Ocean Rig UDW Inc.
Form 6-K
December 15, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16 OR 15D-16 OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of December 2016

Commission File Number 001-35298

OCEAN RIG UDW INC.

c/o Maples Corporate Services Limited

P.O. Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F [X]   Form 40-F [ ]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): [ ].

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): [ ].

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Attached to this Report on Form 6-K as Exhibit 99.1 is a copy of the press release of Ocean Rig UDW Inc., dated December 14, 2016: Ocean Rig UDW Inc. Reports Financial and Operating Results for the Third Quarter 2016

SIGNATURES

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

OCEAN RIG UDW INC.

Dated: December 15, 2016

By: /s/George Economou
George Economou
Chief Executive Officer

Exhibit 99.1

OCEAN RIG UDW INC. REPORTS FINANCIAL AND OPERATING RESULTS

FOR THE THIRD QUARTER 2016

December 14, 2016, Grand Cayman, Cayman Islands - Ocean Rig UDW Inc. (NASDAQ:ORIG), or Ocean Rig or the Company, an international contractor of offshore deepwater drilling services, today announced its unaudited financial and operating results for the quarter ended September 30, 2016.

Third Quarter 2016 Financial Highlights

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For the third quarter of 2016, the Company reported a net income of $38.9 million, or $0.47 basic and diluted earnings per share.

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The Company reported Adjusted EBITDA[1] of $219.6 million for the third quarter of 2016.

Recent Highlights

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Fleet wide utilization for the third quarter of 2016 was 97.43%.

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On December 5, 2016, the *Ocean Rig Corcovado* completed its 5-year special survey and drydock. The rig was off-hire for about 61 days and the Company expects total project costs including refurbishment of existing equipment to be in the range of $36 to $40 million.

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On September 28, 2016 Lundin Norway AS (Lundin) exercised one of its options for a fourth well that will now keep the *Leiv Eiriksson* employed until approximately the end March 2017. The Company is in discussions with Lundin to potentially extend the current drilling program to the end of 2017.

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On September 15, 2016, the Company received a partial payment of approximately $23.4 million from Total E&P Angola in connection with the arbitration proceedings for the termination of the *Ocean Rig Olympia* contract.

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The Company is in discussions with ConocoPhillips about the early termination of the contract for the *Ocean Rig Athena* which is currently sitting idle in Las Palmas. Should discussions be successful then the *Ocean Rig Athena* would be available for alternative employment in the first quarter of 2017.

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The Company continues to explore and consider various strategic alternatives with its financial and legal advisors, which may include a possible restructuring under US bankruptcy laws or another jurisdiction.

Financial Review: 2016 Third Quarter

The Company recorded net income of $38.9 million, or $0.47 basic and diluted earnings per share, for the three-month period ended September 30, 2016, as compared to a net income of $138.4 million, or $0.94 basic and diluted earnings per share, for the three-month period ended September 30, 2015.

Revenues decreased by $102.1 million to $335.0 million for the three-month period ended September 30, 2016, as compared to $437.1 million for the same period in 2015.

Drilling units operating expenses decreased to $103.7 million and total depreciation and amortization decreased to $83.1 million for the three-month period ended September 30, 2016, from $135.5 million and $90.3 million, respectively, for the three-month period ended September 30, 2015. Total general and administrative expenses remained the same in the third quarter of 2016 as in the same period in 2015, amounting to $23.2 million.

Interest and finance costs, net of interest income, decreased to $55.3 million for the three-month period ended September 30, 2016, compared to $67.2 million for the three-month period ended September 30, 2015.

Operating Fleet

The table below describes our operating fleet profile as of December 12, 2016:

Total backlog as of December 12, 2016 amounted to $1.8 billion.

Unit	Year built	Redelivery
Leiv Eiriksson	2001	Q1 17
Ocean Rig Corcovado	2011	Q2 18
Ocean Rig Poseidon	2011	Q3 - 17
Ocean Rig Mykonos	2011	Q1 18
Ocean Rig Skyros	2013	Q3 21
Ocean Rig Athena	2014	Q2 17

Note: The units *Eirik Raude*, *Ocean Rig Olympia*, *Ocean Rig Apollo*, *Ocean Rig Mylos* and *Ocean Rig Paros*, have completed their preservation works and are currently cold stacked in Greece, remaining available for further employment.

Ocean Rig UDW Inc.

Financial Statements

Unaudited Interim Condensed Consolidated Statements of Operations

(Expressed in thousands of U.S. Dollars except for share and per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2016	2015	2016
REVENUES:				
Revenues	$ 437,174	$ 335,043	$ 1,272,473	$ 1,295,606
EXPENSES:				
Drilling units operating expenses	135,479	103,676	431,190	360,674
Depreciation and amortization	90,318	83,102	267,468	251,868
General and administrative expenses	23,236	23,171	76,647	68,976
Legal settlements and other, net	(604)	(1,128)	(3,234)	(7,805)
Operating income	188,745	126,222	500,402	621,893
OTHER INCOME/(EXPENSES):				
Interest and finance costs, net of interest income	(67,172)	(55,340)	(202,332)	(170,032)

Gain from repurchase of senior notes	52,213	-	52,213	125,001
Gain/ (Loss) on interest rate swaps	(6,217)	2,071	(16,278)	(4,476)
Other, net	(5,630)	5,498	(13,256)	5,488
Income taxes	(23,539)	(39,521)	(66,336)	(94,856)
Total other expenses, net	(50,345)	(87,292)	(245,989)	(138,875)
Net income attributable to Ocean Rig UDW Inc.	$ 138,400	$ 38,930	$ 254,413	$ 483,018
Net income attributable to Ocean Rig UDW Inc. common stockholders	$ 137,702	$ 38,812	$ 253,238	$ 481,835
Earnings per common share, attributable to common stockholders, basic and diluted	$ 0.94	$ 0.47	$ 1.82	$ 4.73
Weighted average number of common shares, basic and diluted	146,670,990	82,335,348	138,885,188	101,858,241

Ocean Rig UDW Inc.

Unaudited Condensed Consolidated Balance Sheets

(Expressed in Thousands of U.S. Dollars)	December 31, 2015	September 30, 2016
ASSETS		
Cash, cash equivalents and restricted cash (current and non-current)	$ 747,485	$ 754,746
Other current assets	500,637	324,378
Advances for drilling units under construction and related costs	394,852	629,091
Drilling units, machinery and equipment, net	6,336,892	6,176,748
Other non-current assets	40,354	15,516
Total assets	8,020,220	7,900,479
LIABILITIES AND STOCKHOLDERS EQUITY		
Total debt, net of deferred financing costs	4,328,468	3,919,421
Total other liabilities	416,987	271,480
Total stockholders equity	3,274,765	3,709,578
Total liabilities and stockholders equity	$ 8,020,220	$ 7,900,479

SHARE COUNT DATA

Common stock issued	160,888,606	160,888,606
Less: Treasury stock	(22,222,222)	(78,301,755)
Common stock issued and outstanding	138,666,384	82,586,851

Adjusted EBITDA Reconciliation

Adjusted EBITDA represents earnings before interest, taxes, depreciation and amortization, class survey costs, impairment loss, loss on sale of assets, gain from repurchase of senior notes and gains or losses on interest rate swaps. Adjusted EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations, as determined by United States generally accepted accounting principles, or U.S. GAAP, and our calculation of adjusted EBITDA may not be comparable to that reported by other companies. Adjusted EBITDA is included herein because it is a basis upon which the Company measures its operations. Adjusted EBITDA is also used by our lenders as a measure of our compliance with certain covenants contained in our loan agreements and because the Company believes that it presents useful information to investors regarding a company's ability to service and/or incur indebtedness.

