AUDIOVOX CORP
Form 10-K
May 14, 2008

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

FORM 10-K

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

For the fiscal year ended February 29, 2008

Commission file number 0-28839

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

Delaware (State or other jurisdiction of incorporation or organization)	13-1964841 (IRS Employer Identification No.)
180 Marcus Blvd., Hauppauge, New York (Address of principal executive offices)	11788 (Zip Code)

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

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

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

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

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

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

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

Yes x No o

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

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

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

Indicate by check mark whether the Registrant is a shell company (as defined in rule 12b-2 of the Act).
Yes o No x

The aggregate market value of the common stock held by non-affiliates of the Registrant was $180,543,041 (based upon closing price on the Nasdaq Stock Market on August 31, 2007).

The number of shares outstanding of each of the registrant's classes of common stock, as of May 14, 2008 was:

Class	Outstanding
Class A common stock $.01 par value	20,593,660
Class B common stock $.01 par value	2,260,954

DOCUMENTS INCORPORATED BY REFERENCE

Part III - (Items 10, 11, 12, 13 and 14) Proxy Statement for Annual Meeting of Stockholders to be filed on or before June 13, 2008.

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

This Annual Report on Form 10-K and the information incorporated by reference includes "forward-looking statements" within the meaning of section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend those forward looking-statements to be covered by the safe harbor provisions for forward-looking statements. All statements regarding our expected financial position and operating results, our business strategy, our financing plans and the outcome of any contingencies are forward-looking statements. Any such forward-looking statements are based on current expectations, estimates, and projections about our industry and our business. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," or variations of those words and similar expressions are intended to identify such forward-looking statements. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those stated in or implied by any forward-looking statements. Factors that could cause actual results to differ materially from forward-looking statements include, but are not limited to, matters listed in Item 1A under “Risk Factors”.

NOTE REGARDING DOLLAR AMOUNTS AND FISCAL YEAR END CHANGE

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

In February 2006, the Company changed its fiscal year end from November 30th to February 28th. The Company’s current fiscal year began March 1, 2007 and ended February 29, 2008.

PART I

Item 1-Business

Audiovox Corporation (“Audiovox", “We", "Our", "Us" or “Company") is a leading international distributor and value added service provider in the accessory, mobile and consumer electronics industries. We conduct our business through seven wholly-owned subsidiaries: American Radio Corp., Audiovox Accessories Corp. (“AAC”), Audiovox Consumer Electronics, Inc., Audiovox Electronics Corporation ("AEC"), Audiovox German Holdings GmbH ("Audiovox Germany"), Audiovox Venezuela, C.A. and Code Systems, Inc. ("Code"). We market our products under the Audiovox® brand name and other brand names, such as Acoustic Research®, Advent®, Ambico®, Car Link®, Chapman®, Code-Alarm®, Discwasher®, Energizer®, Heco®, Incaar®, Jensen®, Mac Audio®, Magnat®, Movies2Go®, Oehlbach®, Phase Linear®, Prestige®, Pursuit®, RCA® (effective January 1, 2008), RCA Accessories®, Recoton®, Road Gear®, Spikemaster® and Terk®, as well as private labels through a large domestic and international distribution network. We also function as an OEM ("Original Equipment Manufacturer") supplier to several customers and presently have one reportable segment (the "Electronics Group"), which is organized by product category. We previously announced our intention to acquire synergistic businesses with gross profit margins higher than our core business, leverage our overhead, penetrate new markets and to expand our core business and distribution channels.

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

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

Acquisitions

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

In December 2007, the Company completed the acquisition of certain assets and liabilities of Thomson's U.S., Canada, Mexico, China and Hong Kong consumer electronics audio/video business for a total cash purchase price of approximately $3,188 (net of license fee below), plus a net asset payment of $11,093, transaction costs of $560 and a fee related to the RCA® brand in connection with future sales for a stated period of time. The purpose of this acquisition was to control the RCA trademark for the audio video field of use and to expand our core product offerings in certain developing markets. Contemporaneous with this transaction, the Company entered into a license agreement with Multimedia Device Ltd., a Chinese manufacturer, to market certain product categories acquired in the acquisition for an upfront fee of $10,000, the purchase of certain inventory and future royalty payments.

In November 2007, AAC completed the acquisition of all of the outstanding stock of Technuity, Inc., an emerging leader in the battery and power products industry and the exclusive licensee of the Energizer® brand in North America for rechargeable batteries and battery packs for camcorders, cordless phones, digital cameras, DVD players and other power supply devices, for a total cash purchase price of $20,373 (net of cash acquired), plus a working capital credit of $317, transaction costs of $1,085 and a maximum contingent earn out payment of $1,000, if certain sales and gross margin targets are met. The purpose of this acquisition was to further strengthen our accessory product lines and core offerings, to be the exclusive licensee of the Energizer® brand in North America for rechargeable batteries and power supply systems, and to increase the Company's market share in the consumer electronics accessory business.

In August 2007, Audiovox Germany completed the acquisition of certain assets of Incaar Limited, a U.K. business that specializes in rear seat electronics systems, for a total purchase price of $350, plus transaction costs of $51 and a maximum contingent earn out payment of $400, if certain earnings targets are met. The purpose of this acquisition was to add the experience, concepts and product development of an Original Equipment Manufacturer ("OEM") business to our European operations.

In March 2007, Audiovox Germany completed the stock acquisition of Oehlbach, a European market leader in the accessories business, for a total cash purchase price of $6,611, plus transaction costs of $200 and a contingent earn out payment, not to exceed 1 million euros. The purpose of this acquisition was to add electronics accessory product lines to our European business.

In January 2007, we completed the acquisition of certain assets and liabilities of Thomson's Americas consumer electronics accessory business for a total cash purchase price of approximately $50,000, plus a working capital payment of $7,617, plus a five year fee estimated to be $4,685 related to the RCA brand in connection with future sales and approximately $2,414 of transaction costs. The purpose of this acquisition was to expand our market presence in the accessory business. The acquisition included the rights to the RCA Accessories brand for consumer electronics accessories as well as the Recoton, Spikemaster, Ambico and Discwasher brands for use on any product category and the Jensen, Advent, Acoustic Research and Road Gear brands for consumer electronics accessories.

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

On July 8, 2003 we acquired, for $40,406, the U.S. audio operations of Recoton and the outstanding capital stock of Recoton German Holdings GmbH. The primary reason for this transaction was to expand the product offerings of

Audiovox in the U.S. and Europe and to obtain certain long-standing trademarks such as Jensen® and Acoustic Research®.

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

Refer to Note 3 “Business Acquisitions” of the Notes to Consolidated Financial Statements for additional information regarding the aforementioned acquisitions.

Divestitures (Discontinued Operations)

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

On November 1, 2004, we completed the divestiture of our Cellular business (formerly known as "ACC", "Cellular" or "Wireless") to UTStarcom, Inc. ("UTSI"). After paying outstanding domestic obligations, taxes and other costs associated with the divestiture, we received net proceeds of approximately $144,053. We have utilized the net proceeds to invest in strategic and complementary acquisitions and invest in our current operations.

These divestitures have been presented as discontinued operations. Refer to Note 2 “Discontinued Operations” of the Notes to Consolidated Financial Statements for additional information regarding the aforementioned divestitures.

Strategy

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

The key elements of our strategy are as follows:

Capitalize on the Audiovox® family of brands. We believe the "Audiovox®" family of brands, which includes Acoustic Research®, Advent®, Ambico®, Car Link®, Chapman®, Code-Alarm®, Discwasher®, Energizer®, Heco®, Incaar®, Jensen®, Mac Audio®, Magnat®, Movies2Go®, Oehlbach®, Phase Linear®, Prestige®, Pursuit®, RCA® (effective January 1, 2008), RCA Accessories®, Recoton®, Road Gear®, Spikemaster® and Terk®, is one of our greatest strengths and offers us significant opportunity for increased market penetration. To further benefit from the Audiovox® family of brands, we continue to invest and introduce new products using our brand names.

Capitalize on niche product and distribution opportunities in the electronics industry. We intend to use our extensive distribution and supply networks to capitalize on niche product and distribution opportunities in the mobile, consumer and accessory electronics categories.

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

Grow our international presence. We continue to expand our international presence in Europe through Audiovox Germany as well as Canada, Mexico and Hong Kong through our domestic operations. We continue to pursue additional business opportunities through acquisitions as well as penetrate new market opportunities.

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

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

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

Industry

We participate in selected product categories in the mobile, consumer and accessory electronics markets. The mobile and consumer electronics and accessory industries are large and diverse and encompass a broad range of products. The significant competitors in our industries are Sony, Panasonic, JVC, Kenwood, Alpine, Directed Electronics, Phillips, Monster Cable and Delphi. There are other companies that specialize in niche product offerings such as those we offer. The introduction of new products and technological advancements are the major growth drivers in the electronics industry. We continue to introduce new products across all product lines.

