Mr. Shalam breached the voting agreement. Many of the drafts of the asset purchase agreement reflected movement on both parties' parts with respect to these issues.

On March 17 and 18, members of management of UTStarcom and Audiovox met at Shearman's offices in New York. Also present at those meetings were representatives of Merrill Lynch, Jefferies, Levy Stopol and Fried, Frank, Harris, Shriver & Jacobson LLP, special acquisition counsel to Audiovox. At the meeting, Audiovox, UTStarcom and their respective advisors discussed various provisions of the asset purchase agreement, focusing primarily on those provisions discussed above.

On March 22, Shearman distributed a revised draft of the asset purchase agreement that reflected the resolution of certain of the issues that had been discussed during the prior week. On March 25, representatives of UTStarcom, Audiovox and their respective advisors met at Audiovox's offices to discuss the asset purchase agreement. The discussion included those topics that had been discussed at the March 17-18 meetings and with respect to which the parties had not yet reached agreement.

On March 30, Shearman distributed a revised draft of the asset purchase agreement that reflected the resolution of certain of the issues that had been discussed during the prior week as well as a draft of the voting agreement. In their March 30 draft, UTStarcom agreed that the transaction would be subject to the approval of Audiovox's stockholders, proposed that the intercompany accounts payable due from ACC to Audiovox be paid thirty days after closing, that most of Audiovox's representations survive for two years after the agreement and that Audiovox's obligation to indemnify UTStarcom be subject to a deductible and a cap. The parties and their representatives continued their communications regarding the asset purchase agreement by telephone and email and on April 5 and again on April 16, Shearman distributed a revised agreement. The changes in those drafts primarily reflected discussions and proposals regarding the allocation of liability for warranty claims and the extent of the non-solicitation and the non-competition provisions.

In mid-April, the parties agreed to work toward resolving the open issues with the hope of entering into the asset purchase agreement on April 26, so that UTStarcom could announce the transaction along with a previously planned earnings announcement on April 27. On April 22, Shearman distributed a revised purchase agreement reflecting the resolution of certain of the issues that had been discussed during the prior few weeks. The most significant of those issues was the treatment of warranty claims, the size of the break-up fee, the calculation of the post-closing working capital adjustment and the non-competition provision. When it became clear that the parties would be unable to reach an agreement on the open issues by April 27, UTStarcom informed Audiovox that the signing of the agreement would have to be delayed. The parties continued to negotiate the open points and on May 5, and again on May 27, Shearman distributed a revised draft of the purchase agreement.

The May 5 and May 27 drafts primarily reflected discussions relating to the treatment of warranty claims, inventory, receivables and the post-closing purchase price adjustment. Toward the end of May, UTStarcom proposed that the parties aim to resolve all open issues with the objective of signing the agreement on June 8 or 9.

On June 4, the parties and their advisors had numerous telephonic meetings during which they continued to negotiate various terms of the agreement, including the treatment of the receivables and intercompany accounts payable due from ACC to Audiovox, the size of the escrow and the extent of the liabilities that UTStarcom would assume in the transaction. On June 8, Shearman distributed a revised draft of the asset purchase agreement and revised drafts of the ancillary agreements, including the voting agreement reflecting the resolution of the issues agreed by the parties. The most significant change in the June 8 draft of the asset purchase agreement reflected an agreement between the parties that ACC would retain, rather than sell to UTStarcom, its receivables and UTStarcom would not assume the intercompany accounts payable owed by ACC to Audiovox. The most significant change in the June 8 draft of the voting agreement from the initial draft of the voting agreement reflected an agreement that if Mr. Shalam breached the voting agreement and Audiovox's stockholders do not approve the asset purchase agreement at the stockholders meeting called for that purpose, UTStarcom could, if it terminated the asset purchase agreement, require Mr. Shalam to pay to UTStarcom, at a minimum, an amount equal to 3.5% of the purchase price paid by UTStarcom to Audiovox under the asset purchase agreement. Between June 8 and June 11, the parties engaged in extensive conversations regarding the remaining open issues and several drafts of the asset purchase agreement were distributed.

On Tuesday, June 8, representatives of Toshiba and Audiovox met at Audiovox's offices to finalize the agreements between Toshiba and Audiovox. Following that meeting, Audiovox purchased 5% of the stock of ACC from Toshiba for \$1.41 million. As a result of that purchase, Audiovox currently owns 80% of ACC's stock.

Subsequently, Audiovox and Toshiba also entered into an agreement pursuant to which Toshiba would sell its remaining 20% of ACC's stock to Audiovox at the closing of the transactions between Audiovox, ACC and UTStarcom and ACC and Toshiba would terminate certain agreements between them including the distribution agreement and release each other from certain legal claims. Toshiba would receive cash consideration of \$13.6 million pursuant to this agreement, including the repayment of an \$8.1 million convertible note from ACC to Toshiba. The total cash consideration that will be paid to Toshiba pursuant to these agreements is \$15 million. The purchase price for Toshiba's equity interest in ACC was determined during the course of negotiations between Audiovox and Toshiba and reflected the fact that Toshiba was being released from its obligation to supply ACC with wireless handsets and was being provided a release from certain claims. There was no specific value attributed to the termination of the distribution agreement and the release from claims and Toshiba is not receiving any other consideration, non-cash or otherwise, in connection with Audiovox's purchase of Toshiba's equity interest in ACC.

During the period in which the asset purchase agreement was negotiated between Audiovox and UTStarcom, Audiovox and Mr. Christopher negotiated the intangibles purchase agreement, the termination of Mr. Christopher's employment agreement with Audiovox and the settlement of his long-term incentive compensation award. The negotiations primarily focused on the amount that Audiovox would pay to Mr. Christopher in connection with the transaction. Under the terms of Mr. Christopher's employment agreement, Mr. Christopher was due approximately \$2.8 million upon the sale of the wireless business to UTStarcom. Audiovox believed that the terms of Mr. Christopher's long-term incentive compensation were intended to result in a payment of approximately \$1.9 million to Mr. Christopher upon the sale of the wireless business to UTStarcom. During the course of the negotiations between Audiovox and Mr. Christopher, the parties agreed that Mr. Christopher would receive \$4 million for the termination of his employment agreement and his long-term incentive compensation award. The parties also agreed that Mr. Christopher would receive an amount

determined by an independent appraiser, but not more than \$16 million, for his personally held intangibles. Mr. Christopher had never legally transferred or assigned his personally held intangibles to ACC or Audiovox; however, Mr. Christopher used these intangibles, which are integral to the wireless business, while fulfilling his obligations pursuant to his employment agreement with Audiovox. During the period in which the asset purchase agreement was negotiated between Audiovox and UTStarcom, UTStarcom explained to Audiovox that it would require Mr. Christopher to enter into an employment agreement with UTStarcom with a covenant not to compete. UTStarcom made this request, because, pursuant to the Agreement and General Release which would be signed by Mr. Christopher, Mr. Christopher's employment agreement with ACC would terminate upon the consummation of the asset sale and Mr. Christopher would therefore have no contractual obligation to continue to use his personally held intangibles to further the wireless business being purchased by UTStarcom. In addition, UTStarcom explained that it would require ACC to represent and warrant that the purchased assets constituted all the assets necessary in the conduct of the wireless business (other than certain excluded intellectual property). Furthermore, UTStarcom explained that it would require ACC, prior to the closing, to preserve its then current relationships with the customers and suppliers of the wireless business and other persons with which the wireless business had had significant business relationships. However, UTStarcom deferred to Audiovox as to the manner in which Audiovox would ensure Mr. Christopher's willingness to execute the employment agreement and ACC's ability to make the requisite representation and warranty and satisfy the pre-closing covenant.

In recognition of these facts, Audiovox initiated discussions with Mr. Christopher to determine his willingness to enter into the requisite employment agreement with UTStarcom and to transfer his personally held intangibles. In our discussions with Mr. Christopher, it became apparent that he was not willing to consummate these transactions unless he was fairly paid for the value of his personally held intangibles.

These negotiations culminated in ACC and Mr. Christopher executing the Personally Held Intangibles Purchase Agreement. Through the execution of this agreement, Mr. Christopher was able to receive a fair price for his personally held intangibles, thereby assuring ACC of Mr. Christopher's willingness to enter into an employment agreement with UTStarcom and of its ability to make the requisite representation and warranty and satisfy the pre-closing covenant.

On Thursday morning, June 10, the board of directors of Audiovox met to discuss the terms of the transactions with UTStarcom, Toshiba and Mr. Christopher. At the meeting, representatives of Jefferies reviewed the history of the contacts that Audiovox had with Curitel and UTStarcom. Jefferies then explained the different valuation methodologies that it used to render its opinion regarding the fairness to Audiovox from a financial point of view of the purchase price, consisting of \$165.1 million, subject to the net working capital adjustment, including a comparable public company analysis, a discounted cash flow analysis and the precedent transaction analysis. Jefferies then rendered its oral and written opinion to the effect that, as of the date of such opinion, and on the basis of its analysis and subject to the qualifications, assumptions and limitations set forth in such opinion, the purchase price, consisting of \$165.1 million, subject to the net working capital adjustment, to be received by ACC is fair, from a financial point of view, to Audiovox. Following Jefferies' presentation, the Audiovox board unanimously approved the agreement with UTStarcom. Also at the meeting, the board of directors met and determined that, in order to reflect the intent of the compensation committee and the board of directors with respect to the Long-Term Incentive Compensation Awards to Mr. Shalam and Mr. Christopher, the awards should be amended to clarify that a sale of wireless business by means of an asset sale should be included in the change of control provision in the awards. Mr. Shalam and Mr. Christopher absented themselves from the board of directors vote with respect to their own arrangements.

On Thursday evening, June 10, the board of directors of UTStarcom met and approved the acquisition of the wireless business, subject to making certain changes to the agreement, particularly with respect to UTStarcom obtaining comfort that it would be able to satisfy its internal control

reporting obligations after completion of the transaction. On Friday, June 11, the parties discussed and agreed upon the changes requested by the UTStarcom board.

The asset purchase agreement, the voting agreement, the Intangibles Purchase Agreement with Mr. Christopher, the release from Mr. Christopher and Mr. Christopher's employment agreement were all signed on Friday night, June 11. On Monday morning, June 14, prior to the opening of the markets, each of UTStarcom and Audiovox issued a press release announcing the transaction.

On September 8, the board of directors of Audiovox met to discuss the asset purchase agreement and the transactions related thereto. At the meeting, representatives of Jefferies reviewed the history of the contacts that Audiovox had with Curitel and UTStarcom. Jefferies then explained the different valuation methodologies that it used to render its opinion regarding the fairness to Audiovox from a financial point of view of the net consideration, consisting of the \$165.1 million purchase price to be received in the transaction by ACC, subject to the net working capital adjustment, payments to former employees of the wireless business (including Mr. Christopher) and transaction costs, including a comparable public company analysis, a discounted cash flow analysis and the precedent transaction analysis. Jefferies then rendered its oral and written opinion to the effect that, as of the date of such opinion, and on the basis of its analysis and subject to the qualifications, assumptions and limitations set forth in such opinion, the net consideration to be received by ACC is fair, from a financial point of view, to Audiovox.

Reasons for the Sale of the Wireless Business

Audiovox is proposing to sell the wireless business to UTStarcom because Audiovox believes that the sale and the terms of the related asset purchase agreement are in the best interests of Audiovox and its stockholders. The Audiovox board of directors has identified various benefits that are likely to result from the sale of the wireless business, including, giving Audiovox an opportunity to exit the wireless industry and allowing Audiovox to devote substantially all of its energies and resources to the consumer electronics business, which has experienced an approximately 74% increase in sales from fiscal 2001 to fiscal 2003, and to consider other market opportunities, including acquisitions. In addition, Audiovox has decided to exit the wireless business due to the volatility and competitive nature of that business.

However, if the asset sale is not consummated, Audiovox will continue to operate the wireless business. In such case, Audiovox will continue to be exposed to the highly competitive market risks relating to this business, which include, but are not limited to:

Intense price competition Due to the short product life cycle of wireless products many products experience significant price erosion over the life of wireless products causing gross margins to decline;

Source of supply Audiovox does not manufacture its product and is therefore dependent on the timing and price of product shipments from its suppliers;

Industry consolidation The growth and capital resources of competitors allows many of Audiovox's competitors to offer more extensive advertising and promotional programs than we do; and

Rapid technological development.

In addition to the above, our wireless business has experienced significant inventory write-downs and declines in gross margins, which have resulted in overall returns for the wireless business to decline. The wireless business accounted for 65% of our consolidated revenues for the six months ended May 31, 2004, however the wireless business accounted for only 33% of consolidated gross profit for the same period. Specifically, the volatility and competitive nature of the wireless industry resulted in ACC writing-down inventory of approximately \$37 million and gross margins ranging between 2.0% and 4.7% during the three-year period ending November 30, 2003. In addition, while sales relating to the wireless business have represented 68% of the Company's consolidated sales for the cumulative three-year period ending November 30, 2003, the cumulative pre-tax loss for the wireless business was

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approximately \$37 million for the same period. As noted below under "UTStarcom's Announced Reasons for the Purchase of the Wireless Business", UTStarcom believes it will be able to increase operating efficiencies of our wireless business.

In arriving at its determination that the asset sale is in the best interest of Audiovox and its stockholders, the Audiovox board of directors carefully considered the terms of the asset purchase agreement as well as the potential impact of the asset sale on Audiovox. As part of this process, the Audiovox board of directors considered the advice and assistance of its outside financial advisors and legal counsel. In determining to authorize the asset sale, the Audiovox board of directors considered the factors set forth above as well as the following factors:

the opinion dated June 10, 2004 that Audiovox received from Jefferies, Audiovox's financial advisor, that the purchase price, consisting of \$165.1 million, subject to the net working capital adjustment, to be received by ACC pursuant to the asset purchase agreement is fair to Audiovox from a financial point of view;

our retention of the receivables relating to the wireless business, which as of May 31, 2004, net of reserves, equaled approximately \$104 million;

the risk that some or all of the receivables relating to the wireless business will not be paid;

the absence of other offers that are superior to UTStarcom's offer in light of all the terms and conditions presented by UTStarcom;

the terms and conditions of the asset purchase agreement, including the ability to terminate the transaction for a superior proposal;

the amount of cash included in UTStarcom's offer and the fact that UTStarcom would assume certain of the liabilities of the wireless business;

the risk that the asset sale might not be consummated, which could result in a decline in the price of Audiovox's common stock, limit its ability to grow and implement its current business strategies and, in certain circumstances, result in being required to pay UTStarcom a termination fee of 3.5% of the purchase price, plus up to \$1 million of UTStarcom's expenses;

the resultant loss of sales and gross profit from the wireless business;

the risk of management and employee disruption associated with the asset sale and the transition services agreement being executed in connection with the asset purchase agreement;

the interests of Audiovox's directors and executive officers that may be different from, or in addition to, those of Audiovox's stockholders generally;

Audiovox's obligations to provide services to UTStarcom for a period of time following the closing pursuant to the terms of the transition services agreement;

the significant costs involved in consummating the asset sale, including legal, accounting and other acquisition costs, which we estimate to be approximately \$4 million;

the potential negative effect on Audiovox's stock price as a result of the public announcement of the asset sale;

the risk that after the asset sale Audiovox will have a less diversified business which would leave it dependent on the performance of its consumer electronics business;

the risk that Audiovox will not be able to satisfy some or all of the conditions to UTStarcom's obligations to consummate the asset sale, including the condition that we must obtain third party consents in order to assign specified carrier contracts to UTStarcom;

the risk that Audiovox could be exposed to future indemnification payments for a breach or violation of the representations and warranties or covenants contained in the asset purchase agreement; and

the risk that the purchase price for the wireless business assets will be adjusted down if there is a sufficient change in the net working capital of the wireless business.

In view of the variety of factors considered in connection with its evaluation of the asset sale, the Audiovox board of directors did not find it practical to, and did not quantify or otherwise attempt to assign, relative weights to the specific factors considered in reaching its conclusions.

In considering the opinion dated June 10, 2004 that Audiovox received from Jefferies, the Audiovox board of directors was aware of the fact that Jefferies will receive an additional payment if this transaction is consummated and took it into account in its deliberations. While Jefferies would not be compensated as significantly if the transaction is not consummated, the Audiovox board of directors was of a view that Jefferies would render its opinion based on its professional judgement, unaffected by this additional payment. Even so, stockholders should consider Jefferies' compensation arrangements in assessing the importance of the opinions when deciding how to vote on this proposal. See page 47 for a description of the compensation to be paid to Jefferies.

Audiovox's board of directors noted that the termination fee provisions of the asset purchase agreement could have the effect of discouraging alternative proposals for the purchase of the wireless business. However, the Audiovox board of directors concluded that the amount of the termination fee, payable in certain circumstances upon termination of the asset purchase agreement, and the circumstances under which such termination fee may be payable, were necessary to induce UTStarcom to enter into the asset purchase agreement.

UTStarcom's Announced Reasons for the Purchase of the Wireless Business

According to UTStarcom, UTStarcom believes that the transaction will extend UTStarcom's handset leadership internationally and accelerate its time to market with a proven brand and will provide UTStarcom with a valuable sales, service, and support platform and top-tier U.S. operator customers, such as Verizon and Sprint. UTStarcom has also said that it believes it will be able to increase operating efficiencies in the wireless handset business following its acquisition of our wireless business by broadening the supply chain with UTStarcom's own CDMA handset designs, manufactured in China, using components, suppliers, and facilities already in place for high-volume production of PAS handsets.

Recommendation of the Board of Directors

The Audiovox board of directors has determined that the sale of the wireless business is in the best interests of Audiovox and its stockholders. The Audiovox board of directors has unanimously approved the asset purchase agreement and unanimously recommends that stockholders vote in favor of the proposal to approve the sale of the wireless business to UTStarcom pursuant to the terms of the asset purchase agreement and the transactions contemplated by the asset purchase agreement.

