

EMERSON RADIO CORP
Form 10-K
June 29, 2016

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year ended March 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-07731

EMERSON RADIO CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

22-3285224
(I.R.S. Employer
Identification Number)

3 University Plaza, Suite 405, Hackensack, NJ
(Address of principal executive offices)

07601
(Zip Code)

Registrant's telephone number, including area code:

(973) 428-2000

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$.01 per share	NYSE MKT

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

None.

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 232.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO.

Aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates of the registrant at September 30, 2015 (computed by reference to the last reported sale price of the Common Stock on the NYSE MKT on such date): \$14,501,590.

Number of Common Shares outstanding at June 29, 2016: 27,129,832

DOCUMENTS INCORPORATED BY REFERENCE:

Document	Part of the
Proxy Statement for 2016 Annual Meeting of Stockholders, or an amendment	Form 10-K Part III
to this Annual Report on Form 10-K	

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PART I

Forward-Looking Information

This report contains forward looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements with respect to the Company's beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions, and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond the Company's control, and which may cause its actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through the use of words such as "may," "will," "can," "anticipate," "assume," "show," "indicate," "would," "believe," "contemplate," "expect," "seek," "estimate," "continue," "plan," "project," "predict," "could," "potential," and other similar words and expressions of the future. These forward-looking statements include, but are not limited to, statements concerning the following:

- the impact on the Company's business, financial condition and results of operations of the discontinuation of retail sales of Emerson branded microwave oven and compact refrigerator products by one of the Company's key customers in the Spring of 2016;
- the Company's ability to retain other key customers or maintain purchase volume of the Company's products by any such customers;
- the Company's ability to maintain its relationships with its licensees and distributors or obtain new licensees or distribution relationships, including the Company's ability to obtain new licensees to replace its relationship with Funai, which terminates on December 31, 2016;

- the Company's ability to resist price increases from its suppliers or pass through such increases to its customers;
- conflicts of interest that exist based on the Company's relationship with Grande and Mr. Hon's positions as Chief Executive Officer and director of Emerson and Chief Executive Officer and executive director of Grande;
- the decline in, and any further deterioration of, consumer spending for retail products, such as the Company's products;
- the Company's ability to maintain effective internal controls or compliance by its personnel with such internal controls;
- the Company's ability to successfully manage its operating cash flows to fund its operations;
- the Company's ability to anticipate market trends, enhance existing products or achieve market acceptance of new products;
- the Company's dependence on a limited number of suppliers for its components and raw materials;
- the Company's dependence on third party manufacturers to manufacture and deliver its products;
- changes in consumer spending and economic conditions;
- the ability of third party sales representatives to adequately promote, market and sell the Company's products;
- the Company's ability to maintain, protect and enhance its intellectual property;
- the effects of competition;
- the Company's ability to distribute its products in a timely fashion, including as a result of labor disputes;
- changes in foreign laws and regulations and changes in the political and economic conditions in the foreign countries in which the Company operates;
- changes in accounting policies, rules and practices;
- the Company's ability to maintain compliance with the listing standards of the NYSE MKT LLC;
- limited access to financing or increased cost of financing;

the effects of currency fluctuations between the U.S. dollar and Chinese renminbi relative to the dollar and increases in costs of production in China; and
the other factors listed under “Risk Factors” in this Annual Report on Form 10-K and other filings with the SEC.

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All forward-looking statements are expressly qualified in their entirety by this cautionary notice. The reader is cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this annual report or the date of the document incorporated by reference into this annual report. The Company has no obligation, and expressly disclaims any obligation, to update, revise or correct any of the forward-looking statements, whether as a result of new information, future events or otherwise. The Company has expressed its expectations, beliefs and projections in good faith and the Company believes they have a reasonable basis. However, the Company cannot assure the reader that its expectations, beliefs or projections will result or be achieved or accomplished.

Item 1. BUSINESS

The Company — Overview

Unless the context otherwise requires, the term “the Company” and “Emerson,” refers to Emerson Radio Corp. and its subsidiaries.

Emerson Radio Corp. was incorporated in Delaware in 1994. The Company designs, sources, imports and markets a variety of houseware and consumer electronic products, and licenses its trademarks to others on a worldwide basis for a variety of products.

Recent Developments

Board of Directors

Effective as of June 19, 2016, the Company’s Board of Directors appointed Messrs. Christopher Ho, Michael Binney and Kin Yuen as directors of the Company to fill vacancies created when five directors recently resigned following the completion of the Grande Restructuring Plan. See “—Controlling Shareholder” below. In connection with the director appointments, the Board of Directors also reduced the size of the full Board of Directors from seven to five directors. The Company believes that this restructured Board of Directors comprises an experienced group of executives with expertise and know-how regarding the consumer electronics industry and corporate finance that will help direct and grow the Company’s business operations. Mr. Ho serves as the Chairman of the Board, a position he formerly held through November 2013, and brings his extensive knowledge of the Company and experience in consumer electronics, international trade and corporate finance to the Board of Directors. Mr. Binney formerly served as a director of the Company from December 2005 to May 2008 and brings extensive public company accounting experience in addition to his knowledge of the Company to the Board of Directors. Mr. Yuen serves as a member of the Audit Committee and the Special Committee, and he brings extensive experience in corporate finance, financial planning, public company reporting and management to the Board of Directors. The Board of Directors also appointed Kareem E. Sethi to the Special Committee effective as of June 19, 2016.