Products

Effective March 1, 2007, the Company reported “Accessories” as a separate product group due to the Thomson Accessory, Oehlbach and Technuity acquisitions. In addition, the Company’s former mobile and consumer product categories are now combined and recorded in the “Electronics” product group. As such, certain reclassifications have been made to prior year amounts as the Company currently reports sales data for the following two product categories:

Electronics products include:

- mobile multi-media video products, including in-dash, overhead, headrest and portable mobile video systems,
- autosound products including radios, speakers, amplifiers and CD changers,
- satellite radios including plug and play models and direct connect models,
- automotive security and remote start systems,
- automotive power accessories,
- car to car portable navigation systems,
- rear observation and collision avoidance systems,
- Liquid Crystal Display (“LCD”) flat panel televisions,
- home and portable stereos,
- two-way radios,
- digital multi-media products such as personal video recorders and MP3 products,
- camcorders,
- clock-radios,
- digital voice recorders,
- home speaker systems,
- portable DVD players, and
- digital picture frames.

Accessories products include:

- High-Definition Television ("HDTV") Antennas,
- Wireless Fidelity ("WiFi") Antennas,
- High-Definition Multimedia Interface ("HDMI") accessories,

- home electronic accessories such as cabling,
- other connectivity products,
- power cords,
- performance enhancing electronics,
- TV universal remotes,
- flat panel TV mounting systems,
- iPod specialized products,
- wireless headphones,
- rechargeable battery backups (UPS) for camcorders, cordless phones and portable video (DVD) batteries and accessories, and
- power supply systems.

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

Net sales by product category are as follows:

	Year Ended February 29, 2008	Year Ended February 28, 2007	Three Months Ended February 28, 2006	Year Ended November 30, 2005
Electronics	$ 437,018	$ 432,943	$ 99,566	$ 530,408
Accessories	154,337	23,747	3,484	9,308
Total net sales	$ 591,355	$ 456,690	$ 103,050	$ 539,716

Electronics sales, which include both mobile and consumer electronics, represented approximately 73.9% of net sales in Fiscal 2008 compared to 94.8% in Fiscal 2007, increased by 0.9% or $4,075 primarily due to an increase in mobile audio sales as a result of improved sales in the Company's car audio and Satellite Radio product lines and increases in the electronics sales of the Company's International operations in Germany and Venezuela. Offsetting these increases were lower consumer electronic sales as a result of lower than anticipated holiday sales and industry-wide shortages of LCD panels that adversely affected sales of LCD TV's, portable DVD's and digital picture frames. Electronic sales also declined in certain mobile video categories due to increased OEM programs that include the video system as "standard" on more and more vehicles and a decline in new car sales.

Accessories sales, which represented 26.1% of our net sales in Fiscal 2008 compared to 5.2% in Fiscal 2007, increased approximately 549.9% or $130,590 due to the incremental sales generated from the recently acquired Thomson Accessory, Oehlbach and Technuity operations.

Gross margins have improved due to acquisitions and margin increases in our core business. We anticipate further increases in margins through the introduction of new products with technologies that take advantage of market opportunities created by the digital convergence of data, navigation and multi-media entertainment as well as future operating improvements.

Licensing and Royalties

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

License and royalty income is recorded upon sale to the end-user and amounted to $2,190, $2,200, $537 and $1,959 for the years ended February 29, 2008, February 28, 2007, the three months ended February 28, 2006 and the year ended November 30, 2005, respectively.

Distribution and Marketing

We sell our products to:

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

We sell our products under OEM arrangements with domestic and/or international subsidiaries of automobile manufacturers such as Ford Motor Company, Daimler Chrysler, General Motors Corporation, Toyota, Kia, Mazda, Jaguar, Subaru and beginning in Fiscal 2009, Porsche. These projects require a close partnership with the customer as we develop products to meet specific requirements. OEM projects accounted for approximately 9%, 11%, 13% and 10% of net sales for the years ended February 29, 2008, February 28, 2007, the three months ended February 28, 2006 and the year ended November 30, 2005, respectively.

Our five largest customers represented 25%, 18%, 16%, and 24% of net sales during the years ended February 29, 2008, February 28, 2007, the three months ended February 28, 2006 and the year ended November 30, 2005, respectively. During the years ended February 29, 2008, February 28, 2007, the three months ended February 28, 2006 and the year ended November 30, 2005, no single customer accounted for more than 10% of net sales

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

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

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

Product Development, Warranty and Customer Service

Our product development cycle includes:

- identifying consumer trends and potential demand,

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

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

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

Suppliers

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

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

Competition

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

Financial Information About Foreign and Domestic Operations

The amounts of net sales and long-lived assets, attributable to foreign and domestic operations for all periods presented are set forth in Note 14 of the Notes to Consolidated Financials Statements, included herein.

Equity Investment

We have a 50% non-controlling ownership interest in Audiovox Specialized Applications, Inc. ("ASA") which acts as a distributor to specialized markets for specialized vehicles, such as, but not limited to, RV's, van conversions and marine vehicles, of televisions and other automotive sound, security and accessory products. The goal of this equity investment is to blend financial and product resources with local operations in an effort to expand our distribution and marketing capabilities.

Employees

As of February 29, 2008, we employed approximately 1,000 people worldwide. We consider our relations with employees to be good and no employees are covered by collective bargaining agreements.

Item 1A-Risk Factors

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

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

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

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

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

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

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

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

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

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

Sales in Our Electronics and Accessories Businesses are Dependent on New Products, Product Development and Consumer Acceptance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Goodwill and other intangible assets recorded on our balance sheet as of February 29, 2008 was $124,435. We evaluate the recoverability of recorded goodwill and other intangible asset amounts annually, or when evidence of potential impairment exists. The annual impairment test is based on several factors requiring judgment. Changes in our operating performance or business conditions, in general, could result in an impairment of goodwill and/or other intangible assets, which could be material to our results of operations.

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

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

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

We Are Responsible for Product Warranties and Defects.

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

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

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

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

Our Stock Price Could Fluctuate Significantly.

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

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

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

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

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

We have two classes of common stock: Class A common stock is traded on the Nasdaq Stock Market under the symbol VOXX and Class B common stock, which is not publicly traded and substantially all of which is beneficially owned by Mr. Shalam. Each share of Class A common stock is entitled to one vote per share and each share of

Class B common stock is entitled to ten votes per share. Both classes vote together as a single class, except in certain circumstances, for the election and removal of directors and as otherwise may be required by Delaware law. Since our charter permits shareholder action by written consent, Mr. Shalam may be able to take significant corporate actions without prior notice and a shareholder meeting.

Other Risks

Other risks and uncertainties include:

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

Item 1B-Unresolved Staff Comments

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

Item 2-Properties

Our Corporate headquarters is located at 180 Marcus Blvd. in Hauppauge, New York. In addition, as of February 29, 2008, the Company leased a total of 36 operating facilities or offices located in 14 states as well as Germany, China, Malaysia, Canada, Venezuela, Mexico, Taiwan, Hong Kong and England. The leases have been classified as operating leases, with the exception of one, which is recorded as a capital lease. These facilities are located in California, Florida, Georgia, New York, Ohio, Tennessee, Indiana, Michigan and Arkansas. These facilities serve as offices, warehouses, distribution centers or retail locations. Additionally, we utilize public warehouse facilities located in Virginia, Nevada, Mississippi, Illinois, Indiana, Mexico, Germany and Canada.

Item 3-Legal Proceedings

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

In November 2004, several purported double derivative, derivative and class actions were filed in the Court of Chancery of the State of Delaware, New Castle County challenging approximately $27,000 made in payments from the proceeds of the sale of the Company’s cellular business. These actions were subsequently consolidated into a single derivative complaint (the "Complaint"), In re Audiovox Corporation Derivative Litigation.

This matter was settled in May 2007 and received final Chancery court approval in June 2007. As a result of the settlement, the Company received $6,750 in gross proceeds. The gross proceeds were offset by $2,378 in plaintiff legal fees and $1,023 in accrued legal and administrative costs for defending all remaining ACC legal claims. The items discussed above resulted in a pre-tax benefit of $3,349 recorded in discontinued operations for the fiscal year ended February 29,2008.

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

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

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

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

No matters were submitted to a vote of security holders during the quarter ended February 29, 2008.

PART II

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

Market Information

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

Year ended February 29, 2008	High	Low
First Quarter	$ 15.29	$ 12.67
Second Quarter	13.48	9.63
Third Quarter	13.04	10.02
Fourth Quarter	13.47	9.00
Year ended February 28, 2007	High	Low
First Quarter	$ 12.98	$ 11.20
Second Quarter	14.81	11.78
Third Quarter	15.19	12.63
Fourth Quarter	15.99	12.82

Dividends

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

Holders

There are approximately 664 holders of record of our Class A Common Stock and 4 holders of Class B Convertible Common Stock.

Issuer Purchases of Equity Securities

In September 2000, we were authorized by the Board of Directors to repurchase up to 1,563,000 shares of Class A Common Stock in the open market under a share repurchase program (the "Program"). In July 2006, the Board of Directors authorized an additional repurchase up to 2,000,000 Class A Common Stock in the open market in connection with the Program. As of February 29, 2008, the cumulative total of acquired shares pursuant to the program was 1,820,562, with a cumulative value of $18,404 reducing the remaining authorized share repurchase balance to 1,742,438. During the year ended February 29, 2008, we purchased 128,100 shares for $1,425 resulting in an average price paid per share of $11.12. No treasury stock purchases were made during the three months ended February 29, 2008.