Opinions of the Financial Advisor to the Board of Directors of Audiovox

Overview

Audiovox's board of directors engaged Jefferies to act as financial advisor in connection with the potential sale of ACC or any of ACC's material assets. On June 10, 2004, Jefferies rendered its oral and written opinion, to the effect that, as of such date and based upon the assumptions made, matters considered and limits of review, as set forth in its opinion, the purchase price, consisting of \$165.1 million subject to the net working capital adjustment, to be received in the transaction by ACC, is fair, from a financial point of view, to Audiovox. On September 8, 2004, Jefferies rendered its oral and written opinion, to the effect that, as of such date and based upon the assumptions made, matters considered and limits of review, as set forth in its opinion, the net consideration to be received in the transaction by ACC, consisting of the \$165.1 million purchase price, subject to the net working capital adjustment, payments to former employees of the wireless business of \$25 million (including \$20 million to Mr. Christopher) and transaction costs of approximately \$4.0 million, is fair, from a

financial point of view, to Audiovox. Jefferies assumed the net consideration to be received in the transaction by ACC, for purposes of its oral opinion, to be \$129.6 million, based on an estimated working capital adjustment of \$23.0 million as of May 31, 2004.

The full text of the Jefferies opinions, which set forth assumptions made, matters considered and limitations on the scope of review undertaken, are attached to this proxy statement as Annexes B and C and are incorporated herein by reference. The description of the Jefferies opinions set forth herein is qualified in its entirety by reference to the full text of the Jefferies opinions. Audiovox urges its stockholders to read the Jefferies opinions in their entirety.

The Jefferies opinions were provided for the use and benefit of the Audiovox board of directors in its consideration of the transaction and the opinion dated June 10, 2004 addresses only the fairness to Audiovox, from a financial point of view, of the purchase price, consisting of \$165.1 million subject to the net working capital adjustment, to be received in the transaction by ACC, and the opinion dated September 8, 2004 addresses only the fairness to Audiovox, from a financial point of view, of the net consideration to be received in the transaction by ACC, consisting of the \$165.1 million purchase price subject to the net working capital adjustment, payments to former employees of the wireless business (including Mr. Christopher) and transaction costs, and neither opinion addresses the relative merits of the transactions contemplated by the asset purchase agreement as compared to any alternative transactions that might be available to Audiovox or ACC, nor do they address the underlying business decision by Audiovox and ACC to engage in the transaction or the terms of the asset purchase agreement or the documents referred to therein. The Jefferies opinions do not constitute a recommendation as to how any holder of shares of common stock should vote on any matter relevant to the transaction. In addition, Jefferies did not opine as to the market value or the prices at which any Audiovox securities may trade at any time in the future.

In conducting its analysis and arriving at its opinions, Jefferies, among other things: (i) reviewed the asset purchase agreement (including all schedules and exhibits thereto); (ii) reviewed certain financial and other information about the wireless business that was publicly available; (iii) reviewed certain financial forecasts prepared by Wall Street research analysts who report on Audiovox, and other industry research; (iv) reviewed information pertaining to the wireless business furnished to Jefferies by Audiovox's management and ACC's management, including certain internal financial analyses, budgets, reports, forecasts and other information; (v) held discussions with various members of senior management of Audiovox and ACC concerning historical and current operations, financial conditions and prospects, including recent financial performance and projected operating results of the wireless business; (vi) reviewed the background of the transaction; (vii) reviewed the valuation of the wireless business implied by the transaction and the non-binding letter of intent previously entered into by Audiovox with a third party to sell a controlling stake in the wireless business; (viii) reviewed the valuations of publicly traded companies that Jefferies deemed comparable to the wireless business; (ix) reviewed the financial terms of selected merger/acquisition transactions involving companies in lines of business that Jefferies deemed comparable to the wireless business; and (x) prepared a discounted cash flow analysis of the wireless business based on the cash flow projections provided by Audiovox's management and ACC's management. In addition, Jefferies conducted such other quantitative reviews, analyses and inquiries relating to the wireless business, Audiovox and ACC as Jefferies considered appropriate in rendering its opinions.

In its review and analysis and in rendering its opinions, Jefferies relied upon, but did not assume any responsibility to independently investigate or verify, the accuracy, completeness and fair presentation of all financial and other information that was provided to Jefferies by Audiovox and ACC or that was publicly available (including, without limitation, the information described above and the financial projections and financial models prepared by Audiovox and ACC regarding the estimated future performance of the wireless business), or that was otherwise reviewed by Jefferies. The Jefferies opinions were expressly conditioned upon such information (whether written or oral) being complete, accurate and fair in all respects.

With respect to the financial projections and financial models provided to and examined by Jefferies, Jefferies noted that projecting future results of any company is inherently subject to uncertainty. Audiovox and ACC informed Jefferies, however, and Jefferies assumed, that such projections and models of the wireless business were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Audiovox and ACC as to the future performance of the wireless business. In addition, in rendering its opinions, Jefferies assumed that the wireless business will perform in accordance with such projections and models for all periods specified therein. Although such projections and models did not form the principal basis for the Jefferies opinions, but rather constituted one of many items that Jefferies employed, changes to such projections and models could affect the opinions rendered.

Accordingly, the Jefferies analyses must be considered as a whole. Considering any portion of such analyses or the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying the conclusions expressed in the opinions. Jefferies expressly disclaimed any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinions of which Jefferies becomes aware after the date of each of the written opinions.

In its review, Jefferies did not obtain any independent evaluation or appraisal of the assets or liabilities of ACC, nor did Jefferies conduct a comprehensive physical inspection of any of the assets of ACC, nor was Jefferies furnished with any such evaluations or appraisals for ACC or reports of such physical inspections for ACC, nor did Jefferies assume any responsibility to obtain any such evaluations, appraisals or inspections for Audiovox or ACC. The Jefferies opinions are based on economic, monetary, regulatory, market and other conditions existing and which could be evaluated as of the date of each written opinion; however, such conditions are subject to rapid and unpredictable change and such changes could affect the conclusions expressed in each opinion. Jefferies made no independent investigation of any legal or accounting matters affecting Audiovox or ACC, and Jefferies assumed the correctness of all legal and accounting advice given to Audiovox and its board of directors, including, without limitation, advice as to the legal, accounting and tax consequences of the terms of, and transactions contemplated by, the asset purchase agreement, to Audiovox and its stockholders.

In rendering the opinions Jefferies also assumed that: (i) the transaction will be consummated on the terms described in the asset purchase agreement without any waiver of any material terms or conditions and that the conditions to the consummation of the transaction will be satisfied without material expense, other than the payment of transaction-related expenses; (ii) at the date of each written opinion there was not, and there will not as a result of the consummation of the transaction be, any default, or event of default, under any indenture, credit agreement or other material agreement or instrument to which Audiovox or any of its subsidiaries or affiliates are a party; and (iii) all of the material assets and liabilities (contingent or otherwise, known or unknown) of the wireless business are as set forth in the consolidated financial statements provided to Jefferies by Audiovox and ACC.

The Jefferies opinion dated June 10, 2004 was one of many factors considered by Audiovox's board of directors in deciding to approve the asset purchase agreement and recommend that Audiovox stockholders vote for the transaction.

The following is a summary of the material financial analyses performed by Jefferies in connection with rendering its opinions and is being provided to you for your reference. The summary of the financial analyses is not a complete description of all of the analyses performed by Jefferies. Certain information is presented in a tabular form. IN ORDER TO BETTER UNDERSTAND THE FINANCIAL ANALYSES PERFORMED BY JEFFERIES, THESE TABLES MUST BE READ TOGETHER WITH THE TEXT OF EACH SUMMARY. JEFFERIES' OPINIONS ARE BASED UPON THE TOTALITY OF THE VARIOUS ANALYSES PERFORMED BY JEFFERIES AND NO PARTICULAR PORTION OF THE ANALYSES HAS ANY MERIT STANDING ALONE. Furthermore, Jefferies did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor.

Valuation Analyses

As part of its approach to analyzing the transaction, Jefferies utilized several complementary valuation methodologies:

Comparable Public Company Analysis. Jefferies derived a value of the wireless business in part by reference to publicly traded companies that Jefferies believed to possess similar characteristics, including lines of business, gross margins, EBITDA (earnings before interest, taxes, depreciation and amortization) margins, working capital requirements and size and scale of operations.

Discounted Cash Flow Analysis. Jefferies derived a value of the wireless business in part as the sum of the present value of the wireless business's unlevered discounted free cash flows for a forecast period and the wireless business's terminal, or residual, value at the end of the forecast period.

Precedent Merger and Acquisition Transactions Analysis. Jefferies derived a value of the wireless business in part relative to the acquisition multiples paid or proposed to be paid in recent merger and acquisition transactions involving companies that Jefferies believed to possess similar characteristics, including lines of business, operating results and size and scale of operations.

Comparable Public Company Analysis. Using publicly available information and information provided by Audiovox, Jefferies analyzed, among other things, the trading multiples of the wireless business and the corresponding trading multiples of selected publicly traded companies, as identified in the table below. The criteria that Jefferies used to select the comparable companies included lines of business, gross margins, EBITDA margins, working capital requirements and size and scale of operations.

Comparable Public Companies

Bell Microproducts Inc. (BELM)
Brightpoint, Inc. (CELL)
CellStar Corporation (CLST)
CompuCom Systems, Inc. (CMPC)
Ingram Micro Inc. (IM)
Tech Data Corporation (TECD)

In its analysis, Jefferies derived and compared multiples for the wireless business, and a range of multiples for the selected companies, calculated as follows:

total enterprise value, which Jefferies defined as equity market capitalization plus book value of debt plus liquidation value of preferred stock minus cash and equivalents, which is referred to as "TEV", divided by revenue for the last twelve months prior to the date of the most recent financial statements (as of February 28, 2004 for the opinion dated June 10, 2004 and as of May 31, 2004 for the opinion dated September 8, 2004), which is referred to as the "LTM Period";

TEV divided by EBITDA for the LTM Period;

the equity market value divided by net income for the LTM Period;

the equity market value divided by book value for the LTM Period;

TEV divided by revenue estimated for calendar year 2004;

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TEV divided by EBITDA estimated for calendar year 2004; and

the equity market value divided by net income estimated for calendar year 2004.

All multiples were based on closing stock prices on June 8, 2004 for the opinion dated June 10, 2004 and September 1, 2004 for the opinion dated September 8, 2004.

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Results of Jefferies' comparable public company analysis for the opinion dated June 10, 2004 are summarized as follows:

	Margin Percentages			LTM				2004E		
	Gross	EBITDA	Working Capital	TEV/ Revenue	TEV/ EBITDA	Equity Value/ Net Income	Equity Value/ Book Value	TEV/ Revenue	TEV/ EBITDA	Equity Value/ Net Income
ACC Business	4.4%	0.6%	6.1%	0.19x	32.4x	61.6x	7.2x	0.13x	10.1x	15.8x
All Comparable Companies:										
Mean	6.9%	1.5%	6.4%	0.12x	7.8x	17.0x	1.1x	0.11x	6.5x	13.7x
Median	5.7%	1.4%	7.2%	0.11x	6.7x	17.5x	1.0x	0.10x	5.8x	14.9x
High	11.9%	2.4%	11.6%	0.18x	12.3x	19.8x	1.7x	0.16x	10.5x	17.0x
Low	5.0%	0.4%	-0.2%	0.08x	3.8x	13.3x	0.7x	0.07x	3.5x	7.8x

Brightpoint and CellStar:

Median	5.3%	1.3%	5.3%	0.10x	3.8x	13.3x	1.2x	0.09x	4.7x	9.7x
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Jefferies derived a range of implied enterprise values for the wireless business based on the multiples calculated for the comparable public companies. These implied enterprise values assumed that the wireless business has no net debt and therefore that enterprise value equals equity value determined according to the net income and book value multiples. Jefferies compared this range of implied enterprise values for the wireless business to this transaction's estimated net purchase price of \$160.7 million, calculated for the opinion dated June 10, 2004 as the \$165.1 million purchase price plus the working capital adjustment and minus net retained liabilities. In the comparable public company analysis for the opinion dated June 10, 2004, the estimated net purchase price was higher than all of the enterprise values for the wireless business implied by the four prior-period multiples for the selected companies, and higher than the mean and median of the enterprise values for the wireless business implied by the three future-period multiples for the selected companies.

Results of Jefferies' comparable public company analysis for the opinion dated September 8, 2004 are summarized as follows:

	Margin Percentages			LTM				2004E		
	Gross	EBITDA	Working Capital	TEV/ Revenue	TEV/ EBITDA	Equity Value/ Net Income	Equity Value/ Book Value	TEV/ Revenue	TEV/ EBITDA	Equity Value/ Net Income
ACC Business	4.1%	0.6%	5.5%	0.14x	23.3x	35.4x	5.3x	0.11x	7.5x	11.4x
All Comparable Companies:										
Mean	7.0%	1.6%	7.2%	0.12x	7.9x	20.3x	1.2x	0.12x	7.1x	15.2x
Median	5.7%	1.5%	7.0%	0.11x	8.1x	17.3x	1.1x	0.11x	7.3x	16.0x
High	12.1%	2.3%	13.3%	0.19x	11.9x	32.1x	1.8x	0.17x	10.5x	18.7x
Low	5.4%	1.3%	-0.1%	0.08x	3.9x	12.8x	0.6x	0.08x	3.3x	11.3x

Brightpoint and CellStar:

Median	5.6%	1.7%	6.6%	0.10x	6.9x	13.8x	1.2x	0.11x	6.3x	11.5x
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Jefferies derived a range of implied enterprise values for the wireless business based on the multiples calculated for the comparable public companies. These implied enterprise values assumed that the wireless business has no net debt and therefore that enterprise value equals equity value determined according to the net income and book value multiples. Jefferies compared this range of implied enterprise values for the wireless business to this transaction's estimated net purchase price of

\$129.6 million, calculated for the opinion dated September 8, 2004 as the \$165.1 million purchase price plus the working capital adjustment and minus net retained liabilities, payments to former employees of the wireless business (including Philip Christopher) and transaction costs. In the comparable public company analysis for the opinion dated September 8, 2004, the estimated net purchase price was (1) higher than the mean and median of the enterprise values for the wireless business implied by the four prior-period multiples for the selected companies, (2) substantially in line with the median enterprise values for the wireless business implied by the two future-period TEV multiples for the selected companies, and (3) slightly higher than the lowest enterprise value for the wireless business implied by the future-period equity value-net income multiples for the selected companies.

Discounted Cash Flow Analysis. To calculate the wireless business's free cash flows for the Jefferies discounted cash flow analysis, Jefferies used Audiovox management's financial projections through the fiscal year ending November 30, 2006. Jefferies calculated the forecasted terminal value of the enterprise at November 30, 2006 by multiplying the forecasted EBITDA in the fiscal year ending November 30, 2006 by a 6.7x EBITDA multiple to reach a total enterprise value. This EBITDA exit multiple was based on the median TEV/LTM EBITDA multiple from the precedent merger and acquisition transactions analysis. To discount the projected unlevered free cash flows and the terminal value to present value, Jefferies calculated a weighted average cost of capital appropriate for the wireless business, and applied discount rates ranging from 9.2% to 17.5% for the opinion dated June 10, 2004, and from 9.8% to 16.4% for the opinion dated September 8, 2004, and then calculated the implied total enterprise value. Jefferies calculated net present value by discounting the wireless business's projected unlevered free cash flows to May 31, 2004. These discount rates are based on the low, median and high weighted average cost of capital rate for the companies in each comparable public company analysis.

The following table summarizes the implied wireless business valuations (in millions of dollars) resulting from the Jefferies discounted cash flow analysis for the opinion dated June 10, 2004:

Discount Rate	Implied Total Enterprise Value Based on EBITDA Exit Multiple 6.7x
9.2%	\$134.0
12.5%	\$124.6
17.5%	\$111.8

Jefferies compared the range of implied enterprise values for the wireless business resulting from the discounted cash flow analysis to this transaction's estimated net purchase price of \$160.7 million for the opinion dated June 10, 2004. The estimated net purchase price was higher than the all of the enterprise values for the wireless business implied by the discounted cash flow analysis for the opinion dated June 10, 2004.

The following table summarizes the implied wireless business valuations (in millions of dollars) resulting from the Jefferies discounted cash flow analysis for the opinion dated September 8, 2004:

Discount Rate	Implied Total Enterprise Value Based on EBITDA Exit Multiple 6.7x
9.8%	\$132.4
13.3%	\$122.4
16.4%	\$114.4

Jefferies compared the range of implied enterprise values for the wireless business resulting from the discounted cash flow analysis to this transaction's estimated net purchase price of \$129.6 million for the opinion dated September 8, 2004. The estimated net purchase price was higher than the median enterprise value for the wireless business implied by the discounted cash flow analysis for the opinion dated September 8, 2004.

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Precedent Merger and Acquisition Transactions Analysis. Using publicly available information, Jefferies analyzed, among other things, the acquisition multiples paid or proposed to be paid in acquisition and asset sale transactions since April 1999 involving companies that Jefferies believed to possess characteristics similar to ACC's wireless business, including lines of business, operating results and size and scale of operations. These precedent transactions are set forth in the table below.

Precedent M&A Transactions

Target	Acquiror	Date Announced
Azlan Group PLC	Tech Data Corporation	02/06/03
Audiovox Corporation wireless division (20% equity stake)	Toshiba Corporation	05/29/02
NCH Corporation	private group led by Irvin Levy	10/01/01
Fresh International Corp. (Fresh Express)	Performance Food Group Company	08/09/01
Minnotech Corporation	Cantel Medical Corp.	05/31/01
Richton International Coporation	Deere & Company	05/30/01
Merisel Open Computing Alliance Inc.	Arrow Electronics, Inc.	09/18/00
Barnett, Inc.	Wilmar Industries, Inc.	07/10/00
Cameron Ashley Building Products Inc.	Guardian Industries Corp.	02/11/00
Globelle Corporation	Tech Data Corporation	04/28/99

In its analysis, Jefferies derived and compared implied transaction value multiples for the transaction and the precedent transactions, calculated as follows:

aggregate consideration to be paid in the selected precedent transactions, including consideration paid for equity plus the assumption of debt, which is referred to as "transaction value," divided by revenue for the last twelve months prior to the precedent transaction closing date; and

transaction value divided by EBITDA (excluding non-recurring charges and other one-time items) for the last twelve months prior to the precedent transaction closing date.