The Company’s Board of Directors formed the Special Committee as an ad hoc committee consisting solely of independent directors in March 2013 to evaluate possible strategic alternatives intended to enhance stockholder value. The Special Committee, with the assistance and support of the Company’s executive management team and external consultants and advisors, is assessing the Company’s historical business model and business strategies to evaluate possible strategic alternatives and possible changes to the Company’s business and operations.

Controlling Shareholder

The Grande Holdings Limited (“Grande”), together with S&T International Distribution Limited (“S&T”), a subsidiary of Grande, and Grande N.A.K.S. Ltd., a subsidiary of Grande (together with Grande, the “Reporting Persons”), have, based

on a Schedule 13D/A filed with the Securities and Exchange Commission (“SEC”) on July 9, 2014, the shared power to vote and direct the disposition of 15,243,283 shares, or approximately 56.2%, of the Company’s outstanding common stock. Accordingly, the Company is a “controlled company” as defined in Section 801(a) of the NYSE MKT Company Guide.

On May 31, 2011, upon application of a major creditor, Grande was placed into provisional liquidation when the High Court of Hong Kong appointed joint and several provisional liquidators (“Provisional Liquidators”) over Grande. Accordingly, as of May 31, 2011, the directors of Grande no longer had the ability to exercise control over Grande or the power to direct the voting and disposition of the shares of the Company’s common stock beneficially owned by Grande. In May 2014, Grande, the Provisional Liquidators and a creditor of Grande entered into an agreement to implement the “Grande Restructuring Plan” submitted by a creditor

of Grande. Based on public announcements by Grande dated May 26, 2016 (the “Grande Announcements”), and subsequently confirmed to the Company by Grande, Grande has completed the Grande Restructuring Plan, the Provisional Liquidators over Grande have been released and discharged by the Hong Kong Court, the winding up of Grande has been permanently stayed, and Grande has fulfilled all trading resumption conditions imposed on Grande by the Stock Exchange of Hong Kong Limited (“HKEX”). Following the completion of the Grande Restructuring Plan, based on the Grande Announcements and other information received from an affiliate of Grande, certain companies associated with Mr. Ho, the Company’s Chairman of the Board effective as of June 19, 2016, hold in the aggregate approximately a 72.3% shareholding in Grande, and therefore beneficially control the voting and disposition of the shares of the Company beneficially owned by Grande.

General

The Company, directly and through several subsidiaries, designs, sources, imports, markets, sells and licenses to certain licensees a variety of houseware and consumer electronic products, both domestically and internationally, under the Emerson® brand name.

The Company believes its competitive advantages include a combination of:

- recognition of the Emerson® brand;
- the Company’s distribution base and established customer relations;
- the Company’s sourcing expertise and established vendor relations;
- an infrastructure with personnel experienced in servicing and providing logistical support to the domestic mass merchant distribution channel, or supervising third-party logistics providers in providing same; and
- the Company’s extensive experience in establishing license and distribution agreements on a global basis for a variety of products.

The Company intends to continue leveraging its core competencies to offer a variety of current and new houseware and consumer electronic products to customers. In addition, the Company intends to continue entering into licenses for the use of its trade names and trademarks by third parties. See “Licensing Activities.”

The Company’s core business consists of selling, distributing, and licensing various low and moderately priced houseware and consumer electronic products in various categories. All of the Company’s marketing and sales efforts are currently concentrated in the United States.

For additional disclosures regarding the Company’s major customers, as well as financial information about geographical areas of the Company’s operations, see Item 8 – “Financial Statements and Supplementary Data” and Note 13 “Geographic Information”.

Products

The Company’s current product and branded categories consist primarily of the following:

Houseware Products	Audio Products	Other
Microwave Ovens	Clock Radios	Televisions
Compact Refrigerators		Mobile and Landline Telephones and Accessories

Tablet Computers and Accessories

Cameras and Video Cameras and Accessories

Miscellaneous Electronic and Novelty Products

Sales and Distribution

The Company markets its products exclusively in the United States, primarily through mass merchandisers.

In fiscal 2016 and 2015, Target accounted for approximately 42% and 51% of the Company's net revenues, respectively, and Wal-Mart accounted for approximately 31% and 28% of the Company's net revenues, respectively. No other customer accounted for

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more than 10% of net revenues in either period. As a percent of the Company's total trade accounts receivable, net of specific reserves, Wal-Mart and Target accounted for 88% and nil as of March 31, 2016, respectively, and 30% and 50% as of March 31, 2015, respectively. Management believes that a loss, or a significant reduction, of sales to Target or Wal-Mart would have a material adverse effect on the Company's business and results of operations.