Performance Graph

The following table compares the annual percentage change in our cumulative total stockholder return on our common Class A common stock during a period commencing on February 28, 2003 and ending on February 29, 2008 with the cumulative total return of the Nasdaq Stock Market (US) Index and our SIC Code Index, during such period.

Item 6-Selected Consolidated Financial Data

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

	Year Ended February 29, 2008 (5)	Year Ended February 28, 2007	Three Months Ended February 28, 2006	Years ended November 30, 2005 (4)	2004	2003 (2)
Consolidated Statement of Operations Data						
Net sales (1)	$ 591,355	$ 456,690	$ 103,050	$ 539,716	$ 563,653	$ 510,899
Operating income (loss) (1)	4,422	(5,077)	(3,159)	(27,690)	(1,356)	14,008
Net income (loss) from continuing operations (1)	6,746	3,692	367	(6,687)	64	8,027
Net income (loss) from discontinued operations (3)	1,719	(756)	(184)	(2,904)	77,136	3,212
Net income (loss)	$ 8,465	$ 2,936	$ 183	$ (9,591)	$ 77,200	$ 11,239
Net income (loss) per common share from continuing operations:						
Basic	$ 0.29	$ 0.16	$ 0.02	$ (0.30)	$ 0.00	$ 0.36
Diluted	$ 0.29	$ 0.16	$ 0.02	$ (0.30)	$ 0.00	$ 0.36
Net income (loss) per common share:						
Basic	$ 0.37	$ 0.13	$ 0.01	$ (0.43)	$ 3.52	$ 0.51
Diluted	$ 0.37	$ 0.13	$ 0.01	$ (0.43)	$ 3.45	$ 0.51

	As of February 29, 2008	As of February 28, 2007	2006	As of November 30, 2005	2004	2003
Consolidated Balance Sheet Data		(as adjusted)				
Total assets	$ 533,036	$ 499,120	$ 466,012	$ 485,864	$ 543,338	$ 583,360
Working capital	275,787	305,960	340,564	340,488	362,018	304,354
Long-term obligations	27,260	22,026	18,385	18,425	18,598	29,639
Stockholders' equity	423,513	404,362	400,732	401,157	404,187	325,728

(1) Amounts exclude the financial results of discontinued operations (see Note 2 of the Notes to Consolidated Financial Statements).
(2) 2003 amounts reflect the acquisition of Recoton.
(3) 2004 amount reflects the results of the divestiture of the Cellular business and 2005 amount reflects the divestiture of Malaysia (see Note 2 of the Notes to Consolidated Financial Statements).
(4) 2005 amounts reflect the acquisition of Terk (see Note 3 of the Notes to Consolidated Financial Statements).
(5) 2007 amounts reflect the acquisition of Thomson Accessory business (see Note 3 of the Notes to Consolidated Financial Statements).
(6) 2008 amounts reflect the acquisition of Oehlbach, Incaar, Technuity and Thomson A/V (see Note 3 of the Notes to Consolidated Financial Statements).

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

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

We begin Management’s Discussion and Analysis of Financial Condition and Results of Operations with an overview of the business, including our strategy to give the reader a summary of the goals of our business and the direction in which our business is moving. This is followed by a discussion of the Critical Accounting Policies and Estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results. In the next section, we discuss our Results of Operations for the year ended February 29, 2008 compared to the years ended February 28, 2007 and 2006. We then provide an analysis of changes in our balance sheet and cash flows, and discuss our financial commitments in the sections entitled “Liquidity and Capital Resources, including Contractual and Commercial Commitments”. We conclude this MD&A with a discussion of “Related Party Transactions” and “Recent Accounting Pronouncements”.

Business Overview and Strategy

Audiovox Corporation ("Audiovox", "We", "Our", "Us" or "Company") is a leading international distributor and value added service provider in the accessory, mobile and consumer electronics industries. We conduct our business through seven wholly-owned subsidiaries: American Radio Corp., Audiovox Electronics Corporation ("AEC"), Audiovox Consumer Electronics, Inc., Audiovox Accessories Corp. ("AAC"), Audiovox German Holdings GmbH ("Audiovox Germany"), Audiovox Venezuela, C.A and Code Systems, Inc. ("Code"). We market our products under the Audiovox® brand name and other brand names, such as Acoustic Research®, Advent®, Ambico®, Car Link®, Chapman®, Code-Alarm®, Discwasher®, Energizer®, Heco®, Incaar®, Jensen®, Mac Audio®, Magnat®, Movies2Go®, Oehlbach®, Phase Linear®, Prestige®, Pursuit®, RCA® (effective January 1, 2008), RCA Accessories®, Recoton®, Road Gear®, Spikemaster® and Terk®, as well as private labels through a large domestic and international distribution network. We also function as an OEM ("Original Equipment Manufacturer") supplier to several customers and presently have one reportable segment (the "Electronics Group"), which is organized by product category. We previously announced our intention to acquire synergistic businesses with gross profit margins higher than our core business, leverage overhead, penetrate new markets and to expand our core business and distribution channels.

Effective March 1, 2007, the Company reported "Accessories" as a separate product group due to the Thomson Accessory, Oehlbach and Technuity acquisitions. In addition, the Company's former mobile and consumer product categories are now combined and recorded in the "Electronics" product group. As such, certain reclassifications have been made to prior year amounts as the Company currently reports sales data for the following two product categories:

Electronics products include:

- mobile multi-media video products, including in-dash, overhead, headrest and portable mobile video systems,
- autosound products including radios, speakers, amplifiers and CD changers,
- satellite radios including plug and play models and direct connect models,
- automotive security and remote start systems,
- automotive power accessories,
- car to car portable navigation systems,
- rear observation and collision avoidance systems,
- Liquid Crystal Display ("LCD") flat panel televisions,
- home and portable stereos,
- two-way radios,
- digital multi-media products such as personal video recorders and MP3 products,
- camcorders,
- clock-radios,
- digital voice recorders,
- home speaker systems,
- portable DVD players, and
- digital picture frames.

Accessories products include:

- High-Definition Television ("HDTV") Antennas,
- Wireless Fidelity ("WiFi") Antennas,
- High-Definition Multimedia Interface ("HDMI") accessories,
- home electronic accessories such as cabling,
- other connectivity products,

- power cords,
- performance enhancing electronics,
- TV universal remotes,
- flat panel TV mounting systems,
- iPod specialized products,
- wireless headphones,
- rechargeable battery backups (UPS) for camcorders, cordless phones and portable video (DVD) batteries and accessories, and
- power supply systems.

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

Acquisitions

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

In December 2007, the Company completed the acquisition of certain assets and liabilities of Thomson's U.S., Canada, Mexico, China and Hong Kong consumer electronics audio/video business for a total cash purchase price of approximately $3,188 (net of license fee below), plus a net asset payment of $11,093, transaction costs of $560 and a fee related to the RCA® brand in connection with future sales for a stated period of time. The purpose of this acquisition was to control the RCA trademark for the audio video field of use and to expand our core product offerings in certain developing markets. Contemporaneous with this transaction, the Company entered into a license agreement with Multimedia Device Ltd., a Chinese manufacturer, to market certain product categories acquired in the acquisition for an upfront fee of $10,000, the purchase of certain inventory and future royalty payments.

In November 2007, AAC completed the acquisition of all of the outstanding stock of Technuity, Inc., an emerging leader in the battery and power products industry and the exclusive licensee of the Energizer® brand in North America for rechargeable batteries and battery packs for camcorders, cordless phones, digital cameras, DVD players and other power supply devices, for a total cash purchase price of $20,373 (net of cash acquired), plus a working capital credit of $317, transaction costs of $1,085 and a maximum contingent earn out payment of $1,000, if certain sales and gross margin targets are met. The purpose of this acquisition was to further strengthen our accessory product lines and core offerings, to be the exclusive licensee of the Energizer® brand in North America for rechargeable batteries and power supply systems and to increase the Company's market share in the consumer electronics accessory business.

In August 2007, Audiovox Germany completed the acquisition of certain assets of Incaar Limited, a U.K. business that specializes in rear seat electronics systems, for a total purchase price of $350, plus transaction costs of $51 and a maximum contingent earn out payment of $400, if certain earnings targets are met. The purpose of this acquisition was to add the experience, concepts and product development of an Original Equipment Manufacturer ("OEM") business to our European operations.

In March 2007, Audiovox Germany completed the stock acquisition of Oehlbach, a European market leader in the accessories business, for a total cash purchase price of $6,611, plus transaction costs of $200 and a contingent earn out payment, not to exceed 1 million euros. The purpose of this acquisition was to add electronics accessory product lines to our European business.