All multiples for the precedent transactions were based on public information available at the time of the closing of such transactions.

Results of Jefferies' precedent merger and acquisition transactions analysis for the opinion dated June 10, 2004 are summarized as follows:

	Transaction Value	
	LTM Revenue	LTM EBITDA
Mean	0.46x	6.8x
Median	0.39x	6.7x
High	0.89x	10.2x
Low	0.07x	4.1x

Jefferies compared the range of implied enterprise values for the wireless business resulting from the precedent merger and acquisition transactions analysis to this transaction's estimated net purchase price of \$160.7 million for the opinion dated June 10, 2004. The estimated net purchase price was higher than all of the enterprise values for the wireless business implied by the precedent transactions analysis for the opinion dated June 10, 2004.

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Results of Jefferies' precedent merger and acquisition transactions analysis for the opinion dated September 8, 2004 are summarized as follows:

	Transaction Value	
	LTM Revenue	LTM EBITDA
Mean	0.46x	6.8x
Median	0.39x	6.7x
High	0.89x	10.2x
Low	0.07x	4.1x

Jefferies compared the range of implied enterprise values for the wireless business resulting from the precedent merger and acquisition transactions analysis to this transaction's estimated net purchase price of \$129.6 million for the opinion dated September 8, 2004. The estimated net purchase price was higher than all of the enterprise values for the wireless business implied by the precedent transactions analysis for the opinion dated September 8, 2004.

Summary of Valuation Metrics. Results of Jefferies' complementary valuation methodologies for the opinion dated June 10, 2004 are summarized as follows (in millions of dollars):

Methodology	ACC Business Statistic	Selected Multiple Range		Implied Enterprise Value Range(1)	
		Low	High	Low	High
Comparable Public Company Analysis:					
LTM (as of February 28, 2004):					
TEV / Revenue	\$830.0	0.08x	0.18x	\$67.9	\$145.5
TEV / EBITDA	\$5.0	3.8x	12.3x	\$19.1	\$61.2
Equity Value / Net Income	\$2.6	13.3x	19.8x	\$34.8	\$51.7
Equity Value / Book Value	\$22.4	0.7x	1.7x	\$16.8	\$38.2
Average				\$34.6	\$74.1
Fiscal Year 2004 estimated:					
TEV / Revenue	\$1,227.8	0.07x	0.16x	\$86.0	\$190.5
TEV / EBITDA	\$15.9	3.5x	10.5x	\$56.1	\$166.5
Equity Value / Net Income	\$10.2	7.8x	17.0x	\$79.7	\$173.3
Average				\$73.9	\$176.8
Discounted Cash Flow Analysis:	N/A	N/A	N/A	\$111.8	\$134.0
Precedent Transactions Analysis:					
LTM (as of February 28, 2004):					
Transaction Value / EBITDA	\$5.0	4.1x	10.2x	\$20.5	\$50.9
Estimated Net Purchase Price(2)				\$160.7	

(1) Assumes wireless business has no net debt and therefore enterprise value equals equity value determined according to net income and book value multiples.

(2) \$165.1 purchase price plus working capital adjustment and minus net retained liabilities.

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Results of Jefferies' complementary valuation methodologies for the opinion dated September 8, 2004 are summarized as follows (in millions of dollars):

Methodology	ACC Business Statistic	Selected Multiple Range		Implied Enterprise Value Range(1)	
		Low	High	Low	High
Comparable Public Company Analysis:					
LTM (as of May 31, 2004):					
TEV / Revenue	\$923.9	0.08x	0.19x	\$78.2	\$173.0
TEV / EBITDA	\$5.6	3.9x	11.9x	\$21.6	\$66.4
Equity Value / Net Income	\$3.7	12.8x	32.1x	\$47.0	\$117.9
Equity Value / Book Value	\$24.7	0.6x	1.8x	\$13.8	\$45.5
Average				\$40.2	\$100.7
Fiscal Year 2004 estimated:					
TEV / Revenue	\$1,229.3	0.08x	0.17x	\$101.6	\$207.2
TEV / EBITDA	\$17.2	3.3x	10.5x	\$57.2	\$180.5
Equity Value / Net Income	\$11.4	11.3x	18.7x	\$128.8	\$212.1
Average				\$95.9	\$199.9
Discounted Cash Flow Analysis:	N/A	N/A	N/A	\$114.4	\$132.4
Precedent Transactions Analysis:					
LTM (as of May 31, 2004):					
Transaction Value / EBITDA	\$5.6	4.1x	10.2x	\$23.0	\$57.1
Estimated Net Purchase Price(2)				\$129.6	

- (1) Assumes wireless business has no net debt and therefore enterprise value equals equity value determined according to net income and book value multiples.
- (2) \$165.1 purchase price plus working capital adjustment and minus net retained liabilities, payments to former employees of the wireless business (including Philip Christopher) and transactions costs.

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While the foregoing summary describes certain analyses and factors that Jefferies deemed material in its presentations to Audiovox's board of directors, it is not a comprehensive description of all analyses and factors considered by Jefferies. The preparation of a fairness opinion is a complex process that involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to particular circumstances and, therefore, such an opinion is not readily susceptible to summary description. Jefferies believes that its analyses must be considered as a whole and that selecting any portion of its analyses or of the factors considered by it, without considering all analyses and factors, could create a misleading or an incomplete view of the evaluation process underlying the Jefferies opinions.

Several analytical methodologies were employed and no one method of analysis should be regarded as critical to the overall conclusions reached by Jefferies. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the value of particular techniques. Accordingly, the conclusions reached by Jefferies are based on all analyses and factors taken as a whole and also on application of Jefferies' own experience and judgment. Such conclusions may involve significant elements of subjective judgment and qualitative analysis. Jefferies therefore gives no opinion as to the value or merit standing alone of any one or more parts of the analysis it performed. In performing its analyses, Jefferies considered general economic, market and financial conditions and other matters as they existed as of the date Jefferies rendered each of its written opinion, many of which are beyond the control of Audiovox. The analyses performed by Jefferies are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than those suggested by such analyses. Accordingly, analyses relating to the value of a business do not purport to be appraisals or to reflect the prices at which the business actually may be purchased.

Jefferies and Audiovox

Audiovox's board of directors engaged Jefferies based on Jefferies' experience as a financial advisor in connection with mergers and acquisitions and in business and securities valuations generally. Jefferies is a nationally recognized investment banking firm. Jefferies, as part of its investment banking business, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements, financial restructurings and other financial services. Jefferies and its affiliates may own securities of Audiovox, UTStarcom and/or their subsidiaries and affiliates and may maintain a market in the securities of Audiovox, UTStarcom and/or their subsidiaries and affiliates and may publish research reports regarding such securities. In the ordinary course of its business, Jefferies and its affiliates may trade or hold such securities for its own account and for the accounts of its customers and, accordingly, may at any time hold long or short positions in those securities.

Pursuant to the terms of the engagement letter between Jefferies and Audiovox, Jefferies received a fee of \$100,000 upon execution of the engagement letter, a fee of \$500,000 upon the delivery of its oral and written fairness opinion dated June 10, 2004, and a fee of \$100,000 upon the delivery of its oral and written fairness opinion dated September 8, 2004. Upon consummation of the transaction, Jefferies will receive an additional fee of \$400,000.

Whether or not the transaction is consummated, Audiovox has also agreed to reimburse Jefferies for certain reasonable and ordinary out-of-pocket expenses, including legal fees, and to indemnify Jefferies and certain related entities against certain liabilities, including liabilities arising out of or in connection with the services rendered and to be rendered by Jefferies under its engagement with Audiovox. The terms of the fee arrangement with Jefferies, which Audiovox and Jefferies believe are customary in transactions of this nature, were negotiated at arms' length between Audiovox's board of directors and Jefferies.

Proceeds of the Sale of the Wireless Business

Audiovox will retain the proceeds of the sale of the wireless business. Upon receipt of the proceeds from the asset sale, Audiovox will repay all of its outstanding domestic bank obligations, which, as of May 31, 2004, were approximately \$61 million. Such indebtedness represents outstanding domestic obligations of revolving credit notes and Eurodollar notes under the Company's revolving credit agreement, which allows for maximum borrowings of \$150 million. The credit agreement will expire on the earlier of July 15, 2005 or the date of consummation of: (i) sale of substantially all the assets of ACC to UTStarcom, Inc. pursuant to the asset purchase agreement and/or (ii) the purchase by the Borrower of Toshiba Corporation's interest in ACC and the repayment by ACC of the Toshiba Note pursuant to the Toshiba Agreement. Although Audiovox does not have any plan on how to use the remaining proceeds, it is the intention of Audiovox to use the proceeds to fund and grow its consumer electronics business. However, Audiovox may use all or a portion of the remaining proceeds for other purposes and Audiovox will also consider other market opportunities, including acquisitions.

Stockholder Approval of the Sale of the Wireless Business; Vote Required

Audiovox is organized under the corporate laws of the State of Delaware. Under Section 271 of the Delaware General Corporation Law, the sale by Audiovox of "all or substantially all" of its assets requires approval by the affirmative vote of the holders of a majority of the voting power of all outstanding shares of its common stock on the record date. The Delaware statute does not define the phrase "all or substantially all" and since Audiovox is retaining on-going businesses after the asset sale, the meaning of the phrase is not entirely clear in this context. As a result, Audiovox is seeking approval of its stockholders rather than risk a challenge to the asset sale. The asset purchase agreement provides that if the asset purchase agreement fails to receive the requisite vote for approval at Audiovox's stockholder meeting, either party may terminate the asset purchase agreement, unless Mr. Shalam breaches the voting agreement, in which case neither Audiovox nor ACC may terminate the asset purchase agreement. The asset purchase agreement also provides that obtaining such approval is a condition to each of Audiovox and UTStarcom being obligated to consummate the asset sale.

No Changes to the Rights of Security Holders; No Appraisal Rights

Audiovox's stockholders will not experience any change in their rights as stockholders as a result of the sale of the wireless business. Neither Delaware law, Audiovox's certificate of incorporation nor Audiovox's bylaws provides for appraisal or other similar rights for dissenting stockholders in connection with this transaction. Accordingly, Audiovox's stockholders will have no right to dissent and obtain payment for their shares.

Regulatory Matters

The asset sale is subject to review by the United States Federal Trade Commission or the Antitrust Division of the United States Department of Justice under the HSR Act. Under the HSR Act, Audiovox and UTStarcom are required to make pre-acquisition notification filings and to await the expiration or early termination of the statutory waiting period prior to completing the acquisition. These filings were made on June 25, 2004 and early termination was granted on July 9, 2004.

Even after the expiration of the statutory waiting period and completion of the acquisition, either the Antitrust Division of the U.S. Department of Justice or the U.S. Federal Trade Commission could challenge, seek to block or block the acquisition under the antitrust laws as it deems necessary or desirable in the public interest. In addition, in some jurisdictions, a competitor, customer or other third party could initiate a private action under the antitrust laws challenging or seeking to enjoin the acquisition, before or after it is completed. Audiovox cannot be sure that a challenge to the acquisition will not be made or that, if a challenge is made, that Audiovox and UTStarcom will prevail.

The asset sale is also subject to review by China's Ministry of Commerce and State Administration of Industry and Commerce under a law known as the Interim Regulations on the Acquisition of Domestic Enterprises by Foreign Investors. Under this law, UTStarcom is required to notify each of these agencies of the asset sale by providing relevant information. These agencies will determine whether the asset sale may cause over-concentration in the Chinese domestic industry or harm competition within China or Chinese consumer interests, and then determine whether or not to approve the asset sale. These notifications were made on May 31, 2004 and UTStarcom submitted supplemental information requested by China's Ministry of Commerce on July 12, 2004. This law does not indicate what standards or time periods either of these agencies will use to determine whether to grant clearance, nor does it indicate the procedures and enforcement mechanisms that either of these agencies will use in the context of the asset sale. Audiovox cannot be sure that either of these agencies will approve the asset sale.

Other than applicable U.S. and Chinese antitrust laws, neither Audiovox nor UTStarcom is aware of any other regulatory requirements or governmental approvals or actions that may be required to consummate the acquisition, except for compliance with the applicable regulations of the Securities and Exchange Commission in connection with this proxy statement and the Delaware General Corporation Law in connection with the asset sale. Should any such approval or action be required, it is presently contemplated that such approval or action would be sought. There can be no assurance, however, that any such approval or action, if needed, could be obtained and would not be conditioned in a manner that would cause the parties to abandon the acquisition.

Accounting Treatment

The proposed sale of the wireless business is expected to be accounted for as a sale of net assets. The results of operations will be treated as discontinued operations.

United States Federal Income Tax Consequences

The proposed asset sale will be a transaction taxable to Audiovox for United States consolidated federal income tax purposes. ACC will recognize taxable income equal to the amount realized on the sale in excess of ACC's tax basis in the assets sold. The amount realized on the sale will consist of the cash received in exchange for the assets sold, plus the amount of liabilities assumed by UTStarcom.

Although the asset sale will result in a taxable gain to ACC, a portion of the taxable gain will be offset to the extent of current year losses, if any, from operations plus available net operating loss carry forwards as currently reflected on ACC's consolidated federal income tax returns. ACC also has available foreign tax credits as reflected on ACC's consolidated federal income tax returns. The taxable gain will differ from the gain to be reported in the ACC financial statements due to temporary tax differences and certain other differences between the tax laws and generally accepted accounting principles.

While ACC believes that it will be able to apply the tax net operating loss carry forwards without limitation against the taxable gain from the sale of the assets, the availability and amount of net operating loss carry forwards may be subject to audit and adjustment by the Internal Revenue Service. In the event the Internal Revenue Service adjusts the net operating loss carry forwards, Audiovox may incur an increased tax liability on a consolidated basis on the sale of the assets.

Audiovox stockholders will experience no federal income tax consequences as a result of the consummation of the proposed sale of the assets by ACC to UTStarcom pursuant to the asset purchase agreement.

ACC believes that the payments to Mr. Christopher by ACC that are described under " Interests of Audiovox's Directors and Executive Officers in the Sale of the Wireless Business" will decrease

taxable income. However, there can be no assurance that the Internal Revenue Service will not challenge the valuation of the qualified independent professional described in that section or the characterization of these payments. If the Internal Revenue Service does not accept such valuation or characterization, Audiovox may incur an increased tax liability on a consolidated basis on the sale of the assets.

Voting by Audiovox's Directors and Executive Officers

As of June 18, 2004, Audiovox's directors and executive officers owned of record 4,155,892 shares of Audiovox Class A common stock and 2,144,152 shares of Audiovox Class B common stock, collectively representing approximately 54.42% of the outstanding votes of all of Audiovox's common stock. Pursuant to the terms of the voting agreement, John Shalam has agreed to vote all of the Audiovox shares that he directly owns in favor of the proposal to approve the asset purchase agreement and the transactions contemplated thereby. Since Mr. Shalam owns in excess of 50% of the votes of our shares, unless the asset purchase agreement is terminated, the asset purchase agreement will be approved by our stockholders. Audiovox believes that each of its other directors and executive officers intends to vote at the annual meeting in favor of all of the proposals that stockholders are being asked to approve.

Interests of Audiovox's Directors and Executive Officers in the Sale of the Wireless Business

Personally Held Intangibles Purchase Agreement

On June 10, 2004, ACC and Philip Christopher entered into the Personally Held Intangibles Purchase Agreement, pursuant to which Mr. Christopher will sell to ACC all of his goodwill relating to or useable by ACC on the closing date of the asset purchase agreement which include all of Mr. Christopher's personal contacts and personal and professional relationships with suppliers, customers, contractors, financiers, employees and ex-employees of ACC, and his personal know-how, trademarks, trade names and patentable assets relating to or usable by ACC. Audiovox and ACC purchased these assets in order for ACC to have the ability to convey all of the assets used in connection with the conduct of the wireless business to UTStarcom. The terms of the asset purchase agreement provide for the sale to UTStarcom of all of the assets used in connection with the conduct of the wireless business. Prior to entering into the agreement to purchase Mr. Christopher's personally held intangibles, Mr. Christopher had never legally transferred or assigned his personally held intangibles to ACC or Audiovox; *however*, Mr. Christopher used these intangibles, which are integral to the wireless business, while fulfilling his obligations pursuant to his employment agreement with Audiovox. Mr. Christopher's employment agreement with Audiovox will terminate upon the completion of the sale of the wireless business to UTStarcom. Therefore, Mr. Christopher would not have a contractual obligation to continue to use these intangibles to further the wireless business being purchased by UTStarcom. In order to be able to convey all of the assets used in the wireless business to UTStarcom, Audiovox and ACC entered into an arm's-length negotiation regarding the purchase of his personally held intangibles. This negotiation resulted in UTStarcom being assured that it would be able to utilize Mr. Christopher's personally held intangibles in connection with their purchase of the wireless business, Audiovox and ACC receiving a fair price for the wireless business being sold and Mr. Christopher receiving a fair price for the sale of his personally held intangibles. On July 30, 2004, Audiovox received the report of Wharton Valuations Associates, Inc., an independent qualified appraiser, which concluded that Mr. Christopher's personally held intangibles were worth in excess of the maximum purchase price of \$16 million payable pursuant to the purchase agreement with respect to the personally held intangibles. The full text of the Wharton Valuations Associates valuation report, which sets forth assumptions made, matters considered and limitations on the scope of the appraisal, is attached to this proxy statement as Annex D.

Wharton Valuation Associates is an independent qualified appraiser and is regularly involved in the valuation of business interests and intangible assets. Audiovox chose Wharton Valuation Associates as the appraiser because the professionals employed by Wharton Valuation Associates have significant experience in the valuation of marketing-based, contractual-based, customer-based and technology-based intangible assets. Wharton Valuation Associates utilized a discounted cash flow analysis, an accepted methodology, to arrive at its estimate of the fair market value of the personally held intangibles.

This agreement is more fully described in "Proposal 2 The Sale of the Wireless Business Agreements With Philip Christopher."

Agreement and General Release

On June 10, 2004, Audiovox, ACC and Mr. Christopher entered into the Agreement and General Release, pursuant to which the parties agreed to terminate Mr. Christopher's Employment Agreement and Award Agreement (and to settle fully and finally any and all differences between them, including, but not limited to, any differences that may arise out of Philip Christopher's employment with ACC and the termination thereof).