The following table reconciles net income to Adjusted-EBITDA:

(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2016	2015	2016
Net income	$ 138,400	$ 38,930	$ 254,413	$ 483,018
Add: Net interest expense	67,172	55,340	202,332	170,032
Add: Depreciation and amortization	90,318	83,102	267,468	251,868

Add: Income taxes	23,539	39,521	66,336	94,856
Add: (Gain)/ loss on interest rate swaps	6,217	(2,071)	16,278	4,476
Add: Class survey costs	-	4,808	-	9,841
Less: Gain from repurchase of senior notes	(52,213)	-	(52,213)	(125,001)
Adjusted EBITDA	$ 273,433	$ 219,630	$ 754,614	$ 889,090

Drill Rigs Holdings Inc - Supplemental Information

Leiv Eiriksson

The *Leiv Eiriksson* commenced its contract with Lundin Norway AS on July 18, 2016. The unit is currently drilling its third well. During the third quarter, the unit achieved utilization of 92.68%. On September 28, 2016 Lundin exercised one of its options for a fourth well that will now keep the *Leiv Eiriksson* employed until the end March 2017. The Company is in discussions with Lundin to potentially extend the current drilling program to the end of 2017.

Eirik Raude

The *Eirik Raude* is currently in its stacking location in Greece and is available for alternative employment.

Summary Financials of Drill Rig Holdings Inc.:

		Year ended December 31, 2015		Nine months ended September 30, 2016
(Dollars in thousands)				
Total assets	$	742,778	$	623,691
Total debt, net of financing fees ..		794,103		797,381
Shareholders equity		(95,897)		(244,224)
Total cash and cash equivalents .	$	43,339	$	1,915

	Nine months ended September 30, 2015	Nine months ended September 30, 2016
(Dollars in thousands)		
Total revenue	$ 298,484	$ 56,195
EBITDA.. .	$ 182,865	$ (3,276)

EBITDA reconciliation of Drill Rig Holdings Inc.:

(Dollars in thousands)	Nine months ended September 30,			
		2015		2016
Net Income/ (loss)	$	70,207	$	(90,914)
Add: Net interest expense		42,126		41,853
Add: Depreciation and amortization		60,960		38,537
Add: Income taxes		9,572		7,248
EBITDA	$	182,865	$	(3,276)

Conference Call and Webcast: December 15, 2016

As announced, the Company s management team will host a conference call, on Thursday December 15, 2016 at 08:00a.m. Eastern Time to discuss the Company's financial results.

Conference Call Details

Participants should dial into the call 10 minutes before the scheduled time using the following numbers: 1(866) 819-7111 (from the US), 0(800) 953-0329 (from the UK) or +(44) (0) 1452 542 301 (from outside the US). Please quote "Ocean Rig."

A replay of the conference call will be available until Thursday, December 22, 2016. The United States replay number is 1(866) 247-4222; from the UK 0(800) 953-1533; the standard international replay number is (+44) (0) 1452 550 000 and the access code required for the replay is: 55592075#.

A replay of the conference call will also be available on the Company s website at www.ocean-rig.com under the Investor Relations section.

Slides and audio webcast:

There will also be a simultaneous live webcast over the Internet, through the Ocean Rig UDW Inc. website www.ocean-rig.com. Participants to the live webcast should register on the website approximately 10 minutes prior to the start of the webcast.

About Ocean Rig UDW Inc.

Ocean Rig is an international offshore drilling contractor providing oilfield services for offshore oil and gas exploration, development and production drilling, and specializing in the ultra-deepwater and harsh-environment segment of the offshore drilling industry.

Ocean Rig s common stock is listed on the NASDAQ Global Select Market where it trades under the symbol ORIG.

Visit the Company s website at www.ocean-rig

Forward-Looking Statement

Matters discussed in this release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with such safe harbor legislation.

Forward-looking statements relate to Ocean Rig s expectations, beliefs, intentions or strategies regarding the future. These statements may be identified by the use of words like anticipate, believe, estimate, expect, intend, ma project, should, seek, and similar expressions. Forward-looking statements reflect Ocean Rig s current views a assumptions with respect to future events and are subject to risks and uncertainties.

The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management s examination of historical operating trends, data contained in Ocean Rig s records and other data available from third parties. Although Ocean Rig believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond Ocean Rig s control, Ocean Rig cannot assure you that it will achieve or accomplish these expectations, beliefs or projections described in the forward-looking statements contained herein. Actual and future results and trends could differ materially from those set forth in such statements.

Important factors that, in Ocean Rig s view, could cause actual results to differ materially from those discussed in the forward-looking statements include factors related to (i) the offshore drilling market, including supply and demand, utilization, day rates and customer drilling programs, commodity prices, effects of new rigs and drillships on the market and effects of declines in commodity process and downturns in the global economy on the market outlook for our various geographical operating sectors and classes of rigs and drillships; (ii) hazards inherent in the drilling industry and marine operations causing personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties or customers and suspension of operations; (iii) newbuildings, upgrades, and shipyard and other capital projects; (iv) changes in laws and governmental regulations, particularly with respect to environmental matters; (v) the availability of competing offshore drilling vessels; (vi) political and other uncertainties, including risks of terrorist acts, war and civil disturbances; piracy; significant governmental influence over many aspects of local economies, seizure; nationalization or expropriation of property or equipment; repudiation, nullification, modification or renegotiation of contracts; limitations on insurance coverage, such as war risk coverage, in certain areas; political unrest; foreign and U.S. monetary policy and foreign currency fluctuations and devaluations; the inability to repatriate income or capital; complications associated with repairing and replacing equipment in remote locations; import-export quotas, wage and price controls imposition of trade barriers; regulatory or financial requirements to comply with foreign bureaucratic actions; changing taxation policies; and other forms of government regulation and economic conditions that are beyond our control; (vii) the performance of our rigs; (viii) our ability to procure or have access to financing and our ability comply with our loan covenants; (ix) our substantial leverage, including our ability to generate sufficient cash flow to service our existing debt and the incurrence of substantial indebtedness in the future (x) our ability to successfully employ our drilling units; (xi) our capital expenditures, including the timing and cost of completion of capital projects; (xii) our revenues and expenses; (xiii) complications associated with repairing and replacing equipment in remote locations; and (xiv) regulatory or financial requirements to comply with foreign bureaucratic actions, including potential limitations on drilling activities. Due to such uncertainties and risks, investors are cautioned not to place undue reliance upon such forward-looking statements.

Risks and uncertainties are further described in reports filed by Ocean Rig UDW Inc. with the U.S. Securities and Exchange Commission, including the Company s most recently filed Annual Report on Form 20-F.

Investor Relations / Media:

Nicolas Bornozis

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E-mail: oceanrig@capitallink.com

-size: 10pt; line-height:12pt; color: #000000; font-weight: normal; font-style: normal;background-color: #cceeff;">Tax Fees (3) 50 86 All Other Fees — — Total $ 1,973 $ 2,834

(1) Audit Fees comprise fees for professional services necessary to perform an audit or review in accordance with the standards of the Public Company Accounting Oversight Board, including services rendered for the audit of the Company's annual financial statements (including services incurred with rendering an opinion under Section 404 of the Sarbanes-Oxley Act of 2002) and review of quarterly financial statements. It also includes fees for statutory audits of our international subsidiaries for the respective fiscal years. For the period ended February 28, 2007, audit fees include the audit for the transitional period ended February 28, 2006 in connection with the Company's change in year end. (2) Audit-Related Fees comprise fees for services that reasonably relate to the performance of the audit or review of the Company's financial statements including the support of business acquisitions and the audit of the Company's employee benefit plans. (3) Tax Fees comprise fees for tax compliance, tax planning and tax advice.

The Audit Committee of the Board of Directors has considered whether the provision of non-audit services by Grant Thornton LLP is compatible with maintaining auditor independence. In 2003, the Audit Committee adopted a policy concerning approval of audit and non-audit services to be provided. The policy requires that all services Grant Thornton LLP may provide to the Company, including audit services and permitted audit-related and non-audit services, be pre-approved by the Audit Committee. The Chairman of the Audit Committee may approve certain permitted non-audit services in between Committee meetings, which services are subsequently reported to and approved by the Audit Committee. In addition, for particular permitted services, the Chief Financial Officer may approve the engagement of Grant Thornton LLP provided such engagement will amount to fees of less than $50,000 and such engagement is reported to the Chairman of the Committee and reported to and ratified by the Committee at its next meeting.