In January 2007, we completed the acquisition of certain assets and liabilities of Thomson's Americas consumer electronics accessory business for a total cash purchase price of approximately $50,000, plus a working capital payment of $7,617, plus a five year fee estimated to be $4,685 related to the RCA brand in connection with future sales and approximately $2,414 of transaction costs. The purpose of this acquisition was to expand our market presence in the accessory business. The acquisition included the rights to the RCA Accessories brand for consumer electronics accessories as well as the Recoton, Spikemaster, Ambico and Discwasher brands for use on any product category and the Jensen, Advent, Acoustic Research and Road Gear brands for consumer electronics accessories.

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

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

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

Refer to Note 3 “Business Acquisitions” of the Notes to Consolidated Financial Statements for additional information regarding the aforementioned acquisitions.

Divestitures (Discontinued Operations)

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

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

We have used the net proceeds to invest in strategic and complementary acquisitions and invest in our current business.

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

Net Sales Growth

Net sales have a compound growth rate of 9.9% from $361,087 for the year ended November 30, 2002 to $591,355 for the year ended February 29, 2008. During this period, our sales were impacted by the following items:

- acquisition of Thomson’s Americas consumer electronics accessory business,
- acquisition of Oehlbach’s accessory business,
- acquisition of Incaar’s OEM business,

- acquisition of Technuity’s accessory business,
- acquisition of Thomson’s audio/video business,
- acquisition of Terk Technologies,
- acquisition of Recoton and growth in Jensen sales,
- acquisition of Code-Alarm branded products,
- the introduction of new products and lines such as portable DVD players, flat-panel TVs, satellite radio, GPS navigation and mobile multi-media devices,
- volatility in core mobile, consumer and accessories sales due to increased competition and lower selling prices.

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Strategy

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

The key elements of our strategy are as follows:

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

Critical Accounting Policies and Estimates

General

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

Revenue Recognition

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

Sales Incentives

We offer sales incentives to our customers in the form of (1) co-operative advertising allowances; (2) market development funds; (3) volume incentive rebates and (4) other trade allowances. We account for sales incentives in accordance with EITF 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of Vendor's Products)" (“EITF 01-9”). Except for other trade allowances, all sales incentives require the customer to purchase our products during a specified period of time. All sales incentives require customers to claim the sales incentive within a certain time period (referred to as the "claim period") and claims are settled either by the customer claiming a deduction against an outstanding account receivable or by the customer requesting a check. All costs associated with sales incentives are classified as a reduction of net sales, and the following is a summary of the various sales incentive programs:

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

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

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

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

The accrual balance for sales incentives at February 29, 2008 and February 28, 2007 was $10,768 and $7,410, respectively. Although we make our best estimate of sales incentive liabilities, many factors, including significant unanticipated changes in the purchasing volume and the lack of claims from customers could have a significant impact on the liability for sales incentives and reported operating results.

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

For the years ended February 29, 2008, February 28, 2007, the three months ended February 28, 2006 and the year ended November 30, 2005, reversals of previously established sales incentive liabilities amounted to $4,108, $2,460, $480 and $2,836, respectively. These reversals include unearned and unclaimed sales incentives. Unearned sales incentives are volume incentive rebates where the customer did not purchase the required minimum quantities of product during the specified time. Volume incentive rebates are reversed into income in the period when the customer did not reach the required minimum purchases of product during the specified time. Reversals of unearned sales incentives for the years ended February 29, 2008, February 28, 2007, the three months ended February 28, 2006 and the year ended November 30, 2005 amounted to $1,970, $1,148, $0, and $1,007, respectively. Unclaimed sales incentives are sales incentives earned by the customer but the customer has not claimed payment within the claim period (period after program has ended). Reversals of unclaimed sales incentives for the years ended February 29, 2008, February 28, 2007, the three months ended February 28, 2006 and the year ended November 30, 2005 amounted to $2,138, $1,312, $480, and $1,829, respectively.

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Accounts Receivable

We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and current credit worthiness, as determined by a review of current credit information. We continuously monitor collections from our customers and maintain a provision for estimated credit losses based upon historical experience and any specific customer collection issues that have been identified. We record charges for estimated credit losses against operating expenses and charges for price adjustments against net sales in the consolidated financial statements. The reserve for estimated credit losses at February 29, 2008 and February 28, 2007 was $6,386 and $5,062, respectively. While such credit losses have historically been within management's expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that have been experienced in the past. Since our accounts receivable are concentrated in a relatively few number of large customers, a significant change in the liquidity or financial position of any one of these customers could have a material adverse impact on the collectability of accounts receivable and our results of operations.

Inventories

We value our inventory at the lower of the actual cost to purchase (primarily on a weighted moving average basis) and/or the current estimated market value of the inventory less expected costs to sell the inventory. We regularly review inventory quantities on-hand and record a provision, in cost of sales, for excess and obsolete inventory based primarily from selling price reductions subsequent to the balance sheet date, indications from customers based upon current negotiations, and purchase orders. A significant sudden increase in the demand for our products could result in a short-term increase in the cost of inventory purchases while a significant decrease in demand could result in an increase in the amount of excess inventory quantities on-hand. In addition, our industry is characterized by rapid technological change and frequent new product introductions that could result in an increase in the amount of obsolete inventory quantities on-hand. During the years ended February 29, 2008, February 28, 2007, the three months ended February 28, 2006 and the year ended November 30, 2005, we recorded inventory write-downs of $4,925, $2,977, $689, and $16,924, respectively.

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

Goodwill and Other Intangible Assets

Goodwill and other intangible assets, which consists of the excess cost over fair value of assets acquired (goodwill) and other intangible assets (patents, contracts, trademarks and customer relationships) amounted to $124,435 at February 29, 2008 and $75,388 at February 28, 2007. Goodwill, which includes equity investment goodwill, is calculated as the excess of the cost of purchased businesses over the value of their underlying net assets. Goodwill and other intangible assets that have an indefinite useful life are not amortized. Intangible assets that have a definite useful life are amortized over their estimated useful life.

On an annual basis, we test goodwill and other intangible assets for impairment. To determine the fair value of these intangible assets, there are many assumptions and estimates used that directly impact the results of the testing. We have the ability to influence the outcome and ultimate results based on the assumptions and estimates we choose. To mitigate undue influence, we set criteria that are reviewed and approved by various levels of management. Additionally, we evaluate our recorded intangible assets with the assistance of a third-party valuation firm, as necessary. These impairment tests may result in impairment losses that could have a material adverse impact on our results of operations.

Warranties

We offer warranties of various lengths depending upon the specific product. Our standard warranties require us to repair or replace defective product returned by both end users and customers during such warranty period at no cost. We record an estimate for warranty related costs, in cost of sales, based upon actual historical return rates and repair costs at the time of sale. The estimated liability for future warranty expense, which has been included in accrued expenses and other current liabilities, amounted to $13,272 and $5,856 at February 29, 2008 and February 28 2007, respectively. While warranty costs have historically been within expectations and the provisions established, we cannot guarantee that we will continue to experience the same warranty return rates or repair costs that have been experienced in the past. A significant increase in product return rates, or a significant increase in the costs to repair products, could have a material adverse impact on our operating results.

Stock-Based Compensation

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

We have used and expect to continue to use the Black-Sholes option pricing model to compute the estimated fair value of stock-based awards. The Black-Scholes option pricing model includes assumptions regarding dividend yields, expected volatility, expected option term and risk-free interest rates. The assumptions used in computing the fair value of stock-based awards reflect our best estimates, but involve uncertainties relating to market and other conditions, many of which are outside of our control. We estimate expected volatility by considering the historical volatility of our stock, the implied volatility of publicly traded stock options in our stock and our expectations of volatility for the expected term of stock-based compensation awards. As a result, if other assumptions or estimates had been used for options granted in the current and prior periods, the stock-based compensation expense of $886 that was recorded for the year ended February 29, 2008 could have been materially different. Furthermore, if different assumptions are used in future periods, stock-based compensation expense could be materially impacted in the future.

Income Taxes

We account for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" and Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN No. 48"). We record a valuation allowance to reduce our deferred tax assets to the amount of future tax benefit that is more likely than not to be realized. We decrease the valuation allowance when, based on the weight of available evidence, it is more likely than not that the amount of future tax benefit will be realized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, there is no assurance that the valuation allowance will not need to be increased to cover additional deferred tax assets that may not be realized. Any increase or decline in the valuation allowance could have a material adverse impact on our income tax provision and net income in the period in which such determination is made.

Under FIN 48, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. It is possible that the amount of unrecognized tax benefits could change in the next 12 months, however, the Company does not expect the change to have a significant impact on its results of operations or financial position. Furthermore, the Company provides loss contingencies for state and international tax matters relating to potential tax examination issues, planning initiatives and compliance responsibilities. The development of these reserves requires judgments about tax issues, potential outcomes and timing, which if are different, may materially impact the Company’s financial condition and results of operations.

Segment

We have determined that we operate in one reportable segment, the Electronics Group, based on review of Statement of Financial Accounting Standards No. 131, “Disclosures about Segments of an Enterprise and Related Information”

("SFAS 131"). The characteristics of our operations that are relied on in making and reviewing business decisions include the similarities in our products, the commonality of our customers, suppliers and product developers across multiple brands, our unified marketing and distribution strategy, our centralized inventory management and logistics, and the nature of the financial information used by our Executive Officers. Management reviews the financial results of the Company based on the performance of the Electronics Group.