Approximately 55% and 61% of the Company's net revenues in fiscal 2016 and 2015, respectively, were made through third-party sales representative organizations that receive sales commissions and work in conjunction with the Company's own sales personnel. With the Company's permission, third-party sales representative organizations may sell competitive products in addition to the Company's products. In most instances, either party may terminate a sales representative relationship on 30 days prior notice by the Company and 90 days prior notice by the sales representative organization in accordance with customary industry practice. In fiscal 2016, the Company utilized 8 sales representative organizations, including one which represented approximately 41% of its net revenues, including revenues from one of the Company's two major customers described above and one which represented approximately 13% of net revenues. In fiscal 2015, the Company utilized 9 sales representative organizations, including one which represented approximately 54% of its net revenues, including revenues from one of the Company's two major customers described above. No other sales representative organization accounted for more than 10% of net revenues in fiscal 2015. The remainder of the Company's sales is to customers that are serviced by its sales personnel. Although sales and operating results could be negatively impacted, management does not believe that the loss of one or more sales representative organizations would have a material adverse effect on its business and results of operations, as the Company believes that new sales representative organizations could be identified if needed, although that could be a time consuming process.

The Company's Direct Import Program allows its customers to import and receive product directly from an export port in the country of manufacture outside the United States. Under the Direct Import Program, title for the Company's product passes to the customer in the country of origin when the product is shipped by the Company's subsidiary in China. The Company also sells product to customers from its United States warehoused inventory, which is referred to as the Domestic Program. Under the Domestic Program, title for product typically passes at the time of shipment. Under both programs, the Company recognizes revenues at the time title passes to the customer. See Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company has an integrated system to coordinate the purchasing, sales and distribution aspects of its operations. The Company receives orders from its major customers via electronic data interface, facsimile, telephone or mail. The Company does not have long-term contracts with any of its customers, but rather receives orders on an ongoing basis. Products imported by the Company for the Domestic Program, generally from factories in Asia, are shipped by ocean and/or inland freight and then stored in the Company's outsourced warehouse facilities for shipment to customers. The Company monitors its inventory levels and goods in transit through the use of an electronic inventory system. When a purchase order under the Domestic Program is received, it is filled from the Company's inventory and the warehoused product is labeled and prepared for outbound shipment to the customer by common, contract or small package carrier.

Licensing Activities

The Company is party to several license agreements with third party licensees that allow the licensees to manufacture and/or sell various products bearing the Company's trademarks into defined geographic areas. Such activities have had a positive impact on operating results by generating income with minimal incremental costs and without any working capital requirements, and the Company intends to continue pursuing additional licensing opportunities. The Company

protects its brand through careful license and product selection and control processes. As previously disclosed, on December 16, 2015, the Company received written notice from Funai stating its intention to terminate the agreement, with termination to be effective on December 31, 2016. As a result of such termination, unless the Company is successful in securing a new licensee to replace the licensing revenue which will be absent upon the Funai termination, the Company expects fiscal 2017 licensing revenue will decline as compared to fiscal 2016 licensing revenue. As previously disclosed, since this licensing relationship contributes substantial product volume and market presence through Funai's manufacture and distribution of products bearing the Emerson® brand name in the United States, the loss of this relationship and licensing agreement with Funai is expected to materially and adversely affect the Company's revenue, earnings and business. The Company is analyzing the impacts of the Funai termination to its business and is identifying strategic courses of action for consideration, including seeking new licensing relationships. There can be no assurance that the Company will be able to secure a new licensee or distribution relationship to replace the licensing revenue, product volume and market presence of Emerson-branded products in the United States, which had been provided through the license agreement with Funai.

See Item 1A — “Risk Factors — Business Related Risks — “The failure to obtain new licensees to replace the Funai license agreement could materially and adversely affect the Company’s revenues, earnings and business.” and “The failure by the Company to maintain its relationships with its other licensees or the failure to obtain new licensees could materially and adversely affect the Company’s revenues, earnings and business.”, Item 7 — “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 10 “License Agreements”.

Design and Manufacturing

The Company’s products are manufactured by original equipment manufacturers in accordance with the Company’s specifications. During fiscal 2016 and 2015, 100% of the Company’s purchases consisted of finished goods from foreign manufacturers located in People’s Republic of China.

The Company’s design team is responsible for product development and works closely with suppliers and determines the cosmetic and other features for new products. Accordingly, the exterior designs and operating features of the products reflect the Company’s judgment, or that of its customers, of current styles and consumer preferences.

The following summarizes the Company’s purchases from its major suppliers that provided more than 10% of the Company’s total purchases in fiscal 2016 and 2015:

Supplier	Fiscal Year	
	2016	2015
Midea	53%	66%
Hisense	41%	24%

The Company considers its relationships with its suppliers to be satisfactory and believes that, barring any unusual material or part shortages or economic, fiscal or monetary conditions, the Company could develop alternative suppliers. No assurance can be given that ample supply of product would be available at current prices and on current credit terms if the Company were required to seek alternative sources of supply without adequate notice by a supplier or a reasonable opportunity to seek alternate production facilities and component parts (see Item 1A “Risk Factors — Business Related Risks — “Uncertain Impact of Appointment of Provisional Liquidators for Grande, Emerson’s Controlling Shareholder” and Item 7 — “Management’s Discussion and Analysis of Financial Condition and Results of Operations”).