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All of the services for Audit and Audit-Related Fees, Tax Fees and All Other Fees referenced above were approved by the Audit Committee pursuant to Rule 2-0i(c)(7)(i)(C) of Regulation S-X under the Securities Act of 1933, as amended.

Pre-Approval of Audit and Non-Audit Services

Approval by the shareholders of the appointment of the independent registered public accounting firm is not required, but the board believes that it is desirable to submit this matter to the shareholders. If holders of a majority of our common stock present and entitled to vote on the matter do not approve the selection of Grant Thornton LLP, as our independent registered public accounting firm at the annual meeting, the selection of independent accountants will be reconsidered by the Audit Committee. Abstentions will be considered a vote against this proposal and broker non-votes will have no effect on such matter since these votes will not be considered present and entitled to vote for this purpose.

The Audit Committee considered the compatibility of the non-audit services provided to us by Grant Thornton LLP in fiscal 2008 with the independence of Grant Thornton LLP from us in evaluating whether to appoint Grant Thornton LLP to perform the audit of our financial statements and internal controls for the fiscal year ending February 28, 2009.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE ‘‘FOR’’ THE RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP, AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING FEBRUARY 28, 2009.

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CORPORATE GOVERNANCE

Corporate Governance Guidelines and Code of Business Conduct

The Company operates in accordance with a plan of corporate governance that is designed to define responsibilities, set high standards of professionalism and personal conduct, and assure compliance with such responsibilities and standards. The Company regularly monitors developments in the area of corporate governance and modifies its corporate governance plan accordingly.

It is the policy of the Company that it maintain a standard Code of Business Conduct, Ethics and a Whistleblower or Complaint Procedure that clearly define the organization's expectations of its employees regarding ethical and honest business conduct and actions that represent a conflict of interest. The aforementioned Code of Conduct and Whistleblower policy aids management in preventing and identifying possible fraudulent acts within the Company. The Company's Code of Business Conduct and Ethics for Officers and Directors (the ''Code of Ethics'') prohibits our directors, named executive officers (''NEO's''), other officers and key accounting and finance personnel from buying or selling our common stock for at least three business days after material nonpublic information is released to the public or fifteen days prior to the end of each fiscal quarter through three days after the Company's quarterly and annual earnings release. The Company communicates to all of its employees its Code of Conduct and Ethics and maintains a posting of such policies on its corporate website. The Company does not have a formal written compensation recovery policy. However, it reserves the right to create such a policy in the future.

Board of Directors

The Board of Directors has an Audit Committee and a Compensation Committee, and may also, in accordance with the Company's Bylaws, appoint other committees from time to time. Inasmuch as the Company is a ''Controlled Company'' under Rule 4350(c)(5) of the NASD Manual, the board does not have a standing nominating committee. Each committee has a written charter. Any of these documents will be provided in print to any shareholder who submits a request in writing to the Company's Secretary, Audiovox Corporation, 180 Marcus Boulevard, Hauppauge, New York 11788.

The Board of Directors held four (4) meetings and acted by consent fifteen (15) times during the fiscal year ended February 29, 2008. Each member of the Board of Directors is expected to make a reasonable effort to attend all meetings of the Board and its committees, as well as the annual meeting of shareholders. All of the directors, except for Paul C. Kreuch, Jr., attended last year's Annual Meeting of Shareholders. Each director attended 75% or more of the aggregate number of Board and related committee meetings during the year.

Audit Committee

The Audit Committee, which held four (4) meetings and acted by consent three (3) times during the fiscal year ended February 29, 2008, currently consists of three members, namely, Paul C. Kreuch, Jr., Dennis F. McManus, and Peter A. Lesser. The Board of Directors has determined that each of the three members meet the appropriate tests for independence, including those set forth in the NASDAQ corporate governance rules. All audit committee members possess the required level of financial literacy and the Board of Directors has determined that at least one member of the audit committee, Mr. Paul C. Kreuch, Jr., meets the current standard of audit committee financial expert as required by the Sarbanes-Oxley Act.

The Audit Committee operates pursuant to the Audiovox Corporation Audit Committee Charter. The Company's independent auditors report directly to the Audit Committee. The Audit Committee, consistent with the Sarbanes-Oxley Act and the rules adopted thereunder, meets with management and the auditors prior to the filing of the officer certifications with the SEC to receive information concerning, among other things, any significant deficiencies in the design or operation of internal controls.

Compensation Committee

The Compensation Committee, which held three (3) meetings and acted by consent one (1) time during the fiscal year ended February 29, 2008, currently consists of three members, namely, Messrs.

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Lesser, Kreuch and McManus. The Compensation Committee recommends to the Board of Directors remuneration arrangements for senior management and the directors, approves and administers other compensation plans, including the profit sharing plan and stock option plans of Audiovox, in which officers, directors and employees participate.

Stock Ownership Guidelines

The Company does not have any, nor does it plan to adopt in the near future, equity ownership targets for its NEO's or other executives to maintain a personal ownership position in the Company.

Compensation Committee Interlocks and Insider Participation

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

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis (‘‘CDA’’) describes our compensation philosophy, policies and practices with respect to our Principal Executive Officer (‘‘PEO’’), Principal Financial Officer (‘‘PFO’’) and the other individuals named in the ‘‘Summary Compensation Table’’ below, who are collectively referred to as the Named Executive Officers (‘‘NEO’’) for the fiscal year ended February 29, 2008. It includes information regarding the Company’s overall compensation objectives and each element of compensation that we provide.

The principal elements of our executive compensation programs are base salary, annual performance based cash bonuses, short-term and long-term equity incentive awards in the form of stock options, a deferred compensation program, supplemental executive term life insurance and disability plans, certain perquisites and other benefits such as a 401(K) and Profit Sharing Plan with employer matching contributions, a Cash Bonus Profit Sharing Plan and health and welfare plans that are generally available to all of our salaried employees. The Company’s objective is that the total compensation paid to executive officers and other employees should be competitive with the compensation provided to other persons with similar levels of responsibility at companies of similar size, complexity, revenue and growth potential. The Company’s executive compensation practices recognize the caliber, level of experience and performance of management and include meaningful incentives to maximize long term shareholder value while achieving the Company’s short term financial objectives.

The Compensation Committee, which we refer to in this discussion as the ‘‘Committee’’, is comprised entirely of independent directors in accordance with Nasdaq rules. The Committee has the responsibility for establishing, implementing and monitoring adherence to the Company’s executive compensation policies and practices. The Committee reviews and approves compensation for the Company’s PEO, PFO, other NEO’s and directors, subject to Board of Director approval, and oversees and administers the Company’s stock option plan and restricted stock plans. The Committee also approves equity awards and non-equity awards for all employees. Periodically, the Committee reviews relevant competitive data provided by third party compensation professionals, the internal human resource department and the observations and recommendations of the Company’s executive management. In addition, the PEO submits recommended compensation levels for other executive officers of the Company to the Committee for its review and approval. The Committee has the discretion to modify any compensation recommendations by management. The Committee’s responsibilities are further defined in the Committee’s charter.

The Role of Company Executives in the Compensation Process

Although the compensation process is managed and directed by, and decisions are made by, the Committee, the recommendations of certain Company executive officers are taken into account in connection with setting the compensation of other executive officers. As described above, the PEO makes initial recommendations with respect to executive officers other than himself. Executive officers also participate in the preparation of materials requested by the Committee for use and consideration at the Compensation Committee meetings.

Compensation Philosophy and Policies

The Committee has designed the Company’s compensation program to promote individual performance and to be competitive with market practices in order to attract, retain, and motivate talented individuals in the consumer electronics industry, taking into account relative size, performance and geographic location as well as individual responsibilities and performance. The Company’s compensation program also seeks to hold our executives accountable and reward them appropriately for the success of the Company. Accordingly, the Committee strives to create an executive compensation program that is competitive as well as reflective of Company-wide strategic objectives and individual performance.