This agreement further provided that Philip Christopher will be paid his regular salary for services performed during the period through the closing of the asset purchase agreement, in accordance with prevailing company payroll practices, and that, in accordance with the terms of his Employment Agreement and Awards Agreement, as amended, ACC will pay Philip Christopher an additional \$4 million for the termination of his Employment Agreement and Awards Agreement on the closing date of the asset purchase agreement.

This agreement is more fully described in "Proposal 2 The Sale of the Wireless Business Agreements With Philip Christopher."

Employment Agreement

On June 11, 2004, Mr. Christopher and UTStarcom entered into an employment agreement which will become effective upon the closing of the asset purchase agreement. Under this employment agreement, UTStarcom will employ Mr. Christopher as President, Audiovox Handset Division of UTStarcom. The term of this employment agreement will be for three years and commencing 12 months prior to the expiration of this term, the parties will undertake good faith negotiations to extend the term. Mr. Christopher will receive a base salary of \$500,000 per year. During the term, Mr. Christopher will be eligible to earn an annual cash bonus equal to 2% of pre-tax annual earnings of the Audiovox Handset Division, less all such deductions or withholdings required by applicable law. Mr. Christopher will also be granted under UTStarcom's 1997 Stock Plan an option to purchase 200,000 shares of common stock of UTStarcom having a per share exercise price equal to the fair market value of the per share price on the date of the grant.

This agreement is more fully described in "Proposal 2 The Sale of the Wireless Business Agreements With Philip Christopher."

Severance Pool and Employment

Subject to consummation of the transactions contemplated by the asset purchase agreement, ACC will establish a pool of \$5 million to be paid to certain employees of ACC and its subsidiaries as a severance payment and in exchange for which Audiovox will receive a release from each such employee. The pool will be distributed in the sole discretion of Philip Christopher to those employees of ACC and its subsidiaries, other than himself, in amounts that he deems appropriate. The determination of which employees, and in what amounts, are to receive distributions from this pool is not expected to be made by Mr. Christopher until the closing of the asset sale.

It is a condition to the closing of the asset sale that at least 80% of the 15 identified key employees to whom UTStarcom extends offers of employment prior to the closing will have accepted UTStarcom's offer of employment and will, as of closing, become employees of UTStarcom. The key employees are eligible to receive distributions from the \$5 million pool, but Mr. Christopher has not yet determined the extent of their participation in that pool. However, an employee must accept employment with UTStarcom in order to receive a distribution from the pool. As of the date hereof, UTStarcom has not extended any offers of employment to the key employees.

Long-Term Incentive Compensation Award Payments

Audiovox issued Long-Term Incentive Compensation Awards to John Shalam and Philip Christopher as of May 29, 2002 to motivate and reward Mr. Shalam and Mr. Christopher for fulfilling their personal responsibilities with regard to Audiovox's long-range achievements. The intention of the board of directors was to reward Mr. Shalam and Mr. Christopher for their efforts to bring about a sale of ACC. Although the original awards did not contemplate a sale of the assets of ACC, the compensation committee of our board of directors and our board of directors determined that the sale to UTStarcom of substantially all of the operational assets of the wireless business was equivalent to ACC being sold and that the awards to Mr. Shalam and Mr. Christopher should be amended to clarify, as was originally intended, that a sale of the wireless business by means of an asset sale should be included in the change of control provisions of the awards. As a result of this amendment, upon the sale of the wireless business, Audiovox will pay Mr. Shalam \$1,916,477 and Mr. Christopher is entitled to a payment of \$1,916,477 from ACC, which payment is part of the \$4 million being paid to Mr. Christopher upon the closing of the asset sale.

Audiovox's Operations Following the Sale of the Wireless Business

If the conditions to closing of the asset sale are satisfied or waived, Audiovox will sell its wireless business to UTStarcom. Upon consummation of the asset sale, Audiovox will exit the wireless business. Audiovox's wireless business operations generated \$806.2 million in sales and \$38.0 million in gross profit in 2003.

Audiovox's board of directors believes that the most promising long-term opportunities for Audiovox are likely to be created by selling the wireless business and focusing on its consumer electronics or focusing on other market opportunities, including acquisitions. As previously discussed in the section titled "Reasons for the Sale of the Wireless Business", the wireless business has experienced a cumulative pre-tax loss for the three-year period ending November 30, 2003 and is in a very volatile and competitive industry. The board further believes that the sale of the wireless business provides an opportunity to obtain a favorable valuation for the business.

After the asset sale, Audiovox intends to focus its future efforts on developing its consumer electronics business. However, Audiovox may use all or a portion of the proceeds from the asset sale for other purposes and Audiovox and Audiovox will consider other market opportunities, including acquisitions.

Special Considerations You Should Take Into Account in Deciding How to Vote on the Proposal to Sell the Wireless Business

You should carefully consider the special considerations described below as well as other information provided to you or referenced in this document in deciding how to vote on the proposal to sell the wireless business. The special considerations described below are not the only ones facing Audiovox. Additional considerations not presently known to Audiovox or that Audiovox currently believes are immaterial may also impair Audiovox's business operations. If any of the following special considerations actually occur, Audiovox's business, financial condition or results of operations could be

materially adversely affected, the value of its common stock could decline, and you may lose all or part of your investment.

Special Considerations Regarding the Proposal to Sell the Wireless Business

There is no plan to distribute any of the proceeds of the sale of the wireless business to Audiovox's stockholders.

Currently, Audiovox does not intend to distribute any portion of the proceeds from the sale of the wireless business to its stockholders. Currently, Audiovox intends to pay down its indebtedness and use the proceeds from the sale of that business to fund and grow its consumer electronics business. However, Audiovox may use all or a portion of the proceeds from the asset sale for other purposes and Audiovox and Audiovox will also consider other market opportunities, including acquisitions.

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

Audiovox's management could spend or invest the proceeds from the sale of the wireless business in ways with which Audiovox's stockholders may not agree. The investment of these proceeds may not yield a favorable return. Furthermore, because the market for Audiovox's remaining businesses is often evolving, in the future, Audiovox may discover new opportunities that are more attractive. As a result, Audiovox may commit resources to these alternative market opportunities, including acquisitions. This action may require Audiovox to limit or abandon its currently planned focus on its other current businesses. If Audiovox changes its business focus, it may face risks that may be different from the risks associated with such other current businesses.

The asset purchase agreement will expose Audiovox to contingent liabilities.

Under the asset purchase agreement, Audiovox agreed to indemnify UTStarcom for any breach or violation of ACC's and its representations, warranties and covenants contained in the asset purchase agreement and for other matters, subject to certain limitations. Significant indemnification claims by UTStarcom could have a material adverse effect on Audiovox's financial condition.

The failure to complete the sale of the wireless business may result in a decrease in the market value of Audiovox's common stock and may create substantial doubt as to Audiovox's ability to grow and implement its current business strategies.

The sale of the wireless business is subject to a number of contingencies. Among other conditions, the closing of the asset purchase agreement is subject to obtaining certain third party and regulatory approvals. As a result, Audiovox cannot assure you that the sale of the wireless business will be completed. If the sale of the wireless business is not completed for any reason, the market price of Audiovox's common stock may decline. In addition, failure to complete the sale of the wireless business may substantially limit Audiovox's ability to grow and implement its business strategies.

The amount of cash Audiovox receives in this transaction will vary depending on a net working capital adjustment. In certain circumstances, this adjustment could have the effect of reducing the consideration to be received by Audiovox in the asset sale.

The purchase price is subject to a net working capital adjustment, which provides that if the net working capital as of the closing date is less than \$40,000,000, the purchase price will be adjusted downward in the amount of the shortfall. Therefore, we cannot predict the exact amount of the purchase price and thus the proceeds that we will receive in connection with the asset sale.

Audiovox will be unable to compete in the wireless business for five years from the date of the closing.

The asset purchase agreement provides that for a period of five years after the closing, Audiovox will not conduct, directly or indirectly, the wireless business or, without the prior written consent of

UTStarcom, directly or indirectly, own an interest in, manage, operate, control, as a partner, stockholder or otherwise, any person that conducts the wireless business, subject to certain exceptions.

Audiovox's success will depend on a less diversified line of business.

The wireless business Audiovox proposes to sell constitutes a significant portion of its assets. As such, Audiovox's asset base and revenues following the sale will change significantly from those existing prior to this transaction. After the asset sale, Audiovox expects to generate substantially all of its sales from its consumer electronics businesses. Audiovox cannot assure you that it can grow the revenues of its consumer electronics business or maintain their profitability. As a result, Audiovox's revenue and profitability will depend on its ability to maintain and generate additional customers and to maintain and grow its consumer electronics business. A reduction in demand for the products and services of its consumer electronics would have a material adverse effect on its business. The sustainability of current levels of its consumer electronics business and the future growth of such revenues, if any, will depend on, among other factors:

the overall performance of the economy;

competition within its key markets;

customer acceptance of its products and services; and

the demand for its other products and services.

Audiovox cannot assure you that it will maintain or increase its current level of revenues or profits from its consumer electronics business in future periods.

Special Considerations Regarding the Consumer Business

If the asset sale is consummated, Audiovox expects to generate substantially all of its sales from its consumer electronics business, which is exposed to various risks, including the risks described below.

We do not have long-term sales contracts with any of our customers.

Sales of our consumer electronics products are made by purchase order and are terminated at will at the option of either party. We do not have long-term sales contracts with any of our customers. 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.

Since we do not manufacture our consumer electronics products, we depend on our suppliers to provide us with adequate quantities of high quality competitive consumer electronics products on a timely basis.

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

our supplier relationships will continue as presently in effect

our suppliers will 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

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if obtained, alternatively sourced products of satisfactory quality would be delivered on a timely basis, competitively priced, comparably featured or acceptable to our customers

exclusive geographic or market area distribution agreements will be renewed

Because of the increased demand for consumer electronics products, there have been, and still could be, industry-wide shortages of components. As a result, our suppliers have not been able to produce the quantities of these products that we desire. Our inability to supply sufficient quantities of

products that are in demand could reduce our profitability and have a material adverse effect on our relationships with our customers. If any of our supplier relationships were terminated or interrupted, we could experience an immediate and long-term supply shortage, which could have a material adverse effect on us. It is likely that our supply of wireless products would be interrupted before we could obtain alternative products.

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

We import most of our consumer electronics 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. Because of the large concentrations of our purchases in Pacific Rim countries, particularly Japan, China, South Korea, Taiwan and Malaysia, 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 consumer electronics products will become obsolete or face selling price reductions before we can sell our inventory.

If we plan to expand the international marketing and distribution of our consumer electronics products, we will be subject to additional business risks.

If we attempt to increase our international sales of consumer electronics, we cannot assure you that we will be able to do so. Conducting business outside of the United States subjects us to significant additional risks, including:

export and import restrictions, tax consequences and other trade barriers

currency fluctuations

greater difficulty in accounts receivable collections

economic and political instability

foreign exchange controls that prohibit payment in U.S. dollars

increased complexity and costs of managing and staffing international operations

For instance, our international sales have been affected by political unrest and currency fluctuation in Venezuela. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

Fluctuations in foreign currencies could have a material adverse impact on our consumer electronics business.

We cannot predict the effect of exchange rate fluctuations on our future operating results. Also, due to the short-term nature of our supply arrangements, the relationship of the U.S. dollar to foreign currencies will impact price quotes when negotiating new supply arrangements denominated in U.S. dollars. As a result, we could experience declining selling prices in our market without the benefit of cost decreases on purchases from suppliers or we could experience increasing costs without an ability to pass the costs to the customers. We cannot assure you that we will be able to effectively limit our exposure to foreign currencies. Foreign currency fluctuations could cause our operating results to decline and have a material adverse effect on our ability to compete. Many of our competitors manufacture products in the United States or outside the Pacific Rim, which could place us at a competitive disadvantage if the value of the Pacific Rim currencies increased relative to the currency in the countries where our competitors obtain their products.

Trade sanctions against foreign countries or foreign companies could have a material adverse impact on our consumer electronics business.

As a result of trade disputes, the United States and foreign countries have occasionally imposed tariffs, regulatory procedures and importation bans on certain products, including wireless handsets that have been produced in foreign countries. Trade sanctions or regulatory procedures involving a country in which we conduct a substantial amount of business could have a material adverse effect on our operations. Some of the countries we purchase products from are: China, Japan, South Korea, Taiwan and Malaysia. China and Japan have been affected by such sanctions in the past. In addition, the United States has imposed, and may in the future impose, sanctions on foreign companies for anti-dumping and other violations of U.S. law. If sanctions were imposed on any of our suppliers or customers, it could have a material adverse effect on our operations.

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

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

Consumer spending patterns, especially discretionary spending for products such as consumer electronics, are affected by, among other things, prevailing economic conditions, wage rates, inflation, consumer confidence and consumer perception of economic conditions. A general slowdown in the U.S. economy or an uncertain economic outlook could have a material adverse effect on our sales. So far, the recent economic slowdown has not materially affected our consumer electronics business.

Special Considerations Regarding the Wireless Business

Audiovox will operate the wireless business until the consummation of the asset sale. If the asset sale is not consummated, Audiovox would continue to operate this business. In such case, Audiovox would continue to be exposed to the risks relating to this business. Many of these risks are similar to the risks described above under "Special Considerations Regarding the Consumer Business." In addition, the risks of the wireless business include the risks described below.

We may not be able to compete successfully in the highly competitive wireless industry.

The market for wireless handsets and accessories is highly competitive and is characterized by:

intense price competition

short product life cycles

significant price erosion over the life of a product

industry consolidation

rapid technological development

the demand by wireless carriers for value-added services provided by their suppliers

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Our primary competitors for wireless handsets currently are Motorola, Nokia, Kyocera and Samsung. In addition, we compete with numerous other established and new manufacturers and distributors, some of whom sell the same or similar products directly to our customers. Historically, our competitors have also included some of our own suppliers and customers. Many of our competitors offer more extensive advertising and promotional programs than we do.

During the last decade, there have been several periods of extreme price competition, particularly when one or more of our competitors has sought to sell off excess inventory by lowering its prices significantly. In particular, when technologies changed in 2000 from analog to digital, several of our larger competitors lowered their prices significantly to reduce their inventories, which required us to similarly reduce our prices. These price reductions had a material adverse effect on our profitability. There can be no assurance that our competitors will not do this again, because, among other reasons, many of them have significantly greater financial resources than we do and can withstand substantial price competition. Since we sell products that tend to have low gross profit-margins, price competition has had, and may in the future have, a material adverse effect on our financial performance.

Wireless carriers and suppliers may not continue to outsource value-added services; we may not be able to continue to provide competitive value-added services.

Wireless carriers purchase from us, rather than directly from our suppliers, because, among other reasons, we provide added services valued by our customers. In order to maintain our sales levels, we must continue to provide these value-added services at reasonable costs to our carrier-customers and suppliers, including:

product sourcing

product distribution

marketing

custom packaging

warranty support

programming wireless handsets

testing for carrier system acceptance

Our success would depend on the wireless equipment manufacturers, wireless carriers, network operators and resellers continuing to outsource these functions rather than performing them in-house. To encourage the use of our services, we need to keep our prices reasonable. If our internal costs of supplying these services increase, we may not be able to raise our prices to pass these costs along to our customers and suppliers. As a result of the consolidations in the telecommunications industry, wireless carriers, which are the largest customers of our wireless business, may attempt to perform these services themselves. Alternatively, our customers and suppliers may transact business directly with each other rather than through us. If our customers or suppliers begin to perform these services internally or do business directly with each other, it could have a material adverse effect on our sales and our profits.

Our success depends on our ability to keep pace with technological advances in the wireless industry.

Rapid technological change and frequent new product introductions characterize the wireless product market. Our success depends upon our ability to:

identify the new products necessary to meet the demands of the wireless marketplace and

locate suppliers who are able to manufacture those products on a timely and cost-effective basis.

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As a result of the emergence of the digital market, which resulted in the reduction of selling prices of analog hand-held phones, we recorded analog inventory write-downs to market of \$8.2 million and

\$13.5 million in 2000 and 2001, respectively. These write-downs had a material adverse effect on our profitability. As a result of increasing pricing pressures and a surplus of supply created by other manufacturers also attempting to sell off analog inventories, there was a drop off in demand for analog products. The write down was based upon the drop in demand, as carriers no longer promoted analog product and notified Audiovox that previous indications for orders of analog phones were no longer viable. Also during 2001, Audiovox recorded an additional inventory write-down to market of \$7.15 million associated with older digital products as newer products were being introduced.

During 2002, our wireless business recorded inventory write-downs totaling \$13.823 million pertaining to its digital inventory due to more current technological advances in the market. This write-down was made based upon open purchase orders from customers and selling prices subsequent to the balance sheet date as well as indications from customers based upon the then current negotiations. There can be no assurance that this will not occur again given the emergence of new technologies.

Since we do not make any of our own products and do not conduct our own research, we cannot assure you that we would be able to source the products that advances in technology require 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.

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

The wireless industry is characterized by a small number of key customers. Specifically, 70%, 71% and 72% of our wireless sales were to five wireless customers in fiscal 2001, 2002 and 2003, respectively.

There are claims of possible health risks from wireless handsets.

Claims have been made alleging a link between the non-thermal electromagnetic field emitted by wireless handsets and the development of cancer, including brain cancer. The television program ^{20/20} on ABC reported that several of the handsets available on the market, when used in certain positions, emit radiation to the user's brain in amounts higher than permitted by the Food and Drug Administration. The scientific community is divided on whether there is any risk associated with the use of wireless handsets and, if so, the magnitude of the risk. Unfavorable publicity, whether or not warranted, medical studies or findings or litigation could have a material adverse effect on our growth and financial results.

In the past, several plaintiffs' groups have brought class actions against wireless handset manufacturers and distributors, including us, alleging that wireless handsets have caused cancer. To date, none of these actions has been successful. However, actions based on these or other claims may succeed in the future and have a material adverse effect on us.

Several domestic and foreign governments are considering, or have recently adopted, legislation that restricts the use of wireless handsets while driving.