Results of Operations

In February 2006, we changed our fiscal year end from November 30th to February 28th. Included in Item 8 of this annual report on Form 10-K are the consolidated balance sheets at February 29, 2008 and February 28, 2007 and the consolidated statements of operations, consolidated statements of stockholders' equity and consolidated statements of cash flows for the years ended February 29, 2008, February 28, 2007, the three month transition period ending February 28, 2006 and the year ended November 30, 2005. In order to provide the reader meaningful comparison, the following analysis provides comparison of the audited year ended February 29, 2008 with the audited year ended February 28, 2007, and the audited year ended February 28, 2007 with the unaudited year ended February 28, 2006 (derived from the results of operations of the last nine months of the fiscal year ended November 30, 2005 and the transition quarter ended February 28, 2006). Refer to the previously filed Form 10-QT for the transition period ended February 28, 2006, which discusses the results of operations for the three months ended February 28, 2006 compared to the three months ended February 28, 2005. We analyze and explain the differences between periods in the specific line items of the consolidated statements of operations.

Year Ended February 29, 2008 Compared to the Year Ended February 28, 2007

Continuing Operations

The following table sets forth, for the periods indicated, certain Statement of Operations data for the years ended February 29, 2008 ("Fiscal 2008") and February 28, 2007 ("Fiscal 2007").

Net Sales

	Fiscal 2008	Fiscal 2007	$ Change	% Change
Electronics	$ 437,018	$ 432,943	$ 4,075	0.9%
Accessories	154,337	23,747	130,590	549.9
Total net sales	$ 591,355	$ 456,690	$ 134,665	29.5%

Electronics sales, which include both mobile and consumer electronics, represented approximately 73.9% of net sales in Fiscal 2008 compared to 94.8% in Fiscal 2007, increased by 0.9% or $4,075 primarily due to an increase in mobile audio sales as a result of improved sales in the Company's car audio and Satellite Radio product lines and increases in the electronics sales of the Company's International operations in Germany and Venezuela. Offsetting these increases were lower consumer electronic sales as a result of lower than anticipated holiday sales and industry-wide shortages of LCD panels that adversely affected sales of LCD TV's, portable DVD's and digital picture frames. Electronic sales also declined in certain mobile video categories due to increased OEM programs that include the video system as "standard" on more and more vehicles and a decline in new car sales.

Accessories sales, which represented 26.1% of our net sales in Fiscal 2008 compared to 5.2% in Fiscal 2007, increased approximately 549.9% or $130,590 due to the incremental sales generated from the recently acquired Thomson Accessory, Oehlbach and Technuity operations.

Sales incentive expense increased $11,504 to $24,005 in Fiscal 2008, as a result of a general increase in sales, specifically an increase in accessories net sales which offer more sales incentive programs, which was partially offset by a $1,648 increase in reversals to $4,108 during the year. The increase in reversals was primarily due to a $873 increase in reversals of unearned sales incentives as a result of large retail customers not reaching minimum sales targets required to earn sales incentive funds. We believe the reversal of unearned and earned but unclaimed sales incentives upon the expiration of the claim period is a disciplined, rational, consistent and systematic method of reversing unearned and earned but unclaimed sales incentives. These sales incentive programs are expected to continue and will either increase or decrease based upon competition and customer demands.

Gross Profit

	Fiscal 2008	Fiscal 2007
Gross profit	$ 111,328	$ 79,319
Gross margin percentage	18.8%	17.4%

Gross margins increased by 140 basis points to 18.8% in Fiscal 2008 as compared to 17.4% in the prior year. Gross margins were favorably impacted by higher margins generated from the recently acquired companies, improved overall margins in our core business and improved buying programs and inventory management. Gross margins were adversely impacted by increased warehouse and assembly costs as a result of incremental transition costs necessary to facilitate the newly acquired companies as well as increased warranty and repair costs, freight and shipping costs and inventory provisions as a result of increased accessories sales. In addition, reversals of sales incentive expenses favorably impacted gross margins by 0.7% during Fiscal 2008.

Operating Expenses and Operating Income / (Loss)

	Fiscal 2008	Fiscal 2007	$ Change	% Change
Operating Expenses:				
Selling	$ 35,703	$ 28,220	$ 7,483	26.5%
General and administrative	61,220	48,920	12,300	25.1
Engineering and technical support	9,983	7,256	2,727	37.6
Total Operating Expenses	$ 106,906	$ 84,396	$ 22,510	26.7%
Operating income (loss)	$ 4,422	$ (5,077)	$ 9,499	187.1%

Operating expenses increased $22,510 or 26.7% in Fiscal 2008 as compared to Fiscal 2007. As a percentage of net sales, operating expenses decreased to 18.1% in Fiscal 2008 from 18.5% in Fiscal 2007 as a result of higher sales and better controls over our fixed costs. The increase in total operating expenses is due to the incremental costs related to the recently acquired Thomson Accessory, Oehlbach, Incaar, Technuity and Thomson Audio/Video operations, which contributed total operating expenses of $25,097 in Fiscal 2008 and $1,180 in Fiscal 2007. Operating expenses for our core business was $81,809 in Fiscal 2008, a decrease of $1,407 or 1.7% over the prior year.

The following table sets forth, for the periods indicated, total operating expenses from our core business and the incremental operating expenses related to the recently acquired Thomson Accessory, Oehlbach, Incaar, Technuity and Thomson Audio/Video businesses.

	Fiscal 2008	Fiscal 2007	$ Change	% Change
Core operating expenses	$ 81,809	$ 83,216	$ (1,407)	(1.7) %
Operating expenses from acquired businesses	25,097	1,180	23,917	2,026.9
Total operating expenses	$ 106,906	$ 84,396	$ 22,510	26.7%

Selling expenses increased $7,483 or 26.5% primarily due to $10,072 of selling expenses in Fiscal 2008 related to the recently acquired Thomson Accessory, Oehlbach, Incaar, Technuity and Thomson Audio/Video operations, an increase in the cost of travel and an increase in commission expense as a result of increases in commissionable sales and salesmen salaries and related benefits. These increases were partially offset by a decline in advertising expenses due to a decline in the budgeted amounts for general and print media advertising in Fiscal 2008. Selling expenses for our core business were $25,631 in Fiscal 2008, a decrease of $2,052 or 8% over the prior year.

General and administrative expenses increased $12,300 or 25.1% over the prior year due to the following:

- $12,149 of expenses in Fiscal 2008 for the recently acquired operations of Thomson Accessory, Oehlbach, Incaar, Technuity and Thomson Audio/Video operations,
- $1,392 increase in salaries and related payroll taxes and benefits due to an increase in executive bonuses and profit sharing as a result of the company meeting certain earnings targets and general fiscal wage increases,
- $454 increase in a non-cash stock based compensation and warrant expense due to the vesting of options to employees and outside consultants,
- $559 increase in depreciation and amortization due to an increase in capital expenditures and amortizable intangibles as a result of acquisitions and investments in new systems,
- $501 increase in communication expenses,
- $344 increase in software maintenance fees, and
- $602 increase in legal settlements from claims by a licensor.

The above increases were partially offset by a $1,099 decrease in professional fees due to a reduction in audit fees, legal and consulting costs and a $289 reduction in general insurance expenses offset by a $790 benefit related to a call/put option previously granted to certain employees. The benefit recorded for the year ended February 29, 2008 was due to a reduction in the call/put liability calculation as a result of the Oehlbach and Incaar acquisitions.

General and administrative costs from our core business were $48,448 in Fiscal 2008, an increase of $151 over the prior year.

Engineering and technical support expenses increased $2,727 or 37.6% due to $2,253 of expenses in Fiscal 2008 related to the recently acquired Thomson Accessory, Oehlbach, Incaar, Technuity and Thomson Audio/Video operations and an increase in domestic direct labor and related payroll benefits as a result of increased product development efforts and general wage increases. Engineering and technical support expenses for our core business were $7,730 in Fiscal 2008, an increase of $493 over the prior year.

Other Income/(Expense)

	Fiscal 2008	Fiscal 2007	$ Change	% Change
Interest and bank charges	$ (2,127)	$ (1,955)	$ (172)	8.8%
Equity in income of equity investees	3,590	2,937	653	22.2
Other, net	4,709	6,253	(1,544)	(24.7)
Total other income	$ 6,172	$ 7,235	$ (1,063)	(14.7) %

Interest and bank charges increased due to the additional debt assumed in connection with the acquisition of Oehlbach, one time bank charges related to the Euro Term loan agreement, which was repaid in full during September 2007, as well as increased working capital needs of our domestic and foreign subsidiaries. Interest and bank charges represent expenses for bank obligations of Audiovox Corporation, Audiovox Germany and Venezuela and interest payments for a capital lease.

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

Other income decreased due to a decline in interest income as a result of a decline in our short-term investment holdings due to cash utilized for acquisitions as well as current working capital requirements. This decrease was partially offset by realized gains on the sale of a portion of our marketable equity securities.