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The Committee recognizes that certain elements of compensation are better suited to achieving different compensation objectives. The Committee believes that: (i) base salaries, which are based on market practices of similar companies, are designed to attract and retain our executives; (ii) bonuses are designed to motivate our executives to achieve specific corporate and personal performance goals and to share in the Company profits; (iii) equity incentive awards are designed to align the interest of our executive officers and shareholders by (a) motivating and rewarding the executive officer when shareholder value increases and (b) reward the executive officer for continued future service; (iv) deferred compensation plans are designed to provide our executives with supplemental retirement benefits by permitting the deferral of additional salary and bonuses with a limited employer matching contribution; (v) supplemental executive term life insurance and disability plans are designed to provide our executives and their families with supplemental benefits in accordance with market practices, and; (vi) other elements of compensation are primarily based on market practices.

The Committee's philosophy for other benefits, such as general retirement and health and welfare benefits, is to make these benefits available to employees on a non-discriminatory basis. The Company's compensation philosophy is designed to structure its compensation policy so that executive compensation is dependent on the achievement of corporate objectives and on the long-term increases in shareholder value.

The Company's executive compensation programs are designed to achieve the following objectives:

- Offer a total compensation package that is competitive with the compensation levels and practices of peer companies;
- Motivate and reward executives whose performance is important to the Company's continued growth, profitability and success;
- Align a portion of executive compensation to the Company's financial strategic objectives and the executive's individual contributions toward those objectives;
- Align the interest of the Company's executives with the long term interests of its shareholders;
- Motivate executives to work together to achieve corporate goals by linking the annual cash incentives to the achievement of those corporate goals and;
- Provide incentives that promote executive retention.

The Company engaged performance compensation consultants Sibson and Company in the past to assist the Committee in reviewing the compensation programs for its executive officers and other officers of the Company. Sibson provided the Committee with relevant market data and alternatives to consider when making compensation decisions regarding the PEO, PFO and the Company's other executives. Sibson's review encompassed total compensation components, peer compensation levels and the link between cash incentive compensation, plan results and Company performance. Sibson also prepared a presentation of executive compensation trends and developments to the Company's Board of Directors. One of Sibson's recommendations was to continue to utilize stock-based compensation, profit sharing and other forms of equity and non-equity awards to motivate and retain its executives.

Principal Elements of our Executive Compensation Programs

This section describes the various elements of our compensation programs for our NEOs, with a discussion of the Committee's reasons for including a particular item in the compensation program. The Company's executive compensation program has five principal components that are discussed below.

Executive Base Salary

The Company provides our NEOs and other employees with a base salary to compensate them for services rendered during the fiscal year. Annual base salary ranges are determined for each

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executive, on a case-by-case basis, based on the position, the individual level of responsibility and performance, and the unique value and historical contributions made to the Company's success. The Committee reviews salaries each year as part of the Company's annual performance review process as well as upon a promotion or other change in job responsibility. In addition, the base salaries of our NEO's and other employees are periodically reviewed and measured against market data provided by outside consultants and the Company's internal human resources group. The Committee reviews base salary recommendations from the PEO for our other executive officers other than the PEO. Based upon this review process, the Committee approves base salaries for our executive officers. The Committee believes that the base salaries for our executive officers are based on levels commensurate with competitive amounts paid to executives with comparable qualifications at companies engaged in similar businesses or in the same region and of similar size.

In January 2008, our PEO put into place a broad overhead reduction plan across all internal departments for the remainder of fiscal 2008 and continuing into fiscal 2009. One component of this overhead reduction plan is a temporary mandated 10% reduction in base salary of our Senior Vice Presidents and above. Accordingly, these base salary reductions are reflected in the Salary column in the Fiscal 2008 Summary Compensation Table.

Executive Incentive Bonus Plan

Executive bonuses are used to motivate individuals and to reward our executives for the achievement of the Company's financial objectives and their individual performance goals. Bonus formulas are approved by the Committee at the beginning of the fiscal year and are paid on an annual basis after the completion of the fiscal bonus year. Under our bonus programs, the Chairman of the Board and the Chief Financial Officer's bonuses are based upon the Company's pre-tax earnings, except for extraordinary items.

For fiscal 2008, Mr. Shalam's bonus was 3% or $330,375 of consolidated pre-tax earnings of the Company and Mr. Stoehr's bonus was .75% or $80,533 of consolidated pre-tax earnings. The Chief Executive Officer's bonus was determined by attainment of targeted pre-tax earnings of the Company for fiscal 2008 (see Section on Employment Agreements for further discussion). As the Company earned pre-tax profits in excess of $10,000,000, the first and second pre-tax bonus targets were met. Accordingly, the CEO received a bonus of $500,000 for fiscal 2008.

For fiscal 2008, Mr. Malone's bonus was determined by multiplying the return on sales percentage by the pre-tax income of Audiovox Electronics Corp. The return on sales percent was capped at five (5%) percent with a guaranteed minimum annual aggregate salary and bonus of $425,000. For fiscal 2008, Mr. Malone earned a bonus of $196,667.

Mrs. Shelton's bonus is determined by the achievement of individual performance goals at 10% of base salary (as determined by the PEO), plus 10% of base salary upon the achievement of consolidated pre-tax earnings of $9,000,000, plus $10,000 upon the achievement of consolidated pre-tax earnings of $10,000,000, and a percentage of 10% of base salary equal to the percentage for which consolidated pre-tax earnings, as adjusted, exceeds $9,000,000. For fiscal 2008, Mrs. Shelton earned a bonus of $74,546.

Other executive officers' bonuses are based on a target of 20% of the executive's base salary. The Committee based 50% of the executive officers' bonus on the achievement of corporate profitability targets during the fiscal year and 50% of the bonus was based on achievement of individual performance targets. The Committee believes that incentive cash bonuses should have an individual component that an executive directly contributes to and a corporate component that an executive indirectly contributes to. Individual performance objectives are determined by the executive officer to which the potential bonus recipient reports. At times, the Committee will approve additional discretionary cash bonus awards that the PEO recommends for certain executives based on individual performance levels that exceed expectations or for the successful completion of special strategic projects or events. During fiscal 2008, the other executive officers' bonuses were paid at 75% of the targeted bonus.

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The Committee also reviews the unique circumstances involved in the recruitment of the Company's executive officers and will approve the payment of hiring bonuses if, in the judgment of the Committee, such payments are necessary to successfully recruit certain executives.

Executive Stock Based Compensation Awards

The Company's Stock Based Compensation Incentive Plan (the ''Stock Based Incentive Plan'') encourages participants to focus on long-term Company performance and provides an opportunity for our executives and designated key employees to increase their ownership in the Company through grants of the Company's common stock or grants of stock options. The Stock Based Incentive Plan provides for restricted stock grants and option grants to executive officers, employees and outside directors. The purposes of the Company's Stock Based Incentive Plan is to provide additional incentive to our executives, directors, and other employees whose substantial contributions are essential to the continued growth and success of the Company's business. Grants of stock or options are designed to strengthen their commitment to the Company, to motivate such persons to faithfully and diligently perform their responsibilities and to attract and retain competent and dedicated individuals whose efforts will result in the long-term growth and profitability of the Company. Additionally, the purpose of the Stock Based Incentive Plan is to secure for the Company and its shareholders the benefits of the incentive inherent in increased common stock ownership by our executives and the members of the Board who are not employees of the Company who drive, direct and execute the Company's strategic objectives.

The Committee administers the Company's Stock Based Incentive Plan for our executive officers, employees, and outside directors. Stock based compensation is primarily composed of stock option grants and is intended to focus our executives on creating long-term stockholder value. The Committee will periodically grant stock options to executives who are responsible for designing and implementing the Company's long-range strategic plan. At its discretion, the Committee also grants options based on individual and corporate achievements. Under these plans, the Committee grants options to purchase common stock, with an exercise price equal to or above the fair market value of the common stock on the date of grant. The Committee believes that providing stock options to the executive officers, who are responsible for the Company's management and growth, gives them an opportunity to own the Company's stock and better aligns their interests with the interests of our shareholders. The Plan also promotes the retention of our executives due to the vesting provisions of the option grant and the potential upside for stock price appreciation. Recent option grants vest over a pre-determined period and expire two or three years from grant date.