Warranties

The Company offers limited warranties for its consumer electronics, comparable to those offered to consumers by the Company’s competitors in the United States. Such warranties typically consist of a one year period for microwaves and compact refrigerators and a 90 day period for audio products, under which the Company pays for labor and parts, or offers a new or similar unit in exchange for a non-performing unit.

Returned Products

The Company’s customers return product for a variety of reasons, including:

- retailer return policies which allow customer returns for no reason concerning the quality of the product itself;
- damage to goods in transit and cosmetic imperfections; and

· mechanical failures.

Backlog

The Company does not believe that backlog is a significant factor. The ability of management to correctly anticipate and provide for inventory requirements is essential to the successful operation of the Company's business.

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Trademarks

The Company owns the following principal trademarks for certain consumer electronic products in the United States, Canada, Mexico and various other countries:

- Emerson®
- Emerson Research®
- H.H. Scott®
- iDEA®
- IDIVA®
- Ölevia®
- Scott®
- SmartSet®

The Company's trademark registrations must be renewed at various times. The Company intends to renew all trademarks necessary for the conduct of its business. The Company considers the Emerson® trademark to be of material importance to its business and, to a lesser degree, the remaining trademarks. The Company licenses the Emerson® and certain of its other trademarks to third parties, the scope of which is on a limited product and geographic basis and for a period of time. See "Licensing Activities."

Competition

The Company primarily competes in the low-to-medium-priced sector of the housewares and consumer electronics market. Management estimates that the Company has several dozen competitors that are manufacturers and/or distributors, many of which are much larger and have greater financial resources than the Company. The Company competes primarily on the basis of:

- brand recognition;
- reliability;
- quality;
- price;
- design;
- consumer acceptance of the Company's products; and
- the quality of service and support provided to retailers and their customers.

The Company also competes at the retail level for shelf space and promotional displays, all of which have an impact on its success in established and proposed distribution channels.

Government Regulation

Pursuant to the Tariff Act of 1930, as amended, the Trade Act of 1974 and regulations promulgated there under, the United States government charges tariff duties, excess charges, assessments and penalties on many imports. These regulations are subject to continuous change and revision by government agencies and by action of the United States Trade Representative and may have the effect of increasing the cost of goods purchased by the Company or limiting quantities of goods available to the Company from our overseas suppliers. A number of states have adopted statutes regulating the manner of determining the amount of payments to independent service centers performing warranty service on products such as those sold by the Company. Additional Federal legislation and regulations regarding the importation of consumer electronics products, including the products marketed by the Company, have been proposed from time to time and, if enacted into law, could adversely affect the Company's financial condition and results of

operations.

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Product Liability and Insurance

Because of the nature of the products it sells, the Company is periodically subject to product liability claims resulting from personal injuries. The Company may also become involved in various lawsuits incidental to its business.

Although the Company maintains product liability insurance coverage, there can be no absolute assurance that the Company's coverage limits will be sufficient to cover any successful product liability claims made against it in the future. In management's opinion, any ultimate liability arising out of currently pending product liability claims will not have a material adverse effect on the Company's financial condition or results of operations. However, any claims substantially in excess of the Company's insurance coverage, or any substantial claim not covered by insurance, could have a material adverse effect on the Company's financial condition and results of operations.

Employees

As of June 9, 2016, the Company had approximately 32 employees, comprised of 17 in the United States and 15 in China. None of the Company's employees are represented by unions, and the Company believes its labor relations are good.

Available Information

The Company files reports and other information with the SEC pursuant to the information requirements of the Securities Exchange Act of 1934. Readers may read and copy any document the Company files at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operations of the public reference room. The Company's filings with the SEC are also available to the public from commercial document retrieval services and at the SEC's website at www.sec.gov.

The Company makes available through its internet website free of charge its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to such reports and other filings made by the Company with the SEC, as soon as practicable after the Company electronically files such reports and filings with the SEC. The Company's website address is www.emersonradio.com. The information contained in the Company's website is not incorporated by reference in this report.

Item 1A. Risk Factors

The reader should carefully consider these risk factors in addition to those set forth in the Company's financial statements or the notes thereto. Additional risks about which the Company is not yet aware or that the Company currently believes to be immaterial also may adversely affect the Company's business operations. If any of the following occur, the Company's business, financial condition or operating results may be adversely affected. In that case, the price of the Company's common stock may decline.

Business Related Risks

The Company relies on a small number of key customers for the majority of its business, and the loss or significant reduction in business with any of these key customers would materially and adversely affect the Company's revenues and earnings.

Historically, the Company has been highly dependent upon sales of its products to Target and Wal-Mart. For the fiscal years ended March 31, 2016 and 2015, Target accounted for approximately 42% and 51%, respectively, of the Company's net revenues, and Wal-Mart accounted for approximately 31% and 28% of the Company's net revenues, respectively. No other customer accounted for more than 10% of the Company's net revenues during these periods. All

customer purchases are made through purchase orders and the Company does not have any long-term contracts with its customers. The complete loss of, or significant reduction in business from, or a material adverse change in the financial condition of, either Target or Wal-Mart would cause a material and adverse change in the Company's revenues and operating results.