Several foreign governments have adopted, and a number of U.S. state and local governments are considering or have recently enacted, legislation that would restrict or prohibit the use of a wireless handset while driving a vehicle or, alternatively, require the use of a hands-free telephone. For example, Ohio and New York have adopted statutes that restrict the use of wireless handsets or require the use of a hands-free kit while driving. Widespread legislation that restricts or prohibits the use of wireless handsets while operating a vehicle could have a material adverse effect on our future growth.

Our Wireless Business Depends Heavily on Philip Christopher and his Personally Held Intangibles.

The success of our wireless business depends on Philip Christopher maintaining his personal contacts and personal and professional relationships with suppliers, customers, contractors, financiers, employees and ex-employees of ACC, and his personal know-how, trademarks, trade names and patentable assets relating to or useable by ACC. The loss or interruption of the continued full-time service of Mr. Christopher or the loss or impairment of any of these personally held intangible assets could have a material adverse effect on our wireless business.

The Asset Purchase Agreement

The following summary of the terms of the asset purchase agreement is qualified in its entirety by reference to the asset purchase agreement, a copy of which is attached to this proxy statement as Annex A.

General

Under the terms of the asset purchase agreement, UTStarcom has agreed to purchase substantially all of the assets (excluding receivables), and assume certain liabilities, relating to the Seller's wireless business. The Seller will sell the assets of the wireless business for a purchase price of \$165.1 million in cash, subject to a net working capital adjustment which, if the asset sale closed on May 31, 2004, would have resulted in an aggregate purchase price of \$187.4 million, representing an increase of the purchase price of \$22.3 million, and the net proceeds to Audiovox would be approximately \$113.4 million after taking into account costs and expenses relating to the asset sale. Audiovox will also retain all of the receivables related to the wireless business, which, as of May 31, 2004, were, net of reserves, \$103.6 million.

The Business

The wireless business consists of marketing mobile cellular handset systems and other wireless communications devices, including, without limitation, personal digital assistants, transceiver PCMCIA cards and non-telematic devices, that use the infrastructure of wireless communication carriers ("*Carriers*") and are sold through the Carrier distribution channel which is comprised of (a) a direct channel (which consists of (i) retail stores owned by Carriers and (ii) the Carriers' sales organizations for corporate enterprise customers) through which the Seller sells products to Carriers; and (b) an indirect channel through which the Seller sells products to retailers, distributors and agents that are authorized by Carriers to activate products, to sell air time on behalf of Carriers, to promote products to end users and to perform other activities that support the sale of products to end users on behalf of Carriers. However, the wireless business excludes consumer electronics products, including those with wireless communications capability, not having as their primary function cellular telephone connectivity or cellular telephone activation, but rather having as their primary function entertainment, information processing, data downloading/uploading, and security (e.g., products such as navigation devices, audio/video entertainment devices, computing devices and security products).

Assets to be Sold

The asset purchase agreement provides that the following assets will be sold to UTStarcom (the "*Purchased Assets*"):

all rights in respect of the real property used in the wireless business leased by the Seller, as tenant, together with, to the extent leased by the Seller and used in the wireless business, all buildings and other structures, facilities or improvements located on the real property, all fixtures, systems, equipment and items of personal property of the Seller attached or appurtenant to the real property and all easements, licenses, rights and appurtenances relating to the foregoing;

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all physical assets including, without limitation, furniture, fixtures, displays, machinery and equipment, computer hardware and software and automobiles, owned by the Seller and used in the wireless business, as determined in accordance with generally accepted accounting principles;

all vehicles and rolling stock used in the wireless business;

all inventory, merchandise, finished goods, raw materials, packaging, labels, supplies and other personal property used in the wireless business and maintained, held or stored by or for us and any prepaid deposits for any of the same;

all books of account, general, financial, and personnel records, invoices, shipping records, supplier lists, correspondence and other documents, records and files and any rights thereto which are owned, or employed by us primarily in connection with the wireless business except for (x) organization documents, minute and stock record books, stock certificates and the corporate seal of the Seller and (y) those relating to the Excluded Assets or the Excluded Liabilities (including all records relating to taxes);

all goodwill relating to the wireless business;

all of the Seller's right, title and interest in, to and under intellectual property owned by the Seller and used in the wireless business and intellectual property licensed to the Seller pursuant to transferred intellectual property agreements;

all claims, causes of action, choses in action, rights of recovery and rights of setoff of any kind (including rights to insurance proceeds and rights under and pursuant to all warranties, representations and guarantees made by suppliers of products, materials, or equipment, or components thereof), related to the wireless business pertaining to, arising out of and inuring to the Seller's benefit ("*Claims*"), including those reasonably necessary or desirable to enforce such rights against third parties or to defend against those seeking to enforce the Assumed Liabilities, except those Claims which are related to the Excluded Liabilities or the Excluded Assets;

all sales and promotional literature, customer lists and other sales-related materials of the Seller used in the wireless business;

all of the Seller's rights under specified contracts, licenses, sublicenses, agreements, leases, commitments, and sales and purchase orders, and under all bids and offers related to the wireless business (the "*Assumed Contracts*");

all municipal, state and federal franchises, permits, licenses, agreements, waivers and authorizations held or used by the Seller in connection with, or required for, the wireless business, to the extent transferable;

all of the Seller's right, title and interest at the closing in, to and under all other assets, rights and claims of every kind and nature directly or indirectly owned by the Seller or to which the Seller is directly or indirectly entitled, in each case, used in the operation of, or residing with, the wireless business;

pre-pays and other current assets of the wireless business;

the value of non-cash assets of the wireless business not due within one year as determined in accordance with generally accepted accounting principles;

all of Audiovox's rights, title and interest in the software and hardware owned or licensed by Audiovox and which is used by the Seller in the wireless business; and

all of the Seller's or Audiovox's rights, title and interest in the replicated copy of the software created by, or for the use of, the Seller or Audiovox for use in the wireless business that is used

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in conjunction with third party software and hardware replicated in accordance with the asset purchase agreement.

Assets to be Retained

Notwithstanding the foregoing, the following assets will not be sold to UTStarcom (the "*Excluded Assets*"):

cash and marketable securities and all bank accounts of the Seller relating to the wireless business;

the bank account into which the purchase price, as adjusted pursuant to the asset purchase agreement, will be delivered to the Seller;

all of the Seller's rights under the asset purchase agreement and certain other agreements executed and delivered pursuant to the asset purchase agreement;

the tax returns of the Seller (and related work papers);

subject to the pro-ration provisions of the asset purchase agreement, all tax refunds of the Seller;

trademarks owned by Audiovox or Toshiba Corporation, or their respective employees, affiliates (other than the Seller), successors or assigns;

certain intellectual property;

all receivables of the wireless business as of 5:30 p.m. EST on the closing date which, as of May 31, 2004 were, net of reserves, \$103.6 million;

all furniture and other tangible property used by, and in the office of, John Shalam on the date of closing;

all Claims, including Claims arising under insurance policies, related to the Excluded Liabilities or Excluded Assets, including those reasonably necessary or desirable to enforce rights against third parties or defend against those seeking to enforce Excluded Liabilities;

all rights against Compal Electronics, Inc. relating to actions occurring prior to closing;

any rights, software or other license or practices with respect to websites, internet addresses or domain names used in connection with the wireless business;

the equity interests in the Seller and certain affiliates of Audiovox;

organization documents, minute and stock record books, stock certificates and the corporate seal of the Seller and certain affiliates of Audiovox; and

all books of account, general, financial and personnel records, invoices, correspondence and other documents relating exclusively to the Excluded Assets and the Excluded Liabilities (including all records relating to taxes).

Liabilities to be Assumed

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The asset purchase agreement provides that UTStarcom will assume and agree to pay, perform and discharge the following liabilities of the Seller, except for the Excluded Liabilities ("*Assumed Liabilities*"):

all liabilities reflected or reserved against on the closing statement of net assets dated as of the date of the closing (other than tax liabilities);

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all of the liabilities of the Seller arising under the Assumed Contracts (other than liabilities or obligations attributable to (A) any failure by the Seller to comply with the terms of those agreements prior to the closing, (B) products liability or personal injury claims arising prior to the closing and (C) intellectual property infringement claims prior to the closing); and

product warranties and claims thereunder relating to products of the wireless business.

Liabilities to be Retained

Other than the Assumed Liabilities, all of Seller's liabilities will be retained by Seller ("*Excluded Liabilities*"), including, without limitation, the following liabilities:

certain taxes;

all liabilities relating to or arising out of the Excluded Assets;

claims arising prior to the closing made by employees of the Seller (including the Transferred Employees (defined below)) relating to their employment with the Seller;

amounts owed by the Seller to Audiovox or any subsidiaries, divisions, or affiliates of Audiovox as determined in accordance with generally accepted accounting principles;

all liabilities or obligations attributable to (A) any failure by the Seller to comply with the terms of any Assumed Contract prior to the closing, (B) products liability or personal injury claims arising prior to the closing and (C) intellectual property infringement claims arising prior to the closing; and

all liabilities pursuant to environmental laws arising from or related to any action, event, circumstance or condition related to the wireless business or the Seller's leased real property, in each case occurring or existing on or before the closing.

As of May 31, 2004, the amount of accrued liabilities of the wireless business that the Seller is retaining amounted to approximately \$2 million.

Purchase Price

Under the terms of the asset purchase agreement, UTStarcom has agreed to purchase substantially all of the assets (excluding receivables), and assume certain liabilities, relating to the wireless business for a purchase price of \$165.1 million in cash, subject to a net working capital adjustment which, if the asset sale closed on May 31, 2004, would have resulted in an aggregate purchase price of \$187.4 million and the net proceeds to Audiovox would be approximately \$113.4 million after taking into account costs and expenses relating to the asset sale. In addition Audiovox is retaining the receivables of the wireless business which at May 31, 2004 were, net of reserves, \$103.6 million.

At the closing, UTStarcom will deliver to the Seller the purchase price (and the \$70,000 as described below under " Additional Agreements Replication Service"), less an amount equal to 5% of the purchase price (the "*Escrow Amount*").

At the closing, UTStarcom will deposit the Escrow Amount with JP Morgan Chase Bank, the Escrow Agent.

Purchase Price Adjustment

Preliminary Purchase Price Adjustment

On or before the date that is 25 calendar days following the closing, the Seller will deliver to UTStarcom a statement of net assets of the wireless business (other than receivables, inter-company accounts payable and certain accrued expenses) as of the close of business on the date of the closing,

which will include the preliminary net working capital balance, prepared in good faith by the Seller in consultation with the Seller's accountants and certified by an officer of the Seller (the "*Preliminary Statement of Net Assets*").

In the event that the preliminary net working capital balance set forth on the Preliminary Statement of Net Assets is less than \$40,000,000 (the "*Target NWCB*"), then there will be a preliminary downward adjustment of the purchase price in an amount equal to such deficiency, UTStarcom will deliver written notice to the Escrow Agent specifying the amount of such preliminary downward adjustment of the purchase price, and the Escrow Agent will, within three business days of its receipt of such notice and in accordance with the terms of the Escrow Agreement, pay an amount (the "*Preliminary Purchase Price Reduction*") equal to seventy-five percent (75%) of such deficiency to UTStarcom out of the escrow fund by wire transfer in immediately available funds. In the event that the escrow fund is insufficient to cover the amount of the Preliminary Purchase Price Reduction, then the Escrow Agent will distribute the entire escrow fund to UTStarcom as provided above and the Seller or Audiovox, on behalf of the Seller, will pay, on or prior to the same date as the Escrow Agent distributes the escrow fund to UTStarcom, an amount to UTStarcom, by wire transfer in immediately available funds, equal to the amount of such deficiency.

In the event that the preliminary net working capital balance exceeds the Target NWCB, then there will be a preliminary upward adjustment of the purchase price in an amount equal to such excess and UTStarcom will pay on or before the date that is 30 days following the date of the closing an amount (the "*Preliminary Purchase Price Increase*") equal to seventy-five percent (75%) of such excess to the Seller by wire transfer in immediately available funds.

Following the preliminary purchase price adjustments described above, the Target NWCB will be adjusted to (1) subtract any Preliminary Purchase Price Reduction previously paid to UTStarcom by the Escrow Agent or the Seller or (2) add any Preliminary Purchase Price Increase previously paid to the Seller by UTStarcom (as so adjusted, the "*Adjusted Target NWCB*").

Final Purchase Price Adjustment

As promptly as practicable, after the date that is 90 calendar days following the closing, the Seller will deliver to UTStarcom the statement of net assets of the wireless business dated as of the close of business on the date of the closing (the "*Closing Statement of Net Assets*"), together with the report on the Closing Statement of Net Assets of the Seller's accountants, stating that the Closing Statement of Net Assets fairly presents net assets of the wireless business as of the close of business on the date of the closing in accordance with generally accepted accounting principles.

In the event that the net working capital balance reflected in the Closing Statement of Net Assets (the "*Final Net Working Capital Balance*") is less than the Adjusted Target NWCB, then UTStarcom will deliver written notice to the Escrow Agent and the Seller specifying the amount of such shortfall and the Escrow Agent will, within three business days of its receipt of such notice and in accordance with the terms of the Escrow Agreement, pay to UTStarcom the amount of such shortfall out of the escrow fund by wire transfer in immediately available funds. In the event that the escrow fund is insufficient to cover the amount of such shortfall, then the Escrow Agent shall distribute the entire escrow fund to UTStarcom as provided above and the Seller or Audiovox, on behalf of the Seller, will pay, on or prior to the same date as the Escrow Agent distributes the escrow fund to UTStarcom, an amount to UTStarcom, by wire transfer in immediately available funds, equal to the amount of such deficiency.

In the event that the Final Net Working Capital Balance exceeds the Adjusted Target NWCB, then UTStarcom will pay within three business days of the Final Net Working Capital Balance being calculated by the Seller's accountants, with the agreement of UTStarcom's accountants, the amount of such excess to the Seller by wire transfer in immediately available funds.

If the asset sale closed on May 31, 2004, the net working capital adjustment would have resulted in an increase to the purchase price of \$22.3 million.

Receivables

Pursuant to the asset purchase agreement, the Seller will not sell to UTStarcom any of the receivables of the wireless business as of 5:30 p.m. EST on the closing date which, as of May 31, 2004 were, net of reserves, \$103.6 million. On or prior to 5:30 p.m. EST on the business day immediately following the date on which the closing occurs, the Seller will deliver to UTStarcom a statement certified by an officer of the Seller, including the information constituting a computer file containing a list setting forth all outstanding receivables of the wireless business as of 5:30 p.m. EST on the date of the closing and setting forth the reserve for such receivables on a customer-by-customer basis. Any amounts paid by any customer to UTStarcom (or any of its wholly-owned subsidiaries) will be paid to the Seller; provided, however that (i) UTStarcom will have no obligation to pay over amounts received by a particular customer once the aggregate amount paid to the Seller and UTStarcom by such customer beginning on the business day following the closing equals the aggregate amount of receivables owed by each customer to the Seller, net of the reserves for such customer (the "*Per Customer Amount*") and (ii) if a customer has given notice to the Seller or UTStarcom that such customer is disputing its obligation to pay any amount of the receivable as being owed by the customer (to the extent such receivable is disputed, a "*Disputed Receivable*") or if a receivable is deemed to be a Disputed Receivable pursuant to the asset purchase agreement, UTStarcom will not be obligated to pay over amounts received from such customer in excess of such customer's Per Customer Amount less the amount any Disputed Receivable.

Closing

The closing of the asset sale will be held at the offices of Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York at 1:30 P.M. New York time the second business day following the satisfaction or waiver of all closing conditions (other than conditions with respect to actions the respective parties will take at the closing itself, but subject to the satisfaction of those conditions) or at such other place or at such other time or on such other date as the Seller and UTStarcom may mutually agree upon in writing.

Representations and Warranties

Audiovox and the Seller have made a number of limited representations and warranties, subject in some cases to qualifications, to UTStarcom in the asset purchase agreement, including, among other things, representations relating to (subject to certain exceptions):

the corporate organization, existence, good standing, corporate power and authority, and qualification to do business of the Seller and Audiovox;

the Seller's and Audiovox's corporate power and authority to enter into the asset purchase agreement;

the absence of any violations, conflicts or breaches of any provision of the certificate of incorporation or by-laws, existing agreements or other instruments, material laws or governmental orders of or relating to the Seller or Audiovox resulting from the execution, delivery and performance of the asset purchase agreement;

the absence of any requirement for any material consent, approval, authorization, order of, action by, filing with or notification to, any governmental authority resulting from the execution, delivery and performance of the asset purchase agreement by the Seller;

the Seller's financial statements and books and records;

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the absence of undisclosed liabilities;

the Seller's receivables arising from the conduct of the wireless business;

the Seller's inventories used in the wireless business;

Assumed Contracts;

open sales and purchase orders accepted by the Seller and relating to the wireless business;

the conduct of the wireless business in the ordinary course and consistent with past practice;

the absence of any material actions by or against the Seller or any affiliate relating to the wireless business or affecting any of the purchased assets or the wireless business pending before any governmental authority (or, to the best knowledge of the Seller, threatened to be brought by or before any governmental authority);

the Seller's compliance with all material laws and governmental orders;

environmental and other permits and licenses and related matters;

material contracts relating to the wireless business;

the intellectual property relating to the wireless business;

real property used in the wireless business;

personal property used in the wireless business;

the assets used in the conduct of the wireless business;

customers and suppliers of the wireless business;

employee benefit and labor matters and key employees;

financial interests of the Seller and its stockholders, officers and directors in the wireless business;

tax matters;

insurance matters;

business practices;

the use of brokers, finders or investment bankers in connection with the asset sale; and

Audiovox board approval and stockholder vote required.

The representations and warranties of the Seller and Audiovox in the asset purchase agreement and the related agreements will survive the closing until the second anniversary of the closing; *provided, however*, that (i) the representations and warranties related to corporate organization, assets and brokers will survive indefinitely, and (ii) the representations and warranties dealing with tax matters will survive until 120 days after the expiration of the relevant statute of limitations for the tax liabilities in question. Neither the period of survival nor the liability of the Seller and Audiovox with respect to their representations and warranties will be reduced by any investigation made at any time by or on behalf of UTStarcom. If written notice of a claim has been given prior to the expiration of the applicable representations and warranties by UTStarcom to the Seller and Audiovox, then the relevant representations and warranties will survive as to such claim, until such claim has been finally resolved.