The Committee approves grants made to the PEO, PFO, directors and other executive officers and, in certain cases, recommends grants to the entire Board for its approval. The Committee determines the number of shares underlying each stock option grant based upon the executive level and years of service, the Company's performance and the executives' individual roles and responsibilities. As discussed above, the Company typically reviews salaries, bonuses, other benefits and stock option grants on an annual basis. This process typically begins during the fourth quarter and is completed before the fiscal year end or shortly thereafter. The Committee determined that options would typically be granted annually in each fiscal year. In addition, in the event that an executive officer or a designated key employee is hired during the year, the Committee may make a discretionary grant at the commencement of employment.

For these reasons, the Committee considers stock options as an important element of compensation when it reviews our executive officer compensation programs.

Executive Deferred Compensation Plan

The Company has a nonqualified Deferred Compensation Plan (the ‘‘Deferred Compensation Plan’’) for a select group of executives, including the NEO’s. The Plan is intended to provide certain executives the ability to defer additional salary and bonuses, in addition to those amounts that are permitted to be deferred under the Company’s 401(K) and Profit Sharing Plan. The Deferred Compensation Plan provides for an employer matching contribution equal to 25% of the employee deferrals up to $20,000 or a maximum employer matching contribution of $5,000 per year, which vests immediately. Except for Mr. Lavelle's compensation arrangement, the Company is under no obligation to set aside any additional funds for the purpose of making payments under the Plan. In accordance with Mr. Lavelle's fiscal 2008 compensation arrangement, the Company is required to contribute $250,000 annually into a separate deferred compensation account (the ''Lavelle Account'') on his behalf and benefit. The employer contributions into this account are invested by the Company in certain mutual funds. All earning and losses are allocated directly to this account and all employer contributions and earnings thereon vest immediately. Contributions and earnings and the total account balance on this account as of the end of the 2008 fiscal year are shown in the Nonqualified Deferred Compensation table for Mr. Lavelle on page 20 of this proxy statement.

The Deferred Compensation Plan is not intended to be a qualified plan under the provisions of the Internal Revenue Code. All compensation deferred under the Plan is held by the Company in a ''Rabbi'' investment trust and invested by the participant among a number of mutual funds. Earnings and losses are allocated to the participant's individual account. Company contributions are vested immediately. The Committee has the option of amending or terminating the Plan at any time. Contributions and earnings on those contributions and total account balances as of the end of the 2008 fiscal year are shown for our NEO's in the Nonqualified Deferred Compensation table on page 20 of this proxy statement.

Perquisites and Other Benefits

Our executives are eligible to participate in all of our employee benefit plans, such as medical, dental, group life and disability insurance plans, our 401(K) and profit sharing plan, the Cash Bonus Profit Sharing Plan, in each case on the same basis as our other employees, except for the Employee Stock Purchase Plan (this Plan was terminated on February 29, 2008) for which our NEO's are not permitted to participate. In addition, certain executives, including our NEO's, receive additional benefits, including supplemental life insurance, supplemental short-term and long-term disability benefits, car allowances or mileage reimbursements, and reimbursement of business related expenses.

Tax and Accounting Implications of the Executive Compensation Program

It is the Committee's goal that the Company's executive compensation programs maximize the benefit of tax laws and accounting requirements, while meeting the Company's compensation policies and objectives. Section 162(m) of the Internal Revenue Code imposes a $1 million limit on the amount that a public company may deduct for compensation paid to the Company's PEO or other NEO's. This limitation does not apply to compensation that meets the requirements under Section 162(m) for ''qualified performance based'' compensation. The Committee believes it is desirable and in the Company's best interest to deduct compensation payable to our executive officers. Accordingly, the Committee considers the anticipated tax treatment to our Company and our executive officers in the review and establishment of compensation programs and payments. The Committee will continue to monitor the executive compensation programs to preserve the related Federal income tax deductions.

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

We adopted Statement of Financial Accounting Standards No. 123R (''SFAS No. 123R'') effective December 1, 2005. In determining equity compensation awards for fiscal 2008, we generally considered the potential expense of our compensation awards under SFAS No. 123R and the impact on earnings per share. We concluded that the award levels are in the best interests of our shareholders given competitive compensation practices among our peer companies, the awards' potential expense, our performance and the impact of the awards on executive motivation and retention.

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Severance and Termination Benefits

With the exception of Mr. Lavelle's Employment Agreement (as defined below), we do not have a formal written severance plan or severance agreement with any executive, including our NEOs. However, we have in the past and may in the future provide severance benefits to our executives on a case-by-case basis, after taking into consideration the reason for termination and other factors present at the time of separation. The Company does not have any formal written agreements with any of our executives as it relates to change in control benefits or payments, except for an agreement with Mr. Gordon that provided for a one-time payment of one year base salary if there had been a change in control on or before December 22, 2007. However, the Committee reserves the right to enter into such arrangements with our NEOs.

Employment Agreements

On June 11, 2007 the Company's Board of Directors authorized and approved a three-year employment contract effective March 1, 2007 with Mr. Patrick M. Lavelle (the ''Employment Agreement''). A copy of the Employment Agreement was filed as Exhibit 10 to the Company's Current Report on Form 8-K filed on June 15, 2007 with the Securities and Exchange Commission.

The Employment Agreement will be automatically renewed for successive one year periods unless either party notifies the other of his or its intention not to renew the agreement not less than one hundred eighty (180) days prior to the expiration of the initial or any renewal term, as the case may be.

During the term of the agreement the Company will pay Mr. Lavelle an annual base salary of Seven Hundred Fifty Thousand Dollars ($750,000.00) per annum. Pursuant to the agreement, Mr. Lavelle, effective as of the first fiscal year the Company achieves any year-end pre-tax profit, and for each fiscal year thereafter during the employment period, shall have credited to the Lavelle Account Two Hundred Fifty Thousand Dollars ($250,000.00) for Mr. Lavelle's benefit, which sum shall be in addition to any other amounts that the Company may be required to pay for Mr. Lavelle's benefit under any deferred compensation plan established for the benefit of Mr. Lavelle and/or any other key executives of the Company.

In addition, the Company will pay Mr. Lavelle an annual bonus of Two Hundred Fifty Thousand Dollars ($250,000.00) for each and every Five Million Dollars ($5,000,000.00) of pre-tax profit earned by the Company above $5,000,000 during the fiscal year. In addition, the agreement provides for an annual discretionary merit based bonus, at the sole discretion of the Board, based on the Company's performance.

In the event of the termination of Mr. Lavelle's employment, by the Company with or without cause, by Mr. Lavelle with or without good reason or by virtue of Mr. Lavelle's death or disability, Mr. Lavelle will be entitled to certain payments, continuation of benefits and vesting of stock based compensation depending on the reason for termination as more specifically set forth in the Employment Agreement.

Mr. Lavelle is subject to a confidentiality restriction during his employment and thereafter, and to non-compete, non-solicitation and non-disparagement restrictions during his employment and for 24 months following termination.

The above is a summary of the terms of the Employment Agreement and is qualified in its entirety by reference to the Employment Agreement.

401(k) and Profit Sharing Plan

The Company has a 401(k) plan for eligible employees. The Company matches a portion of the participant's contributions in the amount of 50% of elective deferrals up to a maximum of 6% of eligible compensation after three months of service. Shares of the Company's Common Stock are not an investment option in the Savings Plan and the Company does not use such shares to match participants' contributions.