For example, commencing in the Spring of 2016, one of the Company's key customers discontinued retailing in its stores the Emerson-branded microwave oven and compact refrigeration products historically sold to this customer by the Company. During fiscal 2015 and fiscal 2016, net sales of these products by the Company to this customer were approximately \$39.5 million and \$19.0 million, respectively, comprising approximately 57.3% and 46.2% of the Company's total net product sales. The Company continued shipping these products to this customer only through December 2015. Emerson anticipates that net product sales for fiscal 2017 will be negatively impacted by this event. The loss of these sales has had and is expected to continue to have a material adverse effect on the Company's business and results of operations.

The Company is dependent on a limited number of products for its sales.

We derive a substantial portion of our product revenues from a limited number of products, and we expect these products to continue to account for a large percentage of our product revenues in the near term. For the twelve months ended March 31, 2016, the Company's gross product sales were comprised of five product types within two categories — housewares products and audio products, and two of these product types, namely microwave ovens and compact refrigerators — both within the housewares category — generated approximately 93% of the Company's gross product sales, with microwave ovens generating approximately 56% of the total and compact refrigerators generating approximately 37% of the total. For the twelve months ended March 31, 2015, the Company's gross product sales were comprised of the same five product types within the same two categories — housewares products and audio products, and two of these product types, namely microwave ovens and compact refrigerators — both within the housewares category — generated approximately 95% of the Company's gross product sales, with microwave ovens generating approximately 67% of the total and compact refrigerators generating approximately 28% of the total. Because the market for these product types and categories is characterized by periodic new product introductions, the Company's future financial performance will depend, in part, on the successful and timely development and customer acceptance of new and enhanced versions of these product types and other products distributed by the Company. There can be no assurance that the Company will continue to be successful in marketing these products types within these categories or any other new or enhanced products. As a result of this dependence, a significant decline in pricing of, or market acceptance of these product types and categories, either in general or specifically as marketed by the Company, would have a material adverse effect on the Company's business, financial condition and results of operation.

The loss or reduction of business of one or a combination of our microwave oven and compact refrigerator products could materially adversely affect our revenues, financial condition and results of operations.

For example, commencing in the Spring of 2016, one of the Company's key customers discontinued retailing in its stores the Emerson-branded microwave oven and compact refrigeration products currently sold to this customer by the Company. During fiscal 2015 and fiscal 2016, net sales of these products by the Company to this customer were approximately \$39.5 million and \$19.0 million, respectively, comprising approximately 57.3% and 46.2% of the Company's total net product sales. The Company continued shipping these products to this customer only through December 2015. Emerson anticipates that net product sales for fiscal 2017 will be negatively impacted by this event. The loss of these sales has had and is expected to continue to have a material adverse effect on the Company's business and results of operations.

If the Company's third party sales representatives fail to adequately promote, market and sell the Company's products, the Company's revenues could significantly decrease.

A significant portion of the Company's product sales are made through third party sales representative organizations, whose members are not employees of the Company. The Company's level of sales depends on the effectiveness of these organizations, as well as the effectiveness of its own employees. Some of these third party representatives may sell (and do sell), with the Company's permission, competitive products of third parties as well as the Company's products. During the Company's fiscal years ended March 31, 2016 and March 31, 2015, these organizations were responsible for approximately 55% and 61%, respectively, of its net revenues during such periods. In addition, one of these representative organizations was responsible for a significant portion of these revenues. If any of the Company's third party sales representative organizations engaged by the Company, especially the Company's largest, fails to adequately promote, market and sell its products, the Company's revenues could be significantly decreased until a replacement organization or distributor could be retained by the Company. For example, despite the efforts of the Company's third party sales representative organization, one of the Company's key customers, commencing with the Spring of 2016, discontinued retailing in its stores the Emerson-branded microwave oven and compact refrigeration products currently sold to this customer by the Company and the Company continued shipping these products to this

customer only through December 2015. The loss of these product sales will have a material adverse effect on the Company's business and results of operations. Finding replacement organizations and distributors could be a time consuming process during which the Company's revenues could be negatively impacted.

The concentration of product sales among a limited number of retailers and the trend toward private label brands could materially reduce revenues and profitability.

With the concentration of the Company's product sales among a limited number of retailers, the Company is dependent upon a small number of customers whose bargaining strength is growing. These retailers generally purchase a limited selection of houseware and consumer electronic products. As a result, there is significant competition for retail shelf space. In addition, certain of the Company's key customers use their own private label brands that compete directly with some of the Company's products. As the retailers in the houseware and consumer electronic industry become more concentrated, competition for sales to these retailers may increase, which could materially reduce the Company's revenues and profitability.

The houseware and consumer electronic industry is consolidating, which could reduce the Company's ability to successfully secure product placements at key customers and limit its ability to sustain a cost competitive position in the industry.

Over the past several years, the houseware and consumer electronic industry has undergone substantial consolidation, and further consolidation is likely. As a result of this consolidation, the houseware and consumer electronic industry primarily consists of a limited number of large retailers and distributors. The Company's ability to gain or maintain share of sales in the houseware and consumer electronic industry or maintain or enhance its relationships with key customers may be limited as a result of actions by competitors or the retailers' increasing use of private label brands.