Income Tax Benefit

The effective tax rate in Fiscal 2008 was a provision of 36.3% as compared to a benefit of 71.1% in the prior year. The increase in the effective tax rate is due to lower tax exempt interest income earned on our short-term investments and increased income from operations. The effective tax rate is greater than the Federal statutory rate due to the impact of state and local taxes and the resolution of certain domestic and foreign tax audits.

Income (loss) from Discontinued Operations

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

	Fiscal 2008	Fiscal 2007
Net sales from discontinued operations	$ -	$ -
Income (loss) from discontinued operations before income taxes	3,248	(1,163)
Income tax (provision) benefit	(1,529)	407
Net income (loss) from discontinued operations	$ 1,719	$ (756)

The income (loss) from discontinued operations in Fiscal 2007 is primarily due to legal and related costs associated with contingencies pertaining to our discontinued Cellular business. The increase in the income from discontinued operations in Fiscal 2008 is due to a derivative legal settlement which resulted in pre-tax income of $3,349, net of legal fees and other administrative costs of $3,401 (see Note 16 to the Consolidated Financial Statements). The effective tax rate from discontinued operations for Fiscal 2008 was impacted by state and local taxes and the resolution of a domestic tax audit.

Net Income

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

	Fiscal 2008	Fiscal 2007
Operating income (loss)	$ 4,422	$ (5,077)
Other income, net	6,172	7,235
Income from continuing operations before income taxes	10,594	2,158
Income tax (expense) benefit	(3,848)	1,534
Net income from continuing operations	6,746	3,692
Net income (loss) from discontinued operations, net of tax	1,719	(756)
Net income	$ 8,465	$ 2,936

Net income per common share:				
Basic	$	0.37	$	0.13
Diluted	$	0.37	$	0.13

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Net income was favorably impacted by sales incentive reversals of $4,108 ($2,506 after taxes) and $2,460 ($1,501 after taxes) in Fiscal 2008 and 2007, respectively, and pre-tax income of $3,248 ($1,719 after taxes) recorded in discontinued operations in Fiscal 2008.

Year Ended February 28, 2007 Compared to Year Ended February 28, 2006

Continuing Operations

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

Net Sales

	Fiscal 2007	Fiscal 2006	$ Change	% Change
Electronics	$ 432,943	$ 512,022	$ (79,079)	(15.4) %
Accessories	23,747	14,764	8,983	60.8
Total net sales	$ 456,690	$ 526,786	$ (70,096)	(13.3) %

Electronics sales, which include both mobile and consumer electronics, represented 94.8% of our net sales in Fiscal 2007, decreased due to the absence of Rampage, Prestige and Video-in-a-Bag sales, which were the result of our decision to exit those product lines at the end of Fiscal 2006. In addition, we suspended sales of Plug & Play XM satellite radio receivers for five months pending the outcome of a Federal Communication Commission (''FCC'') issue. Electronic sales were also adversely impacted by lower average selling prices in our mobile multi-media line due to the maturing of the category and increased competition in the market. Electronics sales also decreased due to a decrease in average selling prices on LCD TVs and Plasma TVs during Fiscal 2007. In anticipation of the decline in selling prices we limited inventory for the holiday season, which adversely affected consumer electronics sales but reduced exposure from post holiday inventory write downs. In addition, during Fiscal 2007, the Company continued its policy of eliminating low margin retail programs which adversely impacted consumer sales. These decreases were partially offset by increased sales in Phase Linear, Audiovox Germany and Code Systems.

Accessories sales, which represented 5.2% of our net sales in Fiscal 2007, increased due to the incremental sales generated from the Thomson Accessories acquisition in January of 2007.

Sales incentive expense decreased $4,524 to $12,501 for fiscal 2007 as a result of a decline in sales and increased reversals of $465. The increase in reversals is primarily due to an increase in reversals of unearned sales incentives as a result of large retail customers not reaching minimum sales targets required to earn sales incentive funds. We believe the reversal of earned but unclaimed sales incentives upon the expiration of the claim period is a disciplined, rational, consistent and systematic method of reversing unclaimed sales incentives. These sales incentive programs are expected to continue and will either increase or decrease based upon competition and customer demands.

Gross Profit

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

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

Operating Expenses and Operating / (Loss)

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

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

The following table sets forth, for the periods indicated, total operating expenses from our core business and the incremental operating expenses related to the recently acquired Thomson Accessory business.

	Fiscal 2007	Fiscal 2006	$ Change	% Change
Core operating expenses	$ 83,216	$ 85,466	$ (2,250)	(2.6) %
Operating expenses from acquired businesses	1,180	-	1,180	100
Total operating expenses	$ 84,396	$ 85,466	$ (1,070)	(1.3) %

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

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

- $719 increase in occupancy costs as a result of transition services costs necessary to support the newly acquired Thomson operations.

- $1,517 increase in employee benefits due to increased health care costs under the Company's medical and dental plan as well as increased employer contributions to the 401(k) plan.

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

- $476 decrease in professional fees due to reduced audit, legal and consulting costs, partially offset by $1,588 in legal settlements from claims by licensors during fiscal 2007,

- $817 decrease in bad debt expense due to a decline in the accounts receivable balance and improved collectibility efforts. The Company does not consider this to be a trend in the overall accounts receivable,

- increased MIS billings of $489 for services performed in connection with a transition service agreement.

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

Other Income (Expense)

	Fiscal 2007	Fiscal 2006	$ Change	% Change
Interest and bank charges	$ (1,955)	$ (2,405)	$ 450	(18.7) %
Equity in income of equity investees	2,937	2,463	474	19.2
Other, net	6,253	6,894	(641)	(9.3)
Total other income	$ 7,235	$ 6,952	$ 283	4.1%

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

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

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

Income Tax Benefit

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

Loss from Discontinued Operations

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

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

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

Net Income (Loss)

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

	Fiscal 2007	Fiscal 2006
Operating loss	$ (5,077)	$ (25,048)
Other income, net	7,235	6,952
Income (loss) from continuing operations before income taxes	2,158	(18,096)
Income tax benefit	1,534	12,328
Net income (loss) from continuing operations	3,692	(5,768)
Net loss from discontinued operations, net of tax	(756)	(2,435)
Net income (loss)	$ 2,936	$ (8,203)
Net income (loss) per common share:		
Basic	$ 0.13	$ (0.36)
Diluted	$ 0.13	$ (0.36)

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

Liquidity and Capital Resources

Cash Flows, Commitments and Obligations

As of February 29, 2008, we had working capital of $275,787 which includes cash and short-term investments of $39,341 compared with working capital of $305,960 at February 28, 2007, which included cash and short-term investments of $156,345. The decrease in short-term investments is primarily due to the acquisitions of Oehlbach, Incaar, Technuity and Thomson's audio/video business totaling $42,265, the funding of our working capital, investments in capital equipment, repayment of certain bank and debt obligations and the repurchase of our common stock, partially offset by the proceeds received from the exercise of stock options and the sale of certain short and long-term investments. We plan to utilize our current cash position as well as collections from accounts receivable, the cash generated from our operations and the income on our investments to fund the current operations of the business. However, we may utilize all or a portion of current capital resources to pursue other business opportunities, including acquisitions. The following table summarizes our cash flow activity for all periods presented:

	Year Ended February 29, 2008	Year Ended February 28, 2007	Three Months Ended February 28, 2006	Year Ended November 30, 2005
Cash provided by (used in):				

Operating activities	$ (64,691)	$ 43,420	$ 55,298	$ (42,085)
Investing activities	93,465	(40,897)	(51,018)	13,629
Financing activities	(5,241)	(3,449)	(2,188)	(555)
Effect of exchange rate changes on cash	335	119	24	(234)
Net increase (decrease) in cash and cash equivalents	$ 23,868	$ (807)	$ 2,116	$ (29,245)

Operating activities used cash of $64,691 for the year ended February 29, 2008 due to: i) net income generated from continuing operations of $6,746, ii) increased inventory, accounts receivable and prepaid balances due to increased sales activity from our acquisitions and iii) decreased accounts payable and accrued expenses due to the timing and payment of invoices and expenses partially offset by depreciation and amortization. Cash provided or used by operating activities is primarily generated from net income from continuing operations, the collection of accounts receivable, inventory turnover and payment of accounts payable, accrued expenses and income taxes. The timing of payments and collections can fluctuate and are often impacted by the timing of sales and inventory purchases.

Investing activities provided cash of $93,465 during the year ended February 29, 2008, primarily due to the sale (net of purchases) of short and long-term investments partially offset by the purchase of acquired businesses and capital expenditures. Cash provided or used by investing activities is primarily generated from activity related to investments as well as acquisitions and divestitures.

Financing activities used $5,241during the year ended February 29, 2008, primarily from the purchase of treasury stock and payment of bank and other debt obligations partially offset by proceeds received from the exercise of stock options and warrants.

As of February 29, 2008, we have a domestic credit line to fund the temporary short-term working capital needs of the Company. This line expires on June 30, 2008 and allows aggregate borrowings of up to $25,000 at an interest rate of Prime (or similar designations) plus 1%. In addition, Audiovox Germany has a 16,000 Euro accounts receivable factoring arrangement and a 6,000 Euro Asset-Based Lending ("ABL") credit facility.