UTStarcom has made a number of customary representations and warranties, subject in some cases to customary qualifications, to the Seller in the asset purchase agreement, including, among other things, representations relating to (subject to certain exceptions):

the corporate organization, existence, good standing, corporate power and authority, and qualification to do business of UTStarcom;

the absence of any violations, conflicts or breaches of any provision of the certificate of incorporation or by-laws, existing agreements or other instruments, material laws or governmental orders of or relating to UTStarcom resulting from the execution, delivery and performance of the asset purchase agreement;

the absence of any requirement for any material consent, approval, authorization, order of, action by, filing with or notification to, any governmental authority resulting from the execution, delivery and performance of the asset purchase agreement by UTStarcom;

UTStarcom's ability to pay the purchase price;

the absence of any actions by or against UTStarcom that is pending or, to the best knowledge of UTStarcom, threatened, which would materially and adversely affect the legality, validity or enforceability of the asset purchase agreement;

the use of brokers, finders or investment bankers in connection with the asset sale; and

UTStarcom Canada.

Additional Agreements

Conduct of Business Prior to Closing

Under the asset purchase agreement, the Seller has agreed that, except as disclosed in the asset purchase agreement, between the date of the asset purchase agreement and the time of the closing, the Seller will not conduct the wireless business other than in the ordinary course and consistent with prior practice.

Access to Information

The asset purchase agreement also provides that from and after the date of the asset purchase agreement and until the closing (subject to applicable limitations under certain confidentiality agreements), upon reasonable notice, the Seller will cause its officers, directors, employees, agents, representatives, accountants and counsel to:

afford the officers, employees, agents, accountants, counsel, financing sources and representatives of UTStarcom reasonable access, during normal business hours, to the offices, properties, plants, other facilities, and books and records of the Seller relating to the wireless business and to those officers, directors, employees, agents, accountants and counsel of the Seller who have any knowledge relating to the wireless business; and

furnish to the officers, employees, agents, accountants, counsel, financing sources and representatives of UTStarcom such additional financial and operating data and other information regarding the assets, properties, liabilities and goodwill of the wireless business (or legible copies thereof) that are reasonably available to the Seller as UTStarcom may from time to time reasonably request.

Such information will be subject to the non-disclosure agreement entered into by and among UTStarcom, Audiovox and the Seller.

Confidentiality

Subject to the Seller's rights with respect to the Excluded Assets and the Excluded Liabilities, the Seller has agreed to, (and has agreed to cause its agents, representatives, affiliates, employees, officers and directors to):

treat and hold as confidential (and not disclose or provide access to any person to) all information relating to trade secrets, processes, patent applications, product development, price, customer and supplier lists, pricing and marketing plans, policies and strategies, details of client and consultant contracts, operations methods, product development techniques, business acquisition plans, new personnel acquisition plans and all other confidential or proprietary information with respect to the wireless business;

in the event that the Seller or any such agent, representative, affiliate, employee, officer or director becomes legally compelled to disclose any such information, provide UTStarcom with prompt written notice of such requirement so that UTStarcom may seek a protective order or other remedy or waive compliance with this confidentiality provision; and

in the event that such protective order or other remedy is not obtained, or UTStarcom waives compliance with this confidentiality provision, furnish only that portion of such confidential information which is legally required to be provided and exercise its reasonable commercial efforts to obtain assurances that confidential treatment will be accorded such information;

provided, however, that this provision will not apply to any information that (x) at the time of disclosure, is available publicly and was not disclosed in breach of the asset purchase agreement by the Seller, its agents, representatives, affiliates, employees, officers or directors, (y) the Seller reasonably believes is necessary or advisable in connection with any claim against the Seller or for which the Seller is purportedly responsible, whether by a third party or otherwise or (z) the performance by the Seller of its obligations, or the assertion by the Seller of any of its rights or remedies, under any related agreement; and *provided further* that, with respect to intellectual property, specific information will not be deemed to be within the foregoing exception merely because it is embraced in general disclosures in the public domain.

In addition, with respect to intellectual property, any combination of features will not be deemed to be within the foregoing exception merely because the individual features are in the public domain unless the combination itself and its principle of operation are in the public domain. Notwithstanding the foregoing, the Seller and its affiliates may make such disclosures as are required under applicable securities or state law or regulation or national stock exchange rules or regulations. The Seller has agreed and acknowledged that remedies at law for any breach of its obligations under this confidentiality provision are inadequate and that in addition UTStarcom will be entitled to seek equitable relief, including injunction and specific performance, in the event of any such breach.

Regulatory and Other Authorizations; Notices and Consents

The Seller has agreed to use its reasonable commercial efforts to obtain all authorizations, consents, orders and approvals of all third parties, including all governmental authorities and officials that may be or become reasonably necessary for its execution and delivery of, and the performance of its obligations pursuant to, the asset purchase agreement and related agreements and to cooperate fully with UTStarcom in promptly seeking to obtain all such authorizations, consents, orders and approvals. Each party has agreed to make an appropriate filing, if necessary, pursuant to the HSR Act with respect to the transactions contemplated by the asset purchase agreement within ten business days of the date of the asset purchase agreement and to supply as promptly as practicable to the appropriate governmental authorities any additional information and documentary material that may be requested pursuant to the HSR Act. The filing fee for such HSR Act filing will be borne by UTStarcom.

The Seller has agreed to cooperate and use its reasonable commercial efforts to obtain or assist UTStarcom in obtaining such third party consents and estoppel certificates as may be reasonably necessary or desirable in connection with the transactions contemplated by the asset purchase agreement.

UTStarcom has agreed to cooperate and use all reasonable efforts to assist the Seller in giving such notices and obtaining such consents and estoppel certificates; *provided, however*, that UTStarcom will have no obligation to give any guarantee or other consideration of any nature in connection with any such notice, consent or estoppel certificate or to consent to any change in the terms of any agreement or arrangement which UTStarcom in its sole discretion may deem adverse to the interests of UTStarcom or the wireless business.

The Seller and UTStarcom have agreed that, in the event that any consent, approval or authorization reasonably necessary or desirable to preserve for the wireless business any right or benefit under any Assumed Contract is not obtained prior to the closing, the Seller will, subsequent to the closing, cooperate with UTStarcom in attempting to obtain such consent, approval or authorization as promptly thereafter as is reasonably practicable. If such consent, approval or authorization cannot be obtained, the Seller is required to use its reasonable commercial efforts to provide UTStarcom with, or cause to be provided to UTStarcom, the rights and benefits of the affected Assumed Contract for the term of such Assumed Contract.

The Seller has also agreed that to the extent that any Assumed Contract is not capable of being assigned, transferred, subleased or sublicensed without the consent or waiver of the other party or any third party including a government or governmental unit, or if such assignment, transfer, sublease or sublicense or attempted assignment, transfer, sublease or sublicense would constitute a breach thereof or a violation of any law, decree, order, regulation, or other governmental edict, the asset purchase agreement will not constitute an assignment, transfer, sublease or sublicense thereof, or an attempted assignment, transfer, sublease or sublicense of any such Assumed Contract.

The asset purchase agreement further provides that in using its reasonable commercial efforts to obtain any authorization, order, consent, approval, assignment, estoppel certificate or waiver hereunder, the Seller will not be obligated to incur costs, expenses (including third-party legal fees) and (collectively, "*Consent Costs*") which, along with all other Consent Costs incurred by the Seller, (x) exceed \$500,000 in the aggregate and (y) are other than one-time costs to be paid in connection with obtaining such authorization, order, consent, approval, assignment or waiver.

Notice of Developments

Prior to the closing, the Seller is required to promptly notify UTStarcom (a) in writing of all events, circumstances, facts and occurrences arising subsequent to the date of the asset purchase agreement which could reasonably be expected to result in a failure to satisfy certain conditions and (b) all other material and adverse developments affecting the Purchased Assets, liabilities, business, financial condition, operations, results of operations, customer or supplier relations, employee relations, projections or prospects of the wireless business.

No Solicitation or Negotiation

Each of the Seller and Audiovox has agreed that neither it nor any of its directors, officers or employees will, and that it will cause its agents, advisors and other representatives (including, without limitation, any investment banker, attorney or accountant retained by it), not to, directly or indirectly:

solicit, initiate or encourage (including by way of furnishing nonpublic information), or take any other action to facilitate, any inquiries or the making of any proposal or offer (including, without

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limitation, any proposal or offer to our stockholders) that constitutes, or may reasonably be expected to lead to, any Competing Transaction (as defined below);

enter into or maintain or continue discussions or negotiations with any person or entity in furtherance of such inquiries or to obtain a proposal or offer for a Competing Transaction; or

agree to, approve, endorse or recommend any Competing Transaction or enter into any letter of intent or other contract, agreement or commitment contemplating or otherwise relating to any Competing Transaction.

The Seller or Audiovox, as applicable, is required to notify UTStarcom as promptly as practicable (and in any event within two days after the Seller or Audiovox, as applicable, attains knowledge thereof), orally and in writing, if any proposal or offer, or any inquiry or contact with any person with respect thereto, regarding a Competing Transaction is made, specifying the material terms and conditions thereof and the identity of the party making such proposal or offer or inquiry or contact (and the Seller or Audiovox, as applicable, are required to notify UTStarcom concerning any material amendments to such proposal or offer).

Audiovox is required to provide UTStarcom with 48 hours prior notice (or such lesser prior notice as is provided to the members of the Audiovox board) of any meeting of the Audiovox board at which the Audiovox board is reasonably expected to consider any Competing Transaction.

The Seller and Audiovox are required to immediately cease and cause to be terminated all existing discussions or negotiations with any parties conducted heretofore with respect to a Competing Transaction.

The Seller and Audiovox have agreed not to, without the prior written consent of UTStarcom, release any person from, or waive any provision of, any confidentiality or standstill agreement (unless the Audiovox board, in order to comply with its fiduciary obligations to Audiovox and its stockholders under applicable law, must waive the standstill provisions so that such person may make a proposal or offer which may reasonably be expected to lead to a Superior Proposal (as defined below)) to which the Seller and Audiovox is a party relating to Audiovox, the Seller or the Purchased Assets.

Notwithstanding any provision described in this section to the contrary, the Audiovox board is permitted to furnish information to, and enter into discussions with, a person who has made an unsolicited, written, bona fide proposal or offer regarding a Competing Transaction, and the Audiovox board has:

determined, in its good faith judgment (after having received the advice of a financial advisor of nationally recognized reputation), that such proposal or offer constitutes, or may be reasonably expected to lead to, a Superior Proposal;

determined, in its good faith judgment after consultation with independent legal counsel (who may be Audiovox's regularly engaged independent legal counsel), that, in light of such proposal or offer, the furnishing of such information or entering into discussions is required to comply with its fiduciary obligations to Audiovox's and its stockholders under applicable law;

provided written notice to UTStarcom of its intent to furnish information or enter into discussions with such person; and

obtained from such person an executed confidentiality agreement on terms no less favorable to Audiovox than those contained in the non-disclosure agreement by and among UTStarcom, the Seller and Audiovox (it being understood that such confidentiality agreement and any related agreements will not include any provision calling for any exclusive right to negotiate with such party or having the effect of prohibiting Audiovox from satisfying its obligations under the asset purchase agreement).

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The asset purchase agreement provides that, except as set forth in the provisions described in this paragraph, neither the Audiovox board nor any committee thereof will withdraw or modify, or propose to withdraw or modify, in a manner adverse to UTStarcom, the Audiovox Recommendation (defined below) (a "*Change in the Audiovox Recommendation*") or approve or recommend, or cause or permit Audiovox to enter into any letter of intent, agreement or obligation with respect to, any Competing Transaction. Notwithstanding the foregoing, the asset purchase agreement provides that if the Audiovox board determines, in its good faith judgment prior to the time of the Audiovox stockholders' meeting and after consultation with independent legal counsel (who may be Audiovox's regularly engaged independent legal counsel), that it is required to make a Change in the Atlas Recommendation to comply with its fiduciary obligations to Audiovox and its stockholders under applicable law, the Audiovox board may make a Change in the Audiovox Recommendation to recommend a Superior Proposal, but only:

after providing written notice to UTStarcom (a "*Notice of Superior Proposal*") advising Audiovox that the Audiovox board has received a Superior Proposal, specifying the material terms and conditions of such Superior Proposal and identifying the person making such Superior Proposal and indicating that the Audiovox board intends to effect a Change in the Audiovox Recommendation and the manner in which it intends (or may intend) to do so; and

if UTStarcom does not, within three business days of UTStarcom's receipt of the Notice of Superior Proposal, make an offer that the Audiovox board determines, in its good faith judgment (after having received the advice of a financial advisor of nationally recognized reputation) to be at least as favorable to Audiovox's stockholders as such Superior Proposal.

Any disclosure that the Audiovox board may determine that it is compelled to make with respect to the receipt of a proposal or offer for a Competing Transaction or otherwise in order to comply with its fiduciary obligations to Audiovox and its stockholders under applicable law, including under Rule 14d-9 or 14e-2 of the rules promulgated under the Securities Exchange Act of 1934, as amended, will not constitute a violation of the asset purchase agreement.

A "*Competing Transaction*" means any of the following (other than the transactions contemplated by the asset purchase agreement):

any merger, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or other similar transaction involving Audiovox or the Seller;

any sale, lease, exchange, transfer or other disposition of all or a substantial part of the assets of Audiovox or the Seller (other than a disposition of the assets of Audiovox that do not comprise the Purchased Assets);

any sale, exchange, transfer or other disposition of 15% or more of any class of equity securities of Audiovox or of the Seller;

any tender offer or exchange offer that, if consummated, would result in any person beneficially owning 15% or more of any class of equity securities of Audiovox or of the Seller; or

any solicitation in opposition to approval and adoption of the asset purchase agreement by Audiovox's stockholders.

A "*Superior Proposal*" means an unsolicited written bona fide offer made by a third party to consummate any of the following transactions:

a merger, consolidation, share exchange, business combination or other similar transaction involving Audiovox or the Seller pursuant to which the stockholders of Audiovox or the Seller, as the case may be, immediately preceding such transaction would hold less than 50% of the equity interest in the surviving or resulting entity of such transaction;

the acquisition by any person or group (including by means of a tender offer or an exchange offer or a two-step transaction involving a tender offer followed with reasonable promptness by a cash-out merger involving Audiovox), directly or indirectly, of ownership of 51% of the then outstanding shares of stock of Audiovox or 90% of the then outstanding shares of stock of the Seller; or

an acquisition of 85% of the assets of the Seller,

in each case on terms (including conditions to consummation of the contemplated transaction) that the Audiovox board determines, in its good faith judgment (after having received the advice of a financial advisor of nationally recognized reputation), to be more favorable to Audiovox stockholders than transactions contemplated by the asset purchase agreement; *provided, however*, that any such offer will not be deemed to be a "Superior Proposal" if any financing required to consummate the transaction contemplated by such offer is not committed and is not likely in the good faith judgment of the Audiovox board (after having received the advice of a financial advisor of nationally recognized reputation) to be obtained by such third party on a timely basis.

Use of Intellectual Property

The asset purchase agreement provides that from and after the closing, neither the Seller nor any of its affiliates will use any of the owned intellectual property used in the wireless business or any of the intellectual property licensed to the Seller pursuant to transferred intellectual property agreements disclosed in the asset purchase agreement, except for the Excluded Assets.

Non-Competition

The asset purchase agreement provides that for a period of five years after the closing (the "*Restricted Period*"), neither the Seller nor Audiovox will conduct, directly or indirectly, the wireless business or, without the prior written consent of UTStarcom, directly or indirectly, own an interest in, manage, operate, control, as a partner, stockholder or otherwise, any person that conducts the wireless business conducted by the Seller; *provided, however*, that, (x) for the purposes of the provisions described in this paragraph, ownership of securities having no more than five percent of the outstanding voting power of any such person will not be deemed to be in violation of the provisions described in this paragraph as long as the person owning such securities has no other material connection or relationship with, and no express ability to effect the management of, such other person and (y) ownership of a person hereafter acquired by the Seller or Audiovox that conducts the wireless business will not be deemed a violation of the provisions described in this paragraph, provided, that (1) such person is not engaged primarily in conducting the wireless business, (2) if Audiovox or the Seller, as the case may be, causes that person to cease conducting the wireless business within six months of Audiovox or the Seller becoming the owner of such person and (3) such person will not use the Audiovox name to promote the wireless business during such period of ownership by Audiovox or the Seller; and provided, further, that the interests owned by the Seller in other entities on the date of the asset purchase agreement will not violate the non-competition provisions described in this paragraph.

The Seller has also agreed that, for a period of five years following the closing, neither the Seller nor Audiovox will in any way, directly or indirectly, materially interfere with or attempt to materially interfere with any officers, employees, representatives or agents of the wireless business or solicit or attempt to solicit any employee of UTStarcom to leave the employ of UTStarcom or violate the terms of their contracts, or any employment arrangements, with UTStarcom; *provided, however*, that the foregoing will not prohibit a general solicitation to the public.

The Seller has also agreed that the Restricted Period will be extended by the length of any period during which the Seller or Audiovox is in breach of the terms of this provision.

Conveyance Taxes

Under the asset purchase agreement, the Seller will be liable for and will hold UTStarcom harmless against any sales, use, value added, transfer, stamp, stock transfer, real property transfer or gains and similar taxes, including, without limitation, Canadian GST and PST ("*Conveyance Taxes*") which become payable in connection with the transactions contemplated by the asset purchase agreement.

The asset purchase agreement also requires the Seller, after the review and consent by UTStarcom, to file such applications and documents as will permit any such Conveyance Tax to be assessed and paid on or prior to the closing in accordance with any available pre-sale filing procedure. In addition, UTStarcom is required to execute and deliver all instruments and certificates necessary to enable the Seller to comply with the foregoing and to complete and execute resale or other exemption certificates, if available, with respect to the Purchased Assets acquired under the asset purchase agreement, and to provide the Seller with executed copies thereof. UTStarcom has agreed to use its reasonable commercial efforts to cooperate with the Seller to take all actions reasonably necessary or desirable to exempt the transactions contemplated by the asset purchase agreement from any GST and PST taxes in Canada and in the Province of Ontario.