The failure to obtain new licensees to replace the Funai license agreement could materially and adversely affect the Company's revenues, earnings and business.

As previously disclosed, on December 16, 2015, the Company's key licensee, Funai, provided written notice to the Company to terminate its license agreement with the Company effective December 31, 2016. For the fiscal year ended March 31, 2016, Funai accounted for approximately 79% of the Company's total licensing revenue. Funai also contributes substantial product volume and market presence through Funai's manufacture and distribution of products utilizing the Emerson® brand name in the United States. The failure to obtain new licensees to replace Funai on satisfactory terms, or at all, would materially and adversely affect the Company's licensing revenues and earnings. In addition, since the Funai license provides a substantial contribution to and enhancement of the Emerson® brand name in the U.S. marketplace, the failure by the Company to find a new licensee to replace Funai on terms satisfactory to the Company, or at all, would also materially and adversely affect the value of the Emerson brand and Company's ability to sell its housewares and audio products.

The failure by the Company to maintain its relationships with its other licensees or the failure to obtain new licensees could materially and adversely affect the Company's revenues, earnings and business.

The Company maintains agreements that allow licensees to use the Company's trademarks for the manufacture and sale of specific consumer electronics and other products into defined geographic areas. Although the Company has entered into agreements with certain of its licensees most have terms of three years or less. The Company cannot assure that its agreements with its other licensees will be renewed in the future or that the Company's relationships with its other licensees or distributors will be maintained on satisfactory terms or at all. The failure to maintain its relationships with its other licensees and distributors on terms satisfactory to the Company, the failure to obtain new licensees or distribution relationships or the failure by the Company's licensees to protect the integrity and reputation of the Company's trademarks could materially and adversely affect the Company's licensing revenues and earnings.

The Company depends on a limited number of suppliers for its products. If our relationships with such suppliers terminate or are otherwise impaired, we would likely experience increased costs, disruptions in the manufacture and shipment of our products and a material loss of net sales.

Although there are multiple potential suppliers for each of the Company's products, the Company relies and is dependent on a limited number of suppliers for its main products, all of which are located outside of the United States.

The Company does not have any long-term or exclusive purchase commitments with any of its suppliers. Midea was the Company's largest supplier and accounted for 53% of the Company's purchases of products during fiscal 2016. The Company's failure to maintain existing relationships with its suppliers or to establish new relationships on similar pricing and credit terms in the future could negatively affect the Company's ability to obtain products in a timely manner. If the Company is unable to obtain an ample supply of product from its existing suppliers or secure alternative sources of supply, it may be unable to satisfy its customers' orders, which could materially and adversely

affect the Company's revenues and relationships with its customers. Finding replacement suppliers could be a time consuming process during which the Company's revenues and liquidity could be negatively impacted.

Increases in costs of products may materially reduce the Company's profitability.

Factors that are largely beyond the Company's control, such as the cost, quality and availability of the raw materials and components needed by suppliers of the Company's products, may affect the cost of such products, and the Company may not be able to pass those costs on to its customers. As an example, when the prices of petroleum increase significantly, the Company's profitability may be negatively impacted.

If the Company is unable to deliver products in the required amounts and in a timely fashion, the Company could experience delays or reductions in shipments to its customers, which could materially and adversely affect the Company's revenues and relationships with its customers.

The Company's ability to provide high quality customer service, process and fulfill orders, and manage inventory depends on the efficient and uninterrupted operation and timely and uninterrupted performance of its suppliers. The Company can provide no assurances that it will not experience operational difficulties with its suppliers, including reductions in the availability of production capacity, errors in complying with product specifications, insufficient quality control, failures to meet production deadlines, increases in manufacturing costs and increased lead times. If the Company is unable to obtain products from these factories in the required quantities and quality and in a timely fashion, the Company could experience delays or reductions in product shipments to its customers, which could negatively affect the Company's ability to meet the requirements of its customers, as well as its relationships with its customers, which in turn could materially and adversely affect the Company's revenues and operating results.

All the Company's suppliers are based in China and as a result the Company is subject to risks associated with international operations and global manufacturing and sourcing including, among others:

- currency fluctuations;
- labor disputes, such as the 2014 Los Angeles/Long Beach port strike, and union actions;
- potential political, economic and social instability;
- inclement weather and natural disasters;
- possible acts of terrorism;
- restrictions on transfers of funds;
- changes in import and export duties and quotas;
- changes in domestic and international customs and tariffs;
- uncertainties involving the costs to transport products;
 - disruptions in the global transportation network;
- unexpected changes in regulatory environments;
- regulatory issues involved in dealing with foreign suppliers and in exporting and importing products;
- protection of intellectual property;
- difficulty in complying with a variety of foreign laws;
- difficulty in obtaining distribution and support; and
- potentially adverse tax consequences.

Furthermore, any material disruption, slowdown or shutdown of the operation of the Company's principal logistics providers and shippers, including without limitation as a result of labor disputes, inclement weather, natural disasters, possible acts of terrorism, availability of shipping containers and increased security restrictions, could cause delays in the Company's ability to receive, process and fulfill customer orders and may cause orders to be canceled, lost or delivered late, goods to be returned or receipt of goods to be refused. As a result, the Company's relationships with its customers, revenues and operating results could be materially and adversely affected.