Certain contractual cash obligations and other commercial commitments will impact our short and long-term liquidity. At February 29, 2008, such obligations and commitments are as follows:

	Payments Due by Period				
Contractual Cash Obligations	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Capital lease obligation (1)	$ 11,450	$ 521	$ 1,043	$ 1,108	$ 8,778
Operating leases (2)	23,250	4,205	6,148	4,630	8,267
Total contractual cash obligations	$ 34,700	$ 4,726	$ 7,191	$ 5,738	$ 17,045

	Amount of Commitment Expiration per period				
Other Commercial Commitments	Total Amounts Committed	Less than 1 Year	1-3 Years	4-5 Years	After 5 years
Bank obligations (3)	$ 3,070	$ 3,070	$ -	$ -	$ -
Stand-by letters of credit (4)	2,399	2,399	-	-	-
Commercial letters of credit (4)	3,803	3,803	-	-	-
Debt (5)	1,703	935	530	238	-
Contingent earn-out payments (6)	5,893	890	3,916	1,087	-
Unconditional purchase obligations (7)	71,546	71,546	-	-	-

Total commercial commitments	$	88,414	$	82,643	$	4,446	$	1,325	$	-

1. Represents total payments (interest and principal) due under a capital lease obligation which has a current (included in other current liabilities) and long term principal balance of $70 and $5,607, respectively at February 29, 2008.

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

3. Represents amounts outstanding under the Audiovox Germany factoring agreement at February 29, 2008.

4. Commercial letters of credit are issued during the ordinary course of business through major domestic banks as requested by certain suppliers. We also issue standby letters of credit to secure certain bank obligations and insurance requirements.

5. Represents amounts outstanding under term loan agreements in connection with the Oehlbach acquisition. This amount also includes amounts due under a call-put option with certain employees of Audiovox Germany.

6. Represents contingent payments in connection with the Thomson Accessory, Oehlbach and Incaar acquisitions (see Note 3 of the Consolidated Financial Statements).

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

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

Off-Balance Sheet Arrangements

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

Impact of Inflation and Currency Fluctuation

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

Seasonality

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

Related Party Transactions

During 1998, we entered into a 30-year capital lease for a building with our principal stockholder and chairman, which was the headquarters of the discontinued Cellular operation. Payments on the capital lease were based upon the construction costs of the building and the then-current interest rates. This capital lease was refinanced in December 2006 and the lease expires on November 30, 2026. The effective interest rate on the capital lease obligation is 8%. On November 1, 2004, we entered into an agreement to sublease the building to UTStarcom for monthly payments of $46 until November 1, 2009. We also lease another facility from our principal stockholder which expires on November 30, 2016. Total lease payments required under all related party leases for the five-year period ending February 28, 2012 are $6,089.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements” (“SFAS No. 157”). SFAS No. 157 defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurement. SFAS No. 157 does not require any new fair value measurements, but rather eliminates inconsistencies in guidance found in other accounting pronouncements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2008, as it was amended by FASB Staff Position No. 157-b, Effective Date of FASB Statement No. 157. The transition adjustment of the difference between the carrying amounts and the fair values of those financial instruments should be recognized as a cumulative effect adjustment to retained earnings as of the beginning of the year of adoption. The Company is currently evaluating the impact of SFAS No. 157, but does not expect the adoption of this pronouncement to have a material impact on the Company’s financial position or results of operations.

In February 2007, the FASB released SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“SFAS No. 159”) to provide companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS No. 159 is to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 with early adoption permitted. The Company is currently evaluating the impact of SFAS No. 159, but does not expect the adoption of this pronouncement to have a material impact on the Company’s financial position or results of operations.

On December 4, 2007, the Financial Accounting Standards Board (“FASB”) issued Statement No. 141(R), Business Combinations (“Statement No. 141(R)”) and Statement No. 160, Accounting and Reporting of Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 (“Statement No. 160”). These new standards will significantly change the financial accounting and reporting of business combination transactions and noncontrolling (or minority) interests in consolidated financial statements. Issuance of these standards is also noteworthy in that they represent the culmination of the first major collaborative convergence project between the International Accounting Standards Board and the FASB. Statement No. 141(R) is required to be adopted concurrently with Statement No. 160 and is effective for business combination transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early adoption is prohibited. Application of Statement No. 141(R) and Statement No. 160 is required to be adopted prospectively, except for certain provisions of Statement No. 160, which are required to be adopted retrospectively. Business combination transactions accounted for before adoption of Statement No. 141(R) should be accounted for in accordance with Statement No. 141 and that accounting previously completed under Statement No. 141 should not be modified as of or after the date of adoption of Statement No. 141(R). The Company is currently evaluating the impact of Statement No. 141(R) and Statement No. 160, but does not expect the adoption of these pronouncements to have a material impact on the Company’s financial position or results of operations.

Item 7A-Quantitative and Qualitative Disclosures About Market Risk

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

Marketable Securities

Marketable securities at February 29, 2008, which are recorded at fair value of $15,033, include an unrealized gain of $377 and have exposure to price fluctuations. This risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in prices quoted by stock exchanges and amounts to $1,503 as of February 29, 2008.

Actual results may differ.

Interest Rate Risk

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

Foreign Exchange Risk

We are subject to risk from changes in foreign exchange rates for our subsidiaries and marketable securities that use a foreign currency as their functional currency and are translated into U.S. dollars. These changes result in cumulative translation adjustments, which are included in accumulated other comprehensive income (loss). At February 29, 2008, we had translation exposure to various foreign currencies with the most significant being the Euro, Thailand Baht, Malaysian Ringgit, Hong Kong Dollar and Canadian Dollar. The potential loss resulting from a hypothetical 10% adverse change in quoted foreign currency exchange rates, as of February 29, 2008 amounts to $3,385. Actual results may differ.

Item 8-Consolidated Financial Statements and Supplementary Data

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

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

Not Applicable

Item 9A-Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company’s management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to the Securities and Exchange Act Rule 13a-15. Based upon this evaluation as of February 29, 2008, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective and adequately designed.

Management's Report on Internal Control Over Financial Reporting

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

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

Management evaluated the effectiveness of the Company’s internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Under the supervision and with the participation of the Company’s management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting as of February 29, 2008. Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as of February 29, 2008 based on the COSO criteria.

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

The effectiveness of the Company’s internal control over financial reporting as of February 29, 2008, has been audited by Grant Thornton LLP, an independent registered public accounting firm who also audited the Company’s consolidated financial statements. Grant Thornton LLP’s attestation report on the effectiveness of the Company’ s internal control over financial reporting is included below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Audiovox Corporation

We have audited Audiovox Corporation (a Delaware corporation) and subsidiaries' (the "Company") internal control over financial reporting as of February 29, 2008, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Audiovox Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of February 29, 2008, based on criteria established in Internal Control – Integrated Framework issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Audiovox Corporation and subsidiaries as of February 29, 2008 and February 28, 2007, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for the years then ended, three months ended February 28, 2006 and the year ended November 30, 2005, and our report dated May 14, 2008 expressed an unqualified opinion thereon.

GRANT THORNTON LLP

Melville, New York
May 14, 2008

Changes in Internal Controls Over Financial Reporting

There were no material changes in our internal control over financial reporting (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the most recently completed fiscal fourth quarter ended February 29, 2008 covered by this report, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B - Other Information

Not Applicable

PART III

The information required by Item 10 (Directors, Executive Officers and Corporate Governance), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters), Item 13 (Certain Relationships and Related Transactions, and Director Independence) and Item 14 (Principal Accounting Fees and Services) of Form 10-K, will be included in our Proxy Statement for the Annual meeting of Stockholders, which will be filed on or before June 13, 2008, and such information is incorporated herein by reference.

PART IV

Item 15-Exhibits, Financial Statement Schedules

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

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

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Company as filed with the Delaware Secretary of State on April 17, 2000 (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended November 30, 2000).
3.2	By-laws of the Company (incorporated by reference to the Company's Registration Statement on Form S-1; No. 33-10726, filed May 4, 1987).
3.2a	Amendment to the Bylaws of the Company (incorporated by reference to the Company's Form 8-K filed via EDGAR on July 3, 2007).
10.1	Purchase Agreement made and entered into as of December 20, 2006 by and between Thomson and Audiovox Corporation (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended February 28, 2007).
10.2	Audiovox Corporation 2006 Stock Compensation Plan (incorporated by reference to the Company's Form S-8 filed via EDGAR on October 13, 2006)
10.3	Employment Agreement made effective as of the 1st day of March, 2007 by and between the Company and Patrick M. Lavelle (incorporated by reference to the Company's Form 8-K filed via EDGAR on June 15, 2007)
10.4	Form of Transition Services Agreement (incorporated by reference to the Company's Form 8-K filed via EDGAR August 10, 2004).
10.5	Form of Trademark License Agreement (incorporated by reference to the Company's Form 8-K filed via EDGAR August 10, 2004).
21	Subsidiaries of the Registrant (filed herewith).
23	Consent of Grant Thornton LLP (filed herewith).
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act of 1934 (filed herewith).
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act of 1934 (filed herewith).
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
99.1	Consolidated Financial Report of Audiovox Specialized Applications LLC (ASA) as of November 30, 2007 and 2006 and for the Years Ended November 30, 2007, 2006 and 2005 (filed herewith).