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The Company also has a Profit Sharing Plan that allows the Company to make a discretionary profit sharing contribution for the benefit of participating employees, including the NEO's, for any fiscal year in an amount determined by the Board of Directors. Whether or not the Board of Directors makes a discretionary contribution, the size of the contribution is dependent upon the performance of the Company. A participant's share of the discretionary contribution is determined pursuant to the participant's eligible wages for the fiscal year as a percentage of eligible wages for all participants for the fiscal year. During fiscal 2008, the Board did not make a discretionary profit sharing contribution to the Plan.

Cash Bonus Profit Sharing Plan

The Company has a Cash Bonus Profit Sharing Plan that allows the Company to make profit sharing contributions for the benefit of eligible employees, including NEO's for any fiscal year in an amount not to exceed 3.5% of pre-tax profits or $2.5 million. If pre-tax profits in any given fiscal year do not exceed $3 million, there will be no contribution to the Cash Bonus Profit Sharing Plan for that fiscal year. The size of the contribution is dependent upon the performance of the Company. A participant's share of the contribution is determined pursuant to the participant's eligible wages for the fiscal year as a percentage of eligible wages for all participants for the fiscal year. During fiscal 2008, the Company made a cash bonus profit sharing contribution in the amount of $480 as a result of the Company achieving pre-tax profits in excess of the Cash Bonus Profit Sharing Plan limits.

Measuring Company Performance for Compensation Purposes

The value of our stock options is based upon the Company's performance, as reflected in the price of its stock and is believed to best reflect the longer-term performance of the Company. Bonuses and other performance-based incentives are based on revenue, operating income targets or pre-tax profits established in connection with the annual budgeting process, or achieving certain strategic goals and are believed to best reflect the short-term performance of the Company.

Compensation Committee Report

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

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management, and based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Proxy Statement.

Members of the Compensation Committee
Peter A. Lesser, Chairman

Paul C. Kreuch, Jr.
Dennis F. McManus

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Fiscal 2008 Summary Compensation Table

Name and Principal Position	Year	Salary (1) ($)	Bonus (2) ($)	Stock Awards ($)	Option Awards (3) ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonquali- fied Deferred Compen- sation Earnings ($)	All Other Compen- sation (4) ($)	Total ($)
Patrick M. Lavelle President and Chief Executive Officer	2008	$ 982,691 (6)	$ 500,000	—	$ 81,500	—	—	$ 24,489	$ 1,588,680
	2007	$ 1,000,000	—	—	—	—	—	$ 18,245	$ 1,018,245
Charles M. Stoehr Senior Vice President and Chief Financial Officer	2008	$ 393,846 (6)	$ 80,533	—	$ 40,750	—	—	$ 28,087	$ 543,216
	2007	$ 400,000	$ 16,819	—	—	—	—	$ 25,193	$ 442,012
Thomas C. Malone Senior Vice President	2008	$ 209,769 (6)	$ 196,667	—	$ 40,750	—	—	$ 32,546	$ 479,732
	2007	$ 165,000	$ 423,927	—	—	—	—	$ 27,153	$ 616,080
Loriann Shelton Senior Vice President	2008	$ 280,246 (6)	$ 74,546	—	$ 40,750	—	—	$ 26,244	$ 421,786
	2007	$ 276,296	$ 48,462	—	—	—	—	$ 19,983	$ 344,741
James Gordon, Jr. Senior Vice President	2008	$ 280,246 (6)	$ 42,693	—	$ 40,750	—	—	$ 23,359	$ 387,048
	2007	$ 276,296	$ 78,462	—	$ 37,500	—	—	$ 16,168	$ 408,426
John J. Shalam (5) Chairman of the Board	2008	$ 438,461 (6)	$ 330,375	—	$ 81,500	—	—	$ 58,321	$ 908,657
	2007	$ 450,000	$ 67,274	—	—	—	—	$ 34,043	$ 551,317

(1) The Company deferred $244,230 and $250,000, respectively, of Mr. Lavelle's salary into a special deferred compensation account (the ''Lavelle Account''), see further discussion in the non-qualified deferred compensation plan table. Each of the NEOs, except our PEO, contributed a portion of their salary to the Company's 401(k) and Profit Sharing Plan. (2)

Refer to CD&A for a further discussion on the bonus calculations for our NEOs. (3) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2008 fiscal year for the fair value of stock options granted to each of our NEO's in accordance with SFAS 123R. For additional information on the valuation assumptions with respect to the 2008 grants, refer to note 1 of the Company's financial statements in the Form 10-K for the year ended February 29, 2008. These amounts reflect the company's accounting expense for these awards, and do not correspond to the actual value that will be recognized by the NEOs. (4) See the All Other Compensation Table below for additional information. (5) Mr. Shalam, Chairman of the Board, is not an executive officer of the Company. (6) In January 2008, our PEO put into place a broad overhead reduction plan across all internal departments for the remainder of fiscal 2008 and continuing into fiscal 2009. One component of this overhead reduction plan is a temporary mandated 10% reduction in base salary of our Senior Vice Presidents and above.

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All Other Compensation Table

The following table describes each component of the All Other Compensation column in the Summary Compensation Table.

Name of Executive	Auto Allowance	Value of Supplemental Life Insurance Premiums (1)	Employer Contributions Relating to Employee Savings Plan (2)	Employer Contributions Relating to Cash Bonus Profit Sharing Plan (3)	Total
Lavelle	$ 16,210	$ 3,330	$ 1,626	$ 3,323	$ 24,489
Stoehr	13,670	4,529	6,565	3,323	28,087
Malone	12,460	4,048	12,715	3,323	32,546
Shelton	8,400	3,405	11,116	3,323	26,244
Gordon, Jr.	8,400	3,667	7,969	3,323	23,359
Shalam	37,825	14,404	2,769	3,323	58,321

(1) This column represents taxable payments made to the named executives to cover premiums for a $1,000,000 life insurance policy and supplemental disability insurance, which are owned by each executive. (2) This column represents (a) Company matching contributions to the NEO's 401(k) and Profit Sharing Plan of 50% of the executives' elective deferral up to a maximum of 6% of the executives' compensation, as defined in the Plan's agreement; and (b) Company matching contributions to the NEO's Deferred Compensation account equal to 25% of the executives' elective deferrals, with a maximum contribution of $5,000. See page 20 for a further description of the Company contributions related to the nonqualified deferred compensation plan. (3) This column represents Company contributions to the NEO's in connection with the Company's Cash Bonus Profit Sharing Plan during fiscal 2008.

Grants of Plan Based Awards during Fiscal 2008

The following table discloses the actual number of restricted stock awards and stock options granted and the grant date of those awards. It also captures potential future payouts under the Company's nonequity and equity incentive plans.

Estimated Future Payouts
Under Non-Equity Incentive
Plan Awards Estimated Future Payouts
Under Equity Incentive

Plan Awards

Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (1) (#)	Exercise or Base Price of Option Awards (2) ($/Sh)
Lavelle	8/2/2007	—	—	—	—	—	—	—	25,000	$ 10.90
Stoehr	8/2/2007	—	—	—	—	—	—	—	12,500	$ 10.90
Malone	8/2/2007	—	—	—	—	—	—	—	12,500	$ 10.90
Shelton	8/2/2007	—	—	—	—	—	—	—	12,500	$ 10.90
Gordon, Jr.	8/2/2007	—	—	—	—	—	—	—	12,500	$ 10.90
Shalam	8/2/2007	—	—	—	—	—	—	—	25,000	$ 10.90

(1) This column shows the number of stock options granted in fiscal 2008 to our NEO's. These options vest one-third on August 31, 2007, November 30, 2007 and February 29, 2008, and expire three years from the respective vesting dates.
(2) This column shows the exercise price for the stock options granted, which was $1.00 higher than the closing price of Audiovox stock on August 2, 2007. These options had a fair value on the grant date of $326,000 which was calculated using the Black Scholes value on the grant date of $3.26 per option. The fair value shown for option awards are accounted for in accordance with SFAS 123R. For additional information on the valuation assumptions, refer to note 1 of the Company's financial statements in the Form 10-K for the year ended February 29, 2008.