The Company relies on a third-party logistics provider for the storage and distribution of its products in the United States and, if such third party logistics provider incurs any damage to the facilities where the Company's products are stored or is unable to distribute its products as needed, it could have a material adverse effect on the Company's results of operations and business.

The Company relies on a third-party logistics provider for the storage and distribution of its products. The facilities where the Company's products are stored by such provider may also be harmed or rendered inoperable by natural or man-made disasters, including earthquakes, power outages, communications failure or terrorism. Any material

damage to the facilities where the Company's products are stored could adversely affect its inventory and the ability of such third-party logistics provider to meet the needs of its customers. In addition, an inability to maintain the Company's contracts with such third-party logistics providers or a disruption or slowdown in the operations of such third-party logistics providers, including as a result of damage to the facilities of such providers or a strike by such providers, could cause delays in the Company's ability to fulfill customer orders and may cause orders to be canceled, lost or delivered late, the Company's products to be returned or receipt of products to be refused, any of which

could adversely affect the Company's business and results of operations. The Company's contract with its third-party logistics provider is terminable upon written notice by either party for convenience without cause. If the Company is unable to maintain its contract with its third-party logistics provider, the Company would be required to retain a new third party logistics provider and the Company may be unable to retain such third party at a cost that is acceptable to the Company. If the Company's shipping costs were to increase as a result of an increase by such third-party logistics providers or as a result of obtaining a new third-party logistics provider and if the Company is unable to pass on these higher costs to its customers, it could have a material adverse effect on the Company's results of operations and business.

The Company's business could be materially and adversely affected if it cannot protect its intellectual property rights or if it infringes on the intellectual property rights of others.

The Company's ability to compete effectively depends on its ability to maintain and protect its proprietary rights. The Company owns the Emerson® and other trademarks, which are materially important to its business, as well as other trademarks, patents, licenses and proprietary rights that are used for certain of the products that it markets and sells. The Company's trademarks are registered throughout the world, including the United States and other countries. The Company also has two patents in the United States on its SmartSet® technology, both of which expire in September 2018. The laws of some foreign countries in which the Company operates may not protect the Company's proprietary rights to the same extent as do laws in the United States. The protections afforded by the laws of such countries may not be adequate to protect the Company's intellectual property rights.

Third parties may seek to challenge, invalidate, circumvent or render unenforceable any trademarks, patents or proprietary rights owned by or licensed to the Company. In addition, in the event third party licensees fail to protect the integrity of the Company's trademarks, the value of these marks could be materially and adversely affected. The Company's inability to protect its proprietary rights could materially and adversely affect the license of its trade names, trademarks and patents to third parties as well as its ability to sell its products. Litigation may be necessary to enforce the Company's intellectual property rights, protect the Company's trade secrets; and determine the scope and validity of such intellectual property rights. Any such litigation, whether or not successful, could result in substantial costs and diversion of resources and management's attention from the operation of the Company's business.

The Company may receive notices of claims of infringement of other parties' proprietary rights. Such actions could result in litigation and the Company could incur significant costs and diversion of resources in defending such claims. The party making such claims could secure a judgment awarding substantial damages, as well as injunctive or other equitable relief. Such relief could effectively block the Company's ability to make, use, sell, distribute or market its products and services in such jurisdiction. The Company may also be required to seek licenses to such intellectual property. The Company cannot predict, however, whether such licenses would be available or, if available, that such licenses could be obtained on terms that are commercially reasonable and acceptable to the Company. The failure to obtain the necessary licenses or other rights could delay or preclude the sale, manufacture or distribution of its products and could result in increased costs to the Company.

The Company's revenues and earnings could be materially and adversely affected if it cannot anticipate market trends or enhance existing products or achieve market acceptance of new products.

The Company's success is dependent on its ability to anticipate and respond to changing consumer demands and trends in a timely manner, as well as expanding into new markets and sourcing new products that are profitable to the Company. In addition, to increase the Company's penetration of current markets and gain footholds in new markets for its products, the Company must maintain its existing products and integrate them with new products. The Company

may not be successful in sourcing, marketing and releasing new products that respond to technological developments or changing customer needs and preferences. The Company may also experience difficulties that could delay or prevent the successful development, introduction and sale of these new products. These new products may not adequately meet the requirements of the marketplace and may not achieve any significant degree of market acceptance. If release dates of any future products or enhancements to the Company's products are delayed, or if these products or enhancements fail to achieve market acceptance when released, the Company's sales volume may decline and earnings could be materially and adversely affected. In addition, new products or enhancements by the Company's competitors may cause customers to defer or forgo purchases of the Company's products, which could also materially and adversely affect the Company's revenues and earnings.

Cash generated by operating activities represents the Company's principal source of funding and therefore the Company depends on its ability to successfully manage its operating cash flows to fund its operations.