99.2 Consent of McGladrey & Pullen, LLP (filed herewith).

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

SIGNATURES

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

AUDIOVOX CORPORATION

May 14, 2008 BY: /s/ Patrick M. Lavelle
Patrick M. Lavelle,
President and Chief Executive Officer

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

Signature	Title	Date
/s/ Patrick M. Lavelle Patrick M. Lavelle	President; Chief Executive Officer (Principal Executive Officer) and Director	May 14, 2008
/s/ Charles M. Stoehr Charles M. Stoehr	Senior Vice President, Chief Financial Officer (Principal Financial and Accounting Officer) and Director	May 14, 2008
/s/ John J. Shalam John J. Shalam	Chairman of the Board of Directors	May 14, 2008
/s/ Philip Christopher Philip Christopher	Director	May 14, 2008
/s/ Paul C. Kreuch, Jr. Paul C. Kreuch, Jr.	Director	May 14, 2008
/s/ Dennis McManus Dennis McManus	Director	May 14, 2008
/s/ Peter A. Lesser Peter A. Lesser	Director	May 14, 2008

AUDIOVOX CORPORATION
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Audiovox Corporation

We have audited the accompanying consolidated balance sheets of Audiovox Corporation (a Delaware corporation) and subsidiaries (the "Company") as of February 29, 2008 and February 28, 2007, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for the years then ended, the three months ended February 28, 2006 and the year ended November 30, 2005. Our audits of the basic financial statements included the financial statement schedule listed in the index appearing under Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Audiovox Corporation and subsidiaries as of February 29, 2008 and February 28, 2007, and the results of their operations and their cash flows for the years then ended, the three months ended February 28, 2006 and the year ended November 30, 2005 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 of the notes to consolidated financial statements, on December 1, 2005 the Company adopted Financial Accounting Standards Board Statement No. 123(R), "Share-Based Payment", and on March 1, 2007 the Company adopted Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109, Accounting for Income Taxes".

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of February 29, 2008, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated May 14, 2008 expressed an unqualified opinion thereon.

GRANT THORNTON LLP

Melville, New York

May 14, 2008

Audiovox Corporation and Subsidiaries
Consolidated Balance Sheets
February 29, 2008 and February 28, 2007
(In thousands, except share data)

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	$ 39,341	$ 15,473
Short-term investments	-	140,872
Accounts receivable, net	112,688	86,003
Inventory	155,748	104,972
Receivables from vendors	29,358	13,935
Prepaid expenses and other current assets	13,780	11,427
Income taxes receivable	-	3,518
Deferred income taxes	7,135	2,492
Total current assets	358,050	378,692
Investment securities	15,033	13,179
Equity investments	13,222	11,353
Property, plant and equipment, net	21,550	18,019
Goodwill	23,427	17,514
Intangible assets	101,008	57,874
Deferred income taxes	-	1,858
Other assets	746	631
Total assets	$ 533,036	$ 499,120
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 24,433	$ 34,344
Accrued expenses and other current liabilities	38,575	26,564
Income taxes payable	5,335	-
Accrued sales incentives	10,768	7,410
Bank obligations	3,070	2,890
Current portion of long-term debt	82	1,524
Total current liabilities	82,263	72,732
Long-term debt	1,621	5,430
Capital lease obligation	5,607	5,676
Deferred compensation	4,406	7,573
Other tax liabilities	4,566	3,347
Deferred tax liabilities	6,057	-
Other long term liabilities (Note 3)	5,003	-
Total liabilities	109,523	94,758
Commitments and contingencies		

Stockholders' equity:		
Series preferred stock, $.01 par value; 1,500,000 shares authorized, no shares issued or outstanding	-	-
Common stock:		
Class A, $.01 par value; 60,000,000 shares authorized, 22,414,217 and 22,005,346 shares issued, 20,593,660 and 20,312,299 shares outstanding at February 29, 2008 and February 28 2007, respectively	224	220
Class B convertible, $.01 par value; 10,000,000 shares authorized, 2,260,954 shares issued and outstanding	22	22
Paid-in capital	274,282	271,056
Retained earnings	162,542	151,363
Accumulated other comprehensive income (loss)	4,847	(1,320)
Treasury stock, at cost, 1,820,552 and 1,693,047 shares of Class A common stock at February 29, 2008 and February 28, 2007, respectively	(18,404)	(16,979)
Total stockholders' equity	423,513	404,362
Total liabilities and stockholders' equity	$ 533,036	$ 499,120

See accompanying notes to consolidated financial statements.

Audiovox Corporation and Subsidiaries
Consolidated Statements of Operations
Years Ended February 29, 2008, February 28, 2007,
the Three Months Ended February 28, 2006 and the Year Ended November 30, 2005
(In thousands, except share and per share data)

	Year Ended February 29, 2008	Year Ended February 28, 2007	Three Months Ended February 28, 2006	Year Ended November 30, 2005
Net sales	$ 591,355	$ 456,690	$ 103,050	$ 539,716
Cost of sales	480,027	377,371	87,400	478,877
Gross profit	111,328	79,319	15,650	60,839
Operating expenses:				
Selling	35,703	28,220	6,824	31,799
General and administrative	61,220	48,920	10,517	50,540
Engineering and technical support	9,983	7,256	1,468	6,190
Total operating expenses	106,906	84,396	18,809	88,529
Operating income (loss)	4,422	(5,077)	(3,159)	(27,690)
Other income (expense):				
Interest and bank charges	(2,127)	(1,955)	(560)	(2,478)
Equity in income of equity investees	3,590	2,937	474	2,342
Other, net (Note 1(q))	4,709	6,253	1,769	9,730
Total other income, net	6,172	7,235	1,683	9,594
Income (loss) from continuing operations before income taxes	10,594	2,158	(1,476)	(18,096)
Income tax (expense) benefit	(3.848)	1,534	1,843	11,409
Net income (loss) from continuing operations	6,746	3,692	367	(6,687)
Net income (loss) from discontinued operations, net of tax (Note 2)	1,719	(756)	(184)	(2,904)
Net income (loss)	$ 8,465	$ 2,936	$ 183	$ (9,591)
Net income (loss) per common share (basic):				
From continuing operations	$ 0.29	$ 0.16	$ 0.02	$ (0.30)
From discontinued operations	0.08	(0.03)	(0.01)	(0.13)
Net income (loss) per common share (basic)	$ 0.37	$ 0.13	$ 0.01	$ (0.43)
Net income (loss) per common share (diluted):				
From continuing operations	$ 0.29	$ 0.16	$ 0.02	$ (0.30)
From discontinued operations	0.08	(0.03)	(0.01)	(0.13)

Net income (loss) per common share (diluted)	$ 0.37	$ 0.13	$ 0.01	$ (0.43)
Weighted-average common shares outstanding (basic)	22,853,482	22,366,413	22,526,497	22,278,542
Weighted-average common shares outstanding (diluted)	22,876,112	22,557,272	22,766,593	22,278,542

See accompanying notes to consolidated financial statements.

Audiovox Corporation and Subsidiaries
Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss)
Years Ended February 29, 2008, February 28, 2007,
the Three Months Ended February 28, 2006 and the Year Ended November 30, 2005
(In thousands, except share data)

	Preferred Stock	Class A and Class B Common Stock	Paid-in Capital	Retained Earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Stock-holders' equity
Balances at November 30, 2004	$ 2,500	$ 231	$ 253,959	$ 157,835	$ (1,841)	$ (8,497)	$ 404,187
Comprehensive loss:							
Net loss	-	-	-	(9,591)	-	-	(9,591)
Foreign currency translation adjustment, net of reclassification adjustment (see disclosure below)	-	-	-	-	(157)	-	(157)
Unrealized loss on marketable securities, net of tax effect of $190	-	-	-	-	(310)	-	(310)
Other comprehensive loss	-	-	-	-	-	-	(467)
Comprehensive loss	-	-	-	-	-	-	(10,058)
Exercise of stock options into 660,500 shares of common stock	-	6	7,686	-	-	-	7,692
Tax benefit of stock options exercised	-	-	1,357	-	-	-	1,357
Purchase of 150,000 shares of treasury stock	-	-	-	-	-	(2,037)	(2,037)
Issuance of 1,205 shares of treasury stock	-	-	6	-	-	10	16
Balances at November 30, 2005	2,500	237	263,008	148,244	(2,308)	(10,524)	401,157
Comprehensive income:							
Net income	-	-	-	183	-	-	183
Foreign currency translation adjustment, net	-	-	-	-	263	-	263
Unrealized gain on marketable securities, net of tax effect of $881	-	-	-	-	1,437	-	1,437

Other comprehensive income	-	-	-	-	-	-	1,700
Comprehensive income	-	-	-	-	-	-	1,883
Purchase of 168,800 shares of treasury stock	-	-	-	-	-	(2,308)	