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Outstanding Equity Awards at 2008 Fiscal Year End

The following table sets forth outstanding stock option awards classified as exercisable and unexercisable as of February 29, 2008, for the NEO's. It also shows restricted stock awards not yet vested as of February 29, 2008.

Option Awards Stock Awards Name Grant Date Number of
Securities
Underlying
Unexercised
Options
Exercisable
(#) Equity
Incentive Plan
Awards:
Number of
Securities
Underlying
Unexercised
Unearned
Options
(#) Option
Exercise
Price
($) Option
Expiration
Date Number of
Shares or
Units of
Stock That
Have Not
Vested
(#) Market
Value of
Shares or
Units of
Stock That
Have Not
Vested
($) Equity
Incentive
Plan
Awards:
Number of
Unearned

Shares, Units
or Other
Rights That
Have Not
Vested
(#) Equity
Incentive
Plan Awards:
Market or
Payout Value
of Unearned
Share, Units
or Other
Rights That
Have Not
Vested
($) Lavelle 11/28/05 58,726 — $ 13.69 11/28/08 — — — — 9/9/99 200,000 — $ 15.00
09/09/09 — — — — 8/2/07 25,000 — $ 10.90 02/28/11 — — — — Stoehr11/28/05
25,000 — $ 13.69 11/28/08 — — — — 9/9/99 100,000 — $ 15.00 09/09/09 — — — —
8/2/07 12,500 — $ 10.90 02/28/11 — — — — Malone11/28/05 25,000 — $ 13.69
11/28/08 — — — — 8/2/07 12,500 — $ 10.90 02/28/11 — — — — Shelton11/28/05
25,000 — $ 13.69 11/28/08 — — — — 9/9/99 15,000 — $ 15.00 09/09/09 — — — —
8/2/07 12,500 — $ 10.90 02/28/11 — — — — Gordon, Jr.8/2/06 10,000 — $ 12.24
08/02/08 — — — — 8/2/07 12,500 — $ 10.90 02/28/11 — — — — Shalam11/28/05
58,726 — $ 13.69 11/28/08 — — — — 8/2/07 25,000 — $ 10.90 02/28/11 — — — —
Option Exercises and Stock Vested at 2008 Fiscal Year End

The following table contains information regarding the exercise of stock options during the fiscal year ended February 29, 2008, by the following NEO's:

Option Awards Stock Awards Name Number of
Shares
Acquired
on Exercise
(#) Value Realized
on Exercise
($) Number of
Shares
Acquired on
Vesting
(#) Value Realized
on Vesting
($) Lavelle 11,200 $ 83,171 — — Stoehr — — — — Malone — — — — Shelton — — — —
Gordon, Jr. — — — — Shalam 200,000 1,252,788 — —
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Nonqualified Deferred Compensation for Fiscal Year 2008

The table below provides information on the non-qualified deferred compensation of our NEO's:

Name	Executive Contributions in fiscal 2008 (1)	Registrant Contributions in fiscal 2008 (2)	Aggregate Earnings in Last fiscal 2008 (3)	Aggregate Withdrawals/ Distributions	Aggregate Balance at February 29, 2008
Lavelle	$ —	$ 244,230	$ 10,980	$ 244,230	$ 315,393
Stoehr	—	—	—	—	—
Malone	20,341	5,085	(4,291)	—	263,895
Shelton	39,039	5,113	11,439	—	379,892
Gordon, Jr.	13,005	3,190	(3,631)	—	25,061
Shalam	—	—	290,089	3,302,297	—

(1) Represents contributions made by our NEO's into the Company's deferred compensation plan. Such amounts are included in the salary or bonus column in the summary compensation table. (2) Represents Company matching contributions to or funding of the NEO's deferred compensation account. Such amounts are included in the All Other Compensation column in the Summary Compensation Table, except for the funding of Mr. Lavelle's deferred compensation account, which is included in the Salary column in the Summary Compensation Table. (3) Represents interest, dividends and changes in market value of the NEO's and employer contributed funds.

Compensation of Directors

The following table discloses the cash, stock option awards, and other compensation earned, paid, or awarded to each of the Company's directors during the fiscal year ended February 29, 2008.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan

Compensation
($) Change in
Pension
Value and
Nonqualified
Deferred
Compensation
Earnings All Other
Compensation
($) Total
($) Paul C. Kreuch 57,000 — 16,300 — — — 73,300 Dennis F. McManus 40,000 — 16,300
— — — 56,300 Peter A. Lesser 52,000 — 54,850 — — — 106,850 Philip Christopher — —
— — — — —

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table contains information with respect to ownership of the Company's Common Stock by all directors, nominees for election as directors, executive officers named in the tables under the caption ''Executive Compensation,'' and all directors and such executive officers as a group. Unless otherwise indicated, the principal address of each of the stockholders below is c/o Audiovox Corporation, 180 Marcus Blvd., Hauppauge, New York 11788. Except as otherwise provided, the table below relates to shares of the Company's Class A Common stock. The content of the table is based upon information supplied by the Company's named executive officers, directors and nominees for election as directors, and represents the Company's understanding of circumstances in existence as of May 30, 2008.

Name and Address (1)	Number of Shares Beneficially Owned (2)	Percent of Outstanding Shares
John J. Shalam	4,132,560 (3)	18.1 %
Philip Christopher, 555 Wireless Blvd., Hauppauge, NY 11788	784,474	2.5 %
Patrick M. Lavelle	301,104	1.2 %
Charles M. Stoehr	140,110	*
Loriann Shelton	52,520	*
Thomas C. Malone	37,500	*
James Gordon, Jr.	22,500	*
Paul C. Kreuch, Jr.	22,000	*
Dennis F. McManus	20,000	*
Peter A. Lesser	20,000	*
All directors and officers as a group (13 persons)	5,532,768	24.2 %

* Less than one (1%) percent.

(1) Except as otherwise indicated by footnote, each named person claims sole voting and investment power with respect to the shares indicated.

(2) The number of shares stated as ''beneficially owned'' includes stock options currently exercisable as follows: Mr. Shalam—83,726, Mr. Christopher—580,000, Mr. Lavelle—283,726, Mr. Stoehr—137,500, Ms. Shelton—52,500, Mr. Malone—37,500, Mr. Gordon—22,500, Mr. Kreuch—20,000, Mr. McManus—20,000 and Mr. Lesser—20,000.

(3) Includes 2,144,152 shares of Class B common stock (which are entitled to 10 votes per share) held by Mr. Shalam that he may convert into Class A common stock at any time. Excludes 116,802 shares of Class B common stock and 2,202 shares of Class A common stock that are held in irrevocable trusts for the benefit of Mr. Shalam's three sons.

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Security Ownership of More than Five Percent

The following table contains information with respect to ownership of the Company's Common Stock by persons or entities that are beneficial owners of more than five percent of the Company's Class A common stock. The information contained in this table is based on information contained in Schedule 13G's furnished to the Company.

Name and Address of Other 5% Holders of Class A Common Stock	Number of Shares Beneficially Owned	Percent of Outstanding Shares*
Kahn Brothers & Co., Inc. (1) 555 Madison Avenue, 22nd Floor New York, NY 10022	2,500,225	11.2%
The Baupost Group, LLC. (2) 10 St. James Ave., Suite 1700 Boston, MA 02116	2,067,400	9.0%
Donald Smith & Co., Inc. (3) 152 West 57th Street New York, NY 10019	2,057,200	9.0%
Dimensional Fund Advisors, Inc. (4) 1299 Ocean Ave, 11th Floor Santa Monica, CA 90401	1,749,727	7.7%
River Road Asset Management, LLC (5) 462 S. 4th Street, Suite 1600 Louisville, KY 40202	1,143,190	5.0%

(1) Information reported is derived from a Schedule 13G-A of Kahn Brothers & Co., Inc and filed with the Securities and Exchange Commission on February 13, 2007. (2) Information reported is derived from a Schedule 13G dated March 7, 2008 of Baupost Group LLC and filed with the Securities and Exchange Commission on March 7, 2008. (3) Information reported is derived from a Schedule 13G dated February 12, 2008 of Donald Smith & Co., Inc. and filed with the Securities and Exchange Commission on February 8, 2008. (4) Information reported is derived from a Schedule 13G-A dated February 6, 2008 of Dimensional Fund Advisors, Inc. and filed with the Securities and Exchange Commission on February 6, 2008. (5) Information reported is derived from a Schedule 13G dated February 11, 2008 of River Road Asset Management, LLC and filed with the Securities and Exchange Commission on February 13, 2008.