Further Action

Under the asset purchase agreement, if, after the closing, the Seller becomes aware of, or UTStarcom brings to the attention of the Seller, any assets of the Seller that should have been transferred as of the closing but were not so transferred, then such assets will be transferred to UTStarcom or its affiliates as soon as possible.

Each of the parties is required to use all reasonable efforts to take, or cause to be taken, all appropriate action, do or cause to be done all things reasonably necessary under applicable law, and to execute and deliver such documents and other papers, as may be required to carry out the provisions of the asset purchase agreement to which it is a party and consummate and make effective the transactions contemplated thereby.

The asset purchase agreement also contains provisions pursuant to which the parties are required to cooperate with each other with respect to tax returns.

Proxy Statement; Annual Meeting

The asset purchase agreement requires Audiovox to prepare, file with the Securities and Exchange Commission and mail a proxy statement to its stockholders. The asset purchase agreement further requires Audiovox to, subject only to such delays as are necessary to enable the Audiovox board of directors to discharge its fiduciary obligations as provided in the asset purchase agreement, call and hold the annual meeting as promptly as practicable for the purpose of voting upon the approval and adoption of the asset purchase agreement. It also requires Audiovox to use its reasonable best efforts to hold the annual meeting as soon as practicable after the date of the asset purchase agreement and to use its reasonable best efforts to solicit from its stockholders proxies in favor of the approval and adoption of the asset purchase agreement.

Except as provided in the provisions described above under " No Solicitation or Negotiation," Audiovox has agreed that none of the Audiovox board or any committee thereof will withdraw or modify, or propose to withdraw or modify, in a manner adverse to UTStarcom, the approval or recommendation by the Audiovox board or any committee thereof of the asset purchase agreement, or the transactions contemplated by the asset purchase agreement and that its proxy statement will include the recommendation to the stockholders of Audiovox in favor of approval and adoption of the asset

purchase agreement and approval of the transactions contemplated thereby (the "*Audiovox Recommendation*").

The asset purchase agreement also requires Audiovox to call and hold the Audiovox stockholders' meeting as promptly as practicable for the purpose of voting upon the approval and adoption of the asset purchase agreement and Audiovox is required to use its reasonable best efforts to hold the Audiovox stockholders' meeting as soon as practicable after the date of the asset purchase agreement; *provided, however*, that, after the Audiovox stockholders' meeting has been scheduled, Audiovox may delay the calling and holding of the Audiovox stockholders' meeting to the extent necessary to allow the Audiovox board to determine, in the discharge of the Audiovox board's fiduciary obligations, whether any offer or proposal regarding a Competing Transaction constitutes a Superior Proposal.

Replication Service

On or prior to the closing, Audiovox and the Seller are required to replicate, for UTStarcom, certain software, which together with certain intellectual property, will enable the wireless business to become a fully operational entity with all current functionality and appropriate controls to protect the wireless business from any non-wireless business access (the "*Replication Service*"). The asset purchase agreement further provides that all hardware brands and configurations used in the Replication Service will be approved by UTStarcom prior to such use. UTStarcom is required to pay \$70,000 for the Replication Service but in no event shall UTStarcom be obligated to make any other payments in respect of the Replication Service or the resulting replicated environment.

Leases

Audiovox and UTStarcom have agreed to use reasonable commercial efforts to negotiate and agree upon the form of sublease for space at 555 Wireless Blvd., Hauppauge, New York (the "*555 Wireless Sublease*") on the terms set forth in the applicable exhibit to the asset purchase agreement within 45 days after the date of the asset purchase agreement. UTStarcom will also use reasonable commercial efforts to negotiate and agree upon the form of the lease for space at 16820 Marquardt Avenue, Cerritos, California (the "*Cerritos Lease*") on the terms set forth in the applicable exhibit to the asset purchase agreement within 45 days after the date of the asset purchase agreement.

Section 404 Compliance

Promptly after the date of the asset purchase agreement, the Seller will retain an East-Coast based team of advisors from Deloitte & Touche LLP, as outside advisors, to work with the Seller to develop and implement a process of internal financial reporting controls in accordance with generally accepted accounting principles as provided in the asset purchase agreement and to satisfy certain interim milestones relating to such controls. The Seller has agreed to use its best efforts to (i) satisfy such interim milestones and (ii) develop and implement such internal financial reporting controls prior to September 30, 2004. All costs and expenses of the Seller and such advisors relating to the development and implementation of such internal financial reporting controls will be borne by the Seller.

Employee Matters

Under the terms of the asset purchase agreement, as of the closing, UTStarcom is required to offer employment to each of the employees of the Seller on the date of the asset purchase agreement and provide them with employee benefits (other than equity compensation arrangements) on terms that are no less favorable than the terms and conditions applicable to similarly situated employees of UTStarcom. Employees who accept such offer are referred to as Transferred Employees. In addition, UTStarcom has agreed to (i) credit each of the Transferred Employees with a number of paid vacation, sick leave and personal days immediately following the date of closing equal to the number of such

days each such Transferred Employee has accrued but not used as of the date of closing under the applicable policies of the Seller as in effect immediately prior to the date of closing, and (ii) allow each of the Transferred Employees to use such days following the date of closing in accordance with the applicable policies of UTStarcom as are in effect from time to time. UTStarcom and Seller have agreed to undertake in good faith to consider the preparation and filing of employment tax reports with respect to the Transferred Employees using the alternative procedure set forth in Revenues Procedure 96-60 under the Internal Revenue Code.

Conditions to the Closing

Conditions to Obligations of the Seller and Audiovox

The obligations of the Seller and Audiovox to consummate the transactions contemplated by the asset purchase agreement will be subject to the fulfillment or written waiver by Audiovox or the Seller, at or prior to the closing, of each of the following conditions:

the representations and warranties of UTStarcom contained in the asset purchase agreement will have been true and correct when made and will be true and correct at and as of the closing (disregarding for these purposes any materiality or corollary qualifications contained therein), except to the extent that any failures of such representations and warranties to be so true and correct would not have a Purchaser Material Adverse Effect (defined below), except to the extent such representations and warranties are as of another date, in which case, such representations and warranties will be true and correct as of that date with the same force and effect as if made as of the closing except to the extent that any failures of such representations and warranties to be true and correct that would not have a Purchaser Material Adverse Effect, and the covenants and agreements contained in the asset purchase agreement to be complied with by UTStarcom on or before the closing will have been complied with in all material respects;

any waiting period (and any extension thereof) under the HSR Act applicable to the purchase of the Purchased Assets will have expired or will have been terminated and the applicable approvals and/or clearances with respect to the antitrust review in the Peoples Republic of China (the "*PRC Antitrust Approvals*") have been received;

no action will have been commenced by or before any governmental authority against any of Audiovox, the Seller or UTStarcom, seeking to restrain or materially and adversely alter the transactions contemplated by the asset purchase agreement which, in the reasonable, good faith determination of the Seller, is likely to render it impossible or unlawful to consummate such transactions; *provided, however*, that the provisions of this clause will not apply if the Seller has directly or indirectly solicited or encouraged any such action; and

the asset purchase agreement and the transactions contemplated thereby will have been approved and adopted by the requisite affirmative vote of the stockholders of Audiovox in accordance with the General Corporation Law of Delaware, and Audiovox's certificate of incorporation, and such approval shall not have been rescinded, revoked or otherwise withdrawn.

Conditions to Obligations of UTStarcom

The obligations of UTStarcom to consummate the transactions contemplated by the asset purchase agreement will be subject to the fulfillment or written waiver by UTStarcom, at or prior to the closing, of each of the following conditions:

the representations and warranties of the Seller and Audiovox contained in the asset purchase agreement will have been true and correct when made and will be true and correct at and as of the closing (disregarding for these purposes any materiality, Material Adverse Effect (defined

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below) or corollary qualifications contained therein), except to the extent that any failures of such representations and warranties to be so true and correct would not have a Material Adverse Effect, except to the extent such representations and warranties are as of another date, in which case, such representations and warranties will be true and correct as of that date with the same force and effect as if made as of the closing except to the extent that any failures of such representations and warranties to be true and correct that would not have a Material Adverse Effect, and the covenants and agreements contained in the asset purchase agreement to be complied with by the Seller and Audiovox on or before the closing will have been complied with in all material respects;

any waiting period (and any extension thereof) under the HSR Act applicable to the purchase of the Purchased Assets contemplated by the asset purchase agreement will have expired or will have been terminated and the PRC Antitrust Approvals have been received;

no action will have been commenced by or before any governmental authority against any of Audiovox, the Seller or UTStarcom, seeking to restrain or materially and adversely alter the transactions contemplated by the asset purchase agreement which, in the reasonable, good faith determination of UTStarcom, is likely to render it impossible or unlawful to consummate such transactions or which is reasonably likely to have a Material Adverse Effect; *provided, however*, that the provisions of this clause will not apply if UTStarcom has directly or indirectly solicited or encouraged any such action;

UTStarcom and the Seller will have received, each in form and substance reasonably satisfactory to UTStarcom, all authorizations, consents, orders and approvals of all governmental authorities and officials which are necessary for the consummation of the transactions contemplated by the asset purchase agreement and related agreements;

with respect to each agreement listed in the applicable section of the disclosure schedule to the asset purchase agreement, UTStarcom or the Seller will have received either (x) consent that such agreement may be assigned to UTStarcom in connection with the asset sale or (y) the opportunity to enter into a new agreement that is, in the aggregate, not materially less favorable to UTStarcom than, on the date of the closing, is the agreement that it is replacing. With respect to three of the five of the agreements listed in another section of the disclosure schedule to the asset purchase agreement, UTStarcom or Seller will have received (x) consent that such agreement may be assigned to UTStarcom in connection with the asset sale or (y) the opportunity to enter into a new agreement that is, in the aggregate, not materially less favorable to UTStarcom than, on the date of the closing, is the agreement that it is replacing;

the employment agreement by and between Philip Christopher and UTStarcom will have been validly entered into and will be in full force and effect and Philip Christopher will, as of closing, become an employee of UTStarcom;

at least 80% of the key employees listed in the disclosure schedule to the asset purchase agreement to whom UTStarcom extended offers of employment prior to the closing will have accepted UTStarcom's offer of employment and will, as of closing, become employees of UTStarcom;

the asset purchase agreement and the transactions contemplated thereby have been approved and adopted by the requisite affirmative vote of the stockholders of Audiovox in accordance with the General Corporation Law of Delaware, and Audiovox's certificate of incorporation, and such approval shall not have been rescinded, revoked or otherwise withdrawn;

Audiovox and UTStarcom shall have entered into the 555 Wireless Sublease;

Marquardt Associates and UTStarcom shall have entered into the Cerritos Lease; and

UTStarcom shall have made a determination, made reasonably and in good faith, that the Seller has developed and implemented internal financial reporting controls and that the internal financial reporting controls are prepared for the commencement of outside auditor testing of compliance with Section 404, on or before September 30, 2004; provided, that, from and after January 1, 2005, such provision shall no longer be a condition to UTStarcom's obligation to consummate the transactions contemplated by the asset purchase agreement (the "*Section 404 Condition*").

"*Purchaser Material Adverse Effect*" means any circumstance, change in or effect on UTStarcom that, individually or in the aggregate with all other circumstances, changes in or effects on UTStarcom is or is reasonably likely to be materially adverse to the business, operations, assets or liabilities (including contingent liabilities), results of operations or the financial condition of UTStarcom; *provided, however*, that (x) effects attributable to general or industry specific economic conditions, except those effects that adversely affect UTStarcom to a materially greater extent than they affect other entities operating in such industries, (y) a decline in the market price of UTStarcom common stock, in itself, (z) changes resulting from the permitted disclosure of the asset purchase agreement or the transactions contemplated thereby, in each case, shall not constitute a Purchaser Material Adverse Effect.

"*Material Adverse Effect*" means any circumstance, change in or effect on the wireless business or the Seller that, individually or in the aggregate with all other circumstances, changes in or effects on the wireless business or the Seller is or is reasonably likely to be materially adverse to the business, operations, assets or liabilities (including contingent liabilities), results of operations or the financial condition of the wireless business; *provided, however*, that (v) effects attributable to general or industry specific economic conditions, except those effects that adversely affect the wireless business or the Seller to a materially greater extent than they affect other entities operating in such industries, (w) a termination of the supply arrangement between the Seller and Curitel Communications Inc., (x) a decline in the market price of Audiovox common stock, in itself, (y) the failure, in itself, to achieve estimated or projected results of the wireless business (provided, that, any circumstances, change or effect on the wireless business giving rise to such failure to achieve estimated or projected results may constitute a Material Adverse Effect), and (z) changes resulting from the permitted disclosure of the asset purchase agreement or the transactions contemplated thereby, in each case, will not constitute a Material Adverse Effect.

Indemnification

Indemnification by the Seller and Audiovox

If the closing occurs, UTStarcom and its affiliates, officers, directors, employees, agents, successors and assigns (each a "*Purchaser Indemnified Party*") will be indemnified and held harmless by the Seller and Audiovox, on a joint and several basis, for and against any and all liabilities, losses, damages, claims, costs and expenses, interest, awards, judgments and penalties (including attorneys' and consultants' fees and expenses) actually suffered or incurred by them (including any action brought or otherwise initiated by any of them) (hereinafter a "*Loss*"), arising out of or resulting from:

the breach of any representation or warranty made by the Seller contained in the asset purchase agreement and certain other related documents;

the breach of any covenant or agreement by the Seller contained in the asset purchase agreement and certain other related documents;

any claim or cause of action of any third party relating to any action, inaction, event, condition, liability or obligation of the Seller occurring or existing prior to the closing (other than the Assumed Liabilities); and

the Excluded Liabilities.

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To the extent that the Seller's or Audiovox's undertakings set forth above may be unenforceable, the Seller or Audiovox, as the case may be, have agreed to contribute the maximum amount that it is permitted to contribute under applicable law to the payment and satisfaction of all Losses incurred by the Purchaser Indemnified Parties, provided, that, in no event will the Seller's or Audiovox's liability exceed the amounts set forth below under " Limitation on Obligation to Indemnify."

Furthermore, the Seller has agreed to indemnify UTStarcom against any and all liabilities (including any liabilities for taxes of Seller as a transferee or otherwise) which may be asserted by third parties against UTStarcom as a result of the Seller's noncompliance with any applicable bulk sale or bulk transfer laws of any jurisdiction in connection with the sale of the Purchased Assets.

Indemnification by UTStarcom

If the closing occurs, the Seller and its affiliates, officers, directors, employees, agents, successors and assigns (each a "*Seller Indemnified Party*") will be indemnified and held harmless by UTStarcom for and against any and all Losses, arising out of or resulting from:

the breach of any representation or warranty made by UTStarcom contained in the asset purchase agreement and certain other related documents;

the breach of any covenant or agreement by UTStarcom contained in the asset purchase agreement and certain other related documents;

liabilities, whether arising before or after the closing, that are expressly assumed by UTStarcom pursuant to the asset purchase agreement, including the Assumed Liabilities;

taxes, other than the certain excluded taxes, relating to the Purchased Assets, the wireless business or the Assumed Liabilities for any post-closing tax period;

claims arising after the closing made by Transferred Employees relating to their employment with UTStarcom; and

any claim or cause of action by any third party relating to any action, inaction, event, condition, liability or obligation relating to the operation of the wireless business from and after the closing.

To the extent that UTStarcom's undertakings set forth above may be unenforceable, UTStarcom has agreed to contribute the maximum amount that it is permitted to contribute under applicable law to the payment and satisfaction of all Losses incurred by the Seller Indemnified Parties, provided, that, in no event will UTStarcom's liability exceed the amounts set forth below under " Limitation on Obligation to Indemnify."

Limitation on Obligation to Indemnify

Notwithstanding the foregoing,

an indemnifying party will be liable for any claim for indemnification pursuant to the provisions described above, as applicable, only to the extent, and for the amount, that the aggregate amount of indemnifiable Losses are in excess of \$500,000; provided that, in determining the amount of such indemnifiable Losses (but not the breach thereof giving rise to indemnification) each representation will be read without regard to any materiality, Material Adverse Effect or corollary qualifications contained therein;

in no event will the obligations of all indemnifying parties, in the aggregate, to indemnify the indemnified party exceed: (i) 30% of the purchase price with respect to Losses arising from breaches of any representation or warranty made by the indemnifying party and (ii) 50% of the purchase price with respect to all Losses (including those covered in clause (i) above); and

the amount of Losses for which the indemnifying party will be obligated to indemnify the indemnified party will be reduced by any amount received under any insurance policy by the indemnified party with respect to such Losses.

Termination

The asset purchase agreement may be terminated at any time prior to the closing:

by (i) UTStarcom if between the date of the asset purchase agreement and the closing any representations, warranties or covenants of the Seller contained in the asset purchase agreement will have become untrue or incorrect such that the related closing condition could not be satisfied or (ii) by the Seller or Audiovox if, between the date of the asset purchase agreement and the closing any representations, warranties or covenants of UTStarcom contained in the asset purchase agreement will have become untrue or incorrect such that the related closing condition could not be satisfied;

by either the Seller or UTStarcom if the closing has not occurred by December 15, 2004; (as such date shall be extended to January 15, 2005, solely in the event that the Section 404 Condition shall fail to have been satisfied or waived) (either such date being, as applicable, the "*Initial Termination Date*") *provided, however*, that the right to terminate the asset purchase agreement under this clause will not be available to any party whose failure to fulfill any obligation under the asset purchase agreement will have been the cause of, or will have resulted in, the failure of the closing to occur on or prior to such date; *provided, further*, that at any time after the Initial Termination Date, if the PRC Antitrust Approvals have not been received, and at such time the Seller and Audiovox have satisfied their conditions to closing and are otherwise in all respects prepared to close the transactions contemplated by the asset purchase agreement, then (i) the Seller may terminate the asset purchase agreement and within two business days following such termination UTStarcom will pay to the Seller by wire transfer of immediately available funds \$1 million as reimbursement for the Seller's expenses (the "*Expense Reimbursement*") and (ii) UTStarcom may not terminate the asset purchase agreement; *provided, further*, that, at any time after February 15, 2005, UTStarcom may terminate the asset purchase agreement if on the date of such termination UTStarcom pays to the Seller by wire transfer of immediately available funds the Expense Reimbursement;

by either the Seller or UTStarcom in the event that any governmental authority issues an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by the asset purchase agreement and such order, decree, ruling or other action will have become final and nonappealable;

by UTStarcom if an Audiovox Triggering Event (as defined below) occurs;

by UTStarcom or Audiovox or the Seller if the asset purchase agreement fails to receive the requisite vote for approval at the Audiovox stockholders' meeting; *provided*, that, neither Audiovox nor the Seller will be entitled to terminate the asset purchase agreement pursuant to this clause if John Shalam will have breached the voting agreement;

by Audiovox or the Seller if the Audiovox board will have recommended a Superior Proposal or in order to enter into a definitive agreement relating to a Superior Proposal; or

by the mutual written consent of the Seller and UTStarcom.