* If less than 5% do not include.

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Equity Compensation Plan

The following table provides certain information as of May 30, 2008 about Audiovox Common Stock that may be issued under Audiovox's existing equity compensation plan.

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights	Weighted Average Exercise Price of Outstanding Options and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plan (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders	1,537,039	$ 14.00	1,228,750
Equity compensation plans not approved by security holders	30,000	$ 11.54	—
Total	1,567,036	$ 13.96	1,228,750

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

Real Property Location	Expiration Date	Owner of Property	Paid During Fiscal Year Ended 2/29/08
150 Marcus Blvd Hauppauge, NY	March 30, 2016	150 Marcus Blvd. Realty, LLC (1)	$ 739,260
555 Wireless Blvd Hauppauge, NY	November 30, 2026	Wireless Blvd. Realty, LLC (2)	$ 521,496

(1) Property owned by 150 Marcus Blvd. Realty, LLC, a New York limited liability company, of which John J. Shalam owns 99% and Mr. Shalam's three sons own the remaining 1%. (2) Property owned or leased by Wireless Blvd. Realty, LLC, a New York limited liability company, owned 98% by the Shalam Long Term Trust, 1% by John J. Shalam and 1% by Mr. Shalam's three sons. The Shalam Long Term Trust is a grantor trust of which Mr. Shalam is the Grantor and his three sons are the beneficiaries. In connection with the sale of substantially all of the assets relating to our wireless business to UTStarcom Inc. (''UTStarcom'') on November 1, 2004, Audiovox and UTStarcom have entered into a sublease agreement for the space at 555 Wireless Boulevard, Hauppauge, New York which provides for a net monthly rent of $46,000 for five years.

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

David Shalam, the son of John J. Shalam, has served in various positions with Audiovox over the past 12 years. Mr. David Shalam currently serves as a Vice President of Operations. Mr. David Shalam's annual aggregate compensation was $150,000 for the fiscal year ended February 29, 2008.

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SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who own more than ten percent of a registered class of our equity securities (‘‘Reporting Persons’’) to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the Securities and Exchange Commission (the ‘‘SEC’’) and the Nasdaq Stock Market (the ‘‘Nasdaq’’). These Reporting Persons are required by SEC regulation to furnish us with copies of all Forms 3, 4 and 5 they file with the SEC and Nasdaq. Based solely upon our review of the copies of the forms it has received, we believe that all Reporting Persons complied on a timely basis with all filing requirements applicable to them with respect to transactions for the fiscal year ended February 29, 2008.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

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

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities for management's conduct of the Company's accounting and financial reporting processes and the Company's system of internal controls regarding finance, accounting, legal compliance and ethics. The Audit Committee's function is more fully described in its Charter, which the Board has adopted and which is annexed hereto as Exhibit A.

Management has the primary responsibility for the integrity of the Company's financial information and the financial reporting process, including the system of internal control over financial reporting. Grant Thornton LLP, the Company's independent registered public accounting firm, is responsible for conducting independent audits of the Company's financial statements and management's assessment and effectiveness of internal controls.

As part of its oversight and responsibility, the Audit Committee has:

- reviewed and discussed our audited financial statements for the fiscal year ended February 29, 2008 with our management and Grant Thornton LLP, including a discussion of the quality and effect of our accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements;
- discussed the matters required by Statement on Auditing Standards No. 61 (Communication with Audit Committees) with Grant Thornton LLP, including any process used by management in formulating particularly sensitive accounting estimates and the basis for the conclusions of Grant Thornton LLP regarding the reasonableness of those estimates; and
- met with representatives of Grant Thornton LLP, with and without management present, to discuss the results of their examinations, their evaluations of our internal controls and the overall quality of our financial reporting.

The Audit Committee has also received the written disclosures from Grant Thornton LLP required by Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees), has discussed the independence of Grant Thornton LLP and considered whether the provision of non-audit services by Grant Thornton LLP is compatible with maintaining auditor independence, and has satisfied itself as to the auditor's independence.

Based upon the Audit Committee's discussions with management and Grant Thornton LLP, and the Audit Committee's review of the representations of management and Grant Thornton LLP the Audit Committee is satisfied that its responsibilities under its charter for the year ended February 29, 2008, were met and that the financial reporting processes of the Company are functioning effectively and efficiently. Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the February 29, 2008 audited financial statements and assessment of the effectiveness of internal control over financial reporting be included in the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2008.

Members of the Audit Committee Paul C. Kreuch, Jr. Chairman

Dennis F. McManus
Peter A. Lesser
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OTHER MATTERS

Management does not know of any matters to be presented for action at the meeting other than as set forth in Proposals 1 and 2 of the Notice of Annual Meeting. However, if any other matters come before the meeting, it is intended that the holders of the proxies will vote thereon in their direction.

By order of the Board of Directors CHRIS LIS JOHNSON Secretary Audiovox Corporation
Hauppauge, New York
June 10, 2008

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AUDIOVOX CORPORATION
ATTN: CHRIS LIS JOHNSON
180 MARCUS BLVD.
HAUPPAUGE, NY 11788

VOTE BY INTERNET – www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 7:00 P.M. Eastern Time on July 23, 2008. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE SHAREHOLDER COMMUNICATIONS

If you would like to reduce the costs incurred by Audiovox Corporation in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years.

VOTE BY PHONE – 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 7:00 P.M. Eastern Time on July 23, 2008. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Audiovox Corporation, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

PLEASE DO NOT RETURN THE PROXY CARD IF YOU ARE VOTING ELECTRONICALLY OR BY PHONE

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

AUDIO1

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

AUDIOVOX CORPORATION

For All

Withhold All

For All Except

To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS.

Vote on Directors

1.

ELECTION OF DIRECTORS. To elect our board of seven directors;

Nominees:

Class A Stockholders vote:

01) Paul C. Kreuch, Jr.

02) Dennis F. McManus

03) Peter A. Lesser

Class A and Class B Stockholders vote:

04) John J. Shalam

05) Patrick M. Lavelle

06) Charles M. Stoehr

07) Philip Christopher

Vote on Proposal

For

Against

Abstain

2.

To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending February 28, 2009.

THIS PROXY WILL BE VOTED IN ACCORDANCE WITH THE INSTRUCTIONS GIVEN ABOVE. IF NO INSTRUCTIONS ARE GIVEN, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AS DIRECTORS AND FOR PROPOSAL 2.

(**NOTE:** Please sign exactly as your name(s) appear(s) hereon. All holders must sign. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. If a corporation, please sign in full corporate name, by authorized officer. If a partnership, please sign in partnership name by authorized person.)

Signature [PLEASE SIGN IWTHIN BOX]

Date

Signature (Joint Owners)

Date

FOLD AND DETACH HERE AND READ THE REVERSE SIDE

AUDIOVOX CORPORATION

180 Marcus Boulevard
Hauppauge, New York 11788

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON JULY 24, 2008

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned appoints each, Patrick M. Lavelle and Charles M. Stoehr as proxies, with power to act without the other and with power of substitution, and hereby authorizes them to represent and vote, as designated on the other side, all the shares of stock of Audiovox Corporation standing in the name of the undersigned with all powers which the undersigned would possess if present at the Annual Meeting of Shareholders of the Company to be held July 24, 2008, at the Sheraton Smithtown, 110 Vanderbilt Motor Parkway, Hauppauge NY 11788 at 10:00 a.m., or any adjournment or postponement thereof.

(Continued, and to be marked, dated and signed, on the other side)