An "*Audiovox Triggering Event*" will be deemed to have occurred if: (i) the Audiovox board makes a Change in the Audiovox Recommendation; (ii) the Audiovox board will have recommended to the stockholders of Audiovox a Competing Transaction or will have resolved to do so; (iii) Audiovox will have failed to include in this proxy statement the Audiovox Recommendation; (iv) the Audiovox board

fails to reaffirm the Audiovox Recommendation within seven business days after UTStarcom reasonably requests in writing that such recommendation be reaffirmed; or (v) Audiovox will have intentionally breached its obligations under certain provisions described under " No Solicitation or Negotiation" above.

In the event of termination, the asset purchase agreement will become void and there will be no liability on the part of either party except (a) as set forth in the confidentiality and expenses provisions, (b) that nothing therein will relieve any party from liability for any breach of the asset purchase agreement and (c) UTStarcom will promptly return or destroy (and cause its agents and representatives to return or destroy) all documents (and copies thereof) relating to the wireless business that were furnished to UTStarcom and all excerpts therefrom and notes related thereto.

Termination Fee and Expenses

The asset purchase agreement provides that except as otherwise specified in the asset purchase agreement, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with the asset purchase agreement and the transactions contemplated thereby will be paid by the party incurring such costs and expenses, whether or not the closing will have occurred.

Audiovox has agreed that:

if UTStarcom terminates the asset purchase agreement on the basis that an Audiovox Triggering Event has occurred; or

if Audiovox or the Seller terminates the asset purchase agreement on the basis that the Audiovox board has recommended a Superior Proposal or in order to enter into a definitive agreement relating to a Superior Proposal,

then Audiovox will pay to UTStarcom promptly (but in any event no later than one business day after the first of such events will have occurred) a fee of 3.5% of the purchase price, which amount will be payable in immediately available funds, plus an amount equal to the amount of certain of UTStarcom's expenses, up to a maximum of \$1 million.

Public Announcements

The asset purchase agreement provides that unless otherwise required by securities exchange rule or regulation or the rules and regulations of any national stock exchange, none of the parties will make, or cause to be made, any press release or public announcement in respect of the asset purchase agreement or certain other related documents or the transactions contemplated thereby or otherwise communicate with any news media without prior written consent of the other parties, and the parties will cooperate as to the timing and contents of any such press release, public announcement or communication.

Agreements Related to the Asset Purchase Agreement

Voting Agreement

As a condition to, and contemporaneously with the execution of, the asset purchase agreement, UTStarcom and John Shalam entered into a voting agreement (the "*Voting Agreement*"). The Voting Agreement provides that Mr. Shalam agrees that, during the time the Voting Agreement is in effect, at any meeting of the stockholders of Audiovox, however called, or any adjournment thereof, or by written consent, he will be present (in person or by proxy) and vote (or cause to be voted) all of his 1,918,977 Class A and 2,144,152 Class B shares (together with any such shares acquired after the date of the Voting Agreement, whether upon the exercise of options, conversion of convertible securities or

otherwise, and any other voting securities of the Audiovox (whether acquired theretofore or thereafter) that are directly owned by John Shalam) (the "Voting Shares") in favor of the approval of the asset purchase agreement and the transactions contemplated thereby.

The Voting Agreement further provides that, solely with respect to the matters described in the preceding paragraph, for so long as the Voting Agreement has not been terminated pursuant to its terms, John Shalam irrevocably appoints UTStarcom as his proxy (which proxy is irrevocable and which appointment is coupled with an interest) to vote solely on the matters described in the preceding paragraph, and in accordance therewith.

The Voting Agreement provides that, except as contemplated therein, Mr. Shalam agrees, while the Voting Agreement is in effect, not to (a) sell, transfer, pledge, encumber, assign or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to the sale, transfer, pledge, encumbrance, assignment or other disposition of, or limitation on the voting rights of, any of the Voting Shares, (b) grant any proxies or powers of attorney, deposit any Voting Shares into a voting trust or enter into a voting agreement with respect to any Voting Shares, (c) take any action that would cause any representation or warranty of Mr. Shalam contained therein to become untrue or incorrect or have the effect of preventing or disabling Mr. Shalam from performing his obligations under the Voting Agreement or (d) commit or agree to take any of the actions prohibited by this sentence, provided, that nothing therein will limit or restrict Mr. Shalam from acting in his capacity as an officer or director of Audiovox (it being understood that the Voting Agreement shall apply to Mr. Shalam solely in his capacity as a stockholder of Audiovox). Notwithstanding the foregoing, the restriction described in this paragraph will not apply to any sale, transfer, pledge, encumbrance, assignment or other disposition if, after such action, the remaining Voting Shares constitute 50.5% of the voting power of all outstanding shares of Audiovox.

The Voting Agreement shall (a) terminate automatically on the termination of the asset purchase agreement in accordance with its terms and (b) be deemed satisfied in full and terminated at the closing of the asset purchase agreement), provided, however, the governing law and remedies section of the Voting Agreement will survive in accordance with their terms.

The Voting Agreement is governed by and construed in accordance with the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

The remedies section provides that in the event of (i) a breach of the covenants and agreements contained in the Voting Agreement by John Shalam and (ii) a termination of the asset purchase agreement by UTStarcom has occurred on the basis that the asset purchase agreement failed to obtain requisite stockholder approval, if UTStarcom elects to not enforce, or is unsuccessful in attempting to enforce, its rights to specific performance as provided in the Voting Agreement and elects to not attempt, or is unsuccessful in attempting, to consummate the transactions contemplated by the asset purchase agreement, UTStarcom may elect to seek money damages for such breach by John Shalam. In such circumstances, UTStarcom and John Shalam acknowledge and agree that the actual damages suffered by UTStarcom for such breach might be difficult and costly to determine and therefore agree that such damages would, at a minimum, be equal to 3.5% of the purchase price set forth in the asset purchase agreement (the "*Minimum Damages Amount*"). John Shalam and UTStarcom further agreed that the actual damages suffered by UTStarcom in such circumstances, as a consequence of such breach by John Shalam, may exceed the Minimum Damages Amount and such amount will in no way limit the amount of additional damages that UTStarcom may seek or recover thereunder.

Transition Services Agreement

Under the asset purchase agreement, following the closing, the Seller is required to provide, or cause to be provided, to the wireless business certain information technology services such as billing,

general ledger and inventory (at costs based on the costs of the Seller) that are currently provided by the Seller and its affiliates to the wireless business, all in accordance with the transition services agreement substantially in the form attached as an exhibit to the asset purchase agreement (the "*Transition Services Agreement*"). The Transition Services Agreement provides that Audiovox will provide the information technology services set forth in the Transition Services Agreement during the initial term commencing on the date of the closing and ending on the six month anniversary of the date of the closing (the "*Initial Term*"). The Initial Term shall be automatically extended for successive one-month periods (not to exceed six additional months), subject to the termination provisions provided in the Transition Services Agreement. As consideration for the performance of the services under the Transition Services Agreement, UTStarcom will pay Audiovox the amounts set forth therein.

Trademark License Agreement

Audiovox and UTStarcom will enter into a trademark license agreement as of the close of the asset purchase agreement. The trademark license agreement will provide that Audiovox will grant to UTStarcom a royalty free, exclusive and non-transferable license to use the "AUDIOVOX" trademark solely in connection with the manufacture, sale, distribution and service of mobile cellular handset systems and other wireless communications devices that use the infrastructure of wireless communications carriers within UTStarcom's market and territory (defined as the United States, Canada, Mexico and all countries in Central America, the Caribbean and South America). In addition, Audiovox will grant to UTStarcom, a royalty-free, non-exclusive and nontransferable license to use "Audiovox" as part of the trade name for one legal entity of UTStarcom continuing to conduct the business formerly conducted by ACC. The license granted is limited to only the above products that are sold through the carrier distribution channel and does not extend to consumer electronic products not having as their primary function cellular telephone connectivity or activation, but rather, entertainment, information processing, data downloading/uploading and security. This license agreement will have a term of five years.

UTStarcom agrees it will meet commercially reasonable standards of quality that equal or exceed the quality of similar goods heretofore purchased, marketed, distributed or sold by ACC, the quality of which is known to UTStarcom and is acceptable to Audiovox, consistent with standards heretofore established by ACC in its business. UTStarcom also agrees to take certain other actions to maintain the quality of such products.

Furthermore, UTStarcom agrees that all advertising and other promotional materials which it uses with respect to such products sold under the "AUDIOVOX" trademark will comply with Audiovox's guidelines.

Escrow Agreement

UTStarcom will pay 5% of the \$165.1 million purchase price into an escrow account. The escrow agent will pay out funds put in escrow to UTStarcom if we are obligated to pay UTStarcom amounts under the post-closing purchase price adjustment provision or for losses suffered by UTStarcom as a result of breaches of our representations or warranties. To the extent not paid to UTStarcom within five days after the finalization of the post-closing purchase price adjustment, the amount remaining in the fund will be paid to us.

Agreements With Philip Christopher

Personally Held Intangibles Purchase Agreement

On June 10, 2004, ACC and Philip Christopher entered into a Personally Held Intangibles Purchase Agreement, pursuant to which Mr. Christopher sold to ACC all of his personal contacts and personal and professional relationships with suppliers, customers, contractors, financiers, employees and

ex-employees of ACC, and his personal know-how, trademarks, trade names and patentable assets relating to or useable by ACC. The terms of the asset purchase agreement provide for the sale to UTStarcom of all of the assets used in connection with the conduct of the wireless business. Prior to entering into the Personally Held Intangibles Purchase Agreement, Mr. Christopher never legally transferred or assigned his personally held intangibles to ACC or Audiovox; *however*, Mr. Christopher used these intangibles, which are integral to the wireless business, while fulfilling his obligations pursuant to his employment agreement with Audiovox. Mr. Christopher's employment agreement with Audiovox will terminate upon the completion of the sale of the wireless business to UTStarcom. Therefore, Mr. Christopher would not have a contractual obligation to continue to use these intangibles to further the wireless business being purchased by UTStarcom. In order to be able to convey all of the assets used in the wireless business to UTStarcom, Audiovox and ACC entered into an arm's-length negotiation regarding the purchase of his personally held intangibles. This negotiation resulted in UTStarcom being assured that it would be able to utilize Mr. Christopher's personally held intangibles in connection with their purchase of the wireless business, Audiovox and ACC receiving a fair price for the wireless business being sold and Mr. Christopher receiving a fair price for the sale of his personally held intangibles. On July 30, 2004, Audiovox received the report of Wharton Valuations Associates, Inc., an independent qualified appraiser, which concluded that Mr. Christopher's personally held intangibles were worth in excess of the maximum purchase price of \$16 million payable pursuant to the purchase agreement with respect to the personally held intangibles.

Agreement and General Release

On June 10, 2004, Audiovox, ACC and Mr. Christopher entered into the Agreement and General Release (the "*Release*"), pursuant to which the parties agreed (i) as of the closing of the asset purchase agreement, to terminate the Employment Agreement, which was effective as of May 29, 2002, by and among ACC, Mr. Christopher and Audiovox (the "*Employment Agreement*") and the Award Agreement dated June 1, 2002 evidencing the grant of an award pursuant to ACC's Long-Term Incentive Compensation Plan (the "*Plan*") entered into between the ACC and Mr. Christopher (the "*Award Agreement*") and (ii) to settle fully and finally any and all differences between them, including, but not limited to, any differences that may arise out of Mr. Christopher's employment with ACC and the termination thereof. The Release further provided that Mr. Christopher shall be paid his regular salary for services performed during the period through the closing of the asset purchase agreement, in accordance with prevailing company payroll practices, and that effective on the later of (i) eight (8) days after ACC has received a fully executed original copy of the Release, or (ii) the closing of the asset purchase agreement, ACC, in full and final settlement of any and all claims as set forth in the Release, and in accordance with the terms of the Employment Agreement and Awards Agreement, as amended, will pay Mr. Christopher \$4 million.

Mr. Christopher also agreed to release and forever discharge ACC, Audiovox and ACC's current, former, and future controlling shareholders, subsidiaries, affiliates, related companies, predecessor companies, divisions, directors, trustees, officers, employees, agents, attorneys, successors, and assigns (and the current, former and future controlling shareholders, directors, trustees, officers, employees, agents, and attorneys of such subsidiaries, affiliates, related companies, predecessor companies, and divisions), and all persons acting by, through under, or in concert with any of them, from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands whatsoever up to the date of Mr. Christopher's execution of the Release, whether known or unknown in law, admiralty, or equity, whether statutory or common law, whether federal, state, local, or otherwise, arising out of his employment with ACC, the Employment Agreement, the Plan and Award Agreement, any agreement concerning such employment, or the termination of such employment.

Employment Agreement

On June 11, 2004, Mr. Christopher and UTStarcom entered into an employment agreement which will become effective upon the closing of the asset purchase agreement. Under this employment agreement, UTStarcom will employ Mr. Christopher as President, Audiovox Handset Division of UTStarcom. The term of this employment agreement will be for three years and commencing 12 months prior to the expiration of this term, the parties will undertake good faith negotiations to extend the term. Mr. Christopher will receive a base salary of \$500,000 per year. A performance based merit increase review of this amount will be conducted immediately prior to the expiration of the term. During the term, Mr. Christopher will be eligible to earn an annual cash bonus equal to 2% of annual pre-tax earnings of the Audiovox Handset Division, less all such deductions or withholdings required by applicable law. Mr. Christopher will also be granted under UTStarcom's 1997 Stock Plan an option to purchase 200,000 shares of common stock of UTStarcom having a per share exercise price equal to the fair market value of the per share price on the date of the grant. The option will be granted as an "incentive stock option" within the meaning of the Internal Revenue Code of 1986, as amended. The option will vest and become exercisable over three years at a rate of one-third of the shares subject to the option vesting on the first anniversary of the effective date and the remaining shares vesting ratably on a monthly basis over the remaining two years of the vesting period.

Agreements With Toshiba

Agreement for Purchase of 7.5 Shares

Prior to entering into the asset purchase agreement with UTStarcom, Audiovox entered into the Agreement for Purchase of 7.5 Shares with Toshiba, pursuant to which Audiovox purchased from Toshiba 7.5 shares of class B common stock in ACC for \$1.41 million.

Stock Purchase Agreement

Concurrently with the execution and delivery of the asset purchase agreement, Toshiba, ACC and Audiovox entered into a stock purchase agreement, pursuant to which, among other things, Toshiba will sell 29.166666 class B shares of common stock in ACC to Audiovox for an aggregate amount of \$5,483,333. In addition, the stock purchase agreement provides that ACC will pay to Toshiba \$8,106,667 as payment in full of the entire outstanding principal amount of the Non-Negotiable Subordinated Convertible Promissory Note of ACC dated May 31, 2002 issued to Toshiba, and all accrued and unpaid interest thereon through and including the closing date of the stock purchase agreement. In addition, the stock purchase agreement provides that certain provisions of our agreements with Toshiba will be terminated and that we will release Toshiba, and Toshiba will release us, from certain legal claims.

The purchase price for Toshiba's equity interest in ACC was determined during the course of negotiations between Audiovox and Toshiba and reflected the fact that Toshiba was being released from its obligation to continue to supply ACC with handsets, was being provided a release from all claims that ACC or Audiovox have or may have against it (except with respect to or related to claims asserted by third parties, as well as certain intellectual property claims and warranty claims with respect to the distribution agreement between ACC and Toshiba entered into in 2002). There was no specific value attributed to the termination of the distribution agreement and the release from claims and Toshiba is not receiving any other consideration, non-cash or otherwise, in connection with Audiovox's purchase of Toshiba's equity interest in ACC.

The Board of Directors unanimously recommends that you vote "FOR" the approval of the asset purchase agreement and the transactions contemplated thereby.

Cautionary Statement Concerning Forward-Looking Information

Certain information contained in this proxy statement that does not relate to historical information may be deemed to constitute forward-looking statements. The words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "believe" or similar expressions identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. This proxy statement contains certain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, future performance and business of Audiovox and its subsidiaries and the effect of the asset sale. Because such statements are subject to risks and uncertainties, actual results may differ materially from historical results and those presently anticipated or projected. Stockholders are cautioned not to place undue reliance on such statements, which speak only as of the date hereof. Among the factors that could cause actual results in the future to differ materially from any opinions or statements expressed with respect to future periods are those described under the caption "Proposal 2 The Sale of the Wireless Business Special Factors Special Considerations You Should Take Into Account in Deciding How to Vote on the Proposal to Sell the Wireless Business." Neither Audiovox nor any of its subsidiaries undertakes any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Selected Historical Consolidated Financial Data

The following table sets forth selected historical consolidated financial data for Audiovox Corporation as of the dates and for the periods indicated. The consolidated balance sheet data and the consolidated operations data for fiscal years 1999 through 2003 have been derived from our audited consolidated financial statements included in our filings on Form 10-K for each of the respective periods. The consolidated balance sheet data as of May 31, 2004 and the consolidated operations data for the six months ended May 31, 2004 have been derived from our unaudited consolidated financial statements included in our Form 10-Q for the quarter ended May 31, 2004.

Years Ended November 30,	Six Months Ended May 31, 2003	Six Months Ended May 31, 2004
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