The Company does not maintain any credit facilities (other than certain letters of credit) in connection with the operation of its business. The Company has relied on, and continues to rely on, its cash on hand and cash generated by operations to manage its business. Subsequent to the appointment of the Provisional Liquidators over Grande, certain of the Company's major factory suppliers, including Midea, significantly reduced the maximum amount of open credit lines available to the Company and requested

that the Company make accelerated payments to them to reduce the balances owing from the Company on its open trade payable accounts with the respective factory suppliers to comply with such new credit terms. It is unclear what effect, if any, the completion of the Grande Restructuring Plan and removal of the Provisional Liquidators will have on the Company's relationships with its suppliers. See Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources." If the Company is unable to generate sufficient cash from operations, the Company may need to secure alternative means of financing or reorganize its operations to continue to maintain the current business.

Foreign regulations and changes in the political, social and economic conditions in the foreign countries in which the Company operates its business could affect the Company's revenues and earnings materially and adversely.

The Company has operations in China and derives a significant portion of its revenue from sales of products manufactured by third parties located in China. In addition, third parties located in China and other countries located in the same region produce and supply many of the components and raw materials used in the Company's products. Conducting an international business inherently involves a number of difficulties and risks that could materially and adversely affect the Company's ability to generate revenues and could subject the Company to increased costs. Among the factors that may adversely affect the Company's revenues and increase its costs are:

- currency fluctuations which could cause an increase in the price of the components and raw materials used in the Company's products and a decrease in its profits;
- Chinese labor laws;
- labor shortages affecting the Company's facilities and its suppliers' manufacturing facilities located in China;
- the elimination or reduction of value-added tax refunds to Chinese factories that manufacture products for export;
- the rise of inflation and substantial economic growth in China;
- more stringent export restrictions in the countries in which the Company operates which could adversely affect its ability to deliver its products to its customers;
 - tariffs and other trade barriers which could make it more expensive for the Company to obtain and deliver its products to its customers;
- political instability and economic downturns in these countries which could adversely affect the Company's ability to obtain its products from its manufacturers or deliver its products to its customers in a timely fashion;
- new restrictions on the sale of electronic products containing certain hazardous substances; and
- the laws of China are likely to govern many of the Company's supplier agreements.

Any of the factors described above may materially and adversely affect the Company's revenues and/or increase its operating expenses.

The Company is subject to intense competition in the industry in which it operates, which could cause material changes in the selling price of its products or losses of its market share.

The housewares and consumer electronics industry is highly competitive, especially with respect to pricing and the introduction of new products and features. The Company's products compete in the low to medium-priced sector of the housewares and consumer electronics market and compete primarily on the basis of reliability, brand recognition, quality, price, design, consumer acceptance of the Emerson® trademark and quality service and support to retailers and its customers. The Company and many of its competitors are subject to factory cost increases, and the Company expects these pressures to continue. If these pressures are not mitigated by increases in selling price or cost reductions from the Company's suppliers or changes in product mix, or if the consumers of the Company's products change their buying habits as a result of the Company's actions, the Company's revenues and profits could be substantially reduced. As compared to the Company, many of its competitors have significantly greater managerial, financial, marketing,

technical and other competitive resources and greater brand recognition. As a result, the Company's competitors may be able to (i) adapt more quickly to new or emerging technologies and changes in customer requirements; (ii) devote greater resources to the promotion and sale of their products and services; and (iii) respond more effectively to pricing pressures. Competition could increase if new companies enter the market, existing competitors expand their product mix or the Company expands into new markets. An increase in competition could result in material price reductions or loss of the Company's market share.

In addition, the industry in which the Company competes generally has low barriers to entry that allow the introduction of new products or new competitors at a fast pace. Some retailers have begun to introduce their own private label products, which could reduce the volume of product they buy from the Company, as well as decrease the shelf space they allocate to the Company's

products. If the Company is unable to protect the Company's brand image and authenticity, the Company may be unable to effectively compete with these new market entrants or new products.

Changes in consumer spending and economic conditions may cause the Company's quarterly operating results to fluctuate and cause its stock price to decline.

The Company's net revenue and operating results may vary significantly from year to year, which may adversely affect its results of operations and the market price for its common stock. Factors that may cause these fluctuations include:

- changes in market and economic conditions;
- the discretionary nature of consumers' demands and spending patterns;
- variations in the sales of the Company's products to its significant customers;
- variations in manufacturing and supplier relationships;
- if the Company is unable to correctly anticipate and provide for inventory requirements, it may not have sufficient inventory to deliver its products to its customers in a timely fashion or the Company may have excess inventory that it is unable to sell;
- new product developments or introductions;
- product reviews and other media coverage;
- competition, including competitive price pressures; and
- political instability, war, acts of terrorism or other disasters.

The Company could be exposed to product liability or other claims for which its product liability or other insurance may be inadequate.

A failure of any of the products marketed by the Company may subject it to the risk of product liability claims and litigation arising from injuries allegedly caused by the improper functioning or design of its products. Although the Company currently maintains product liability insurance in amounts which the Company considers adequate, the Company cannot assure that:

- its insurance will provide adequate coverage against potential liabilities;
- adequate product liability insurance will continue to be available in the future; or
- its insurance can be maintained on acceptable terms.

Although the Company maintains liability insurance in amounts that it considers adequate, the Company cannot assure that such policies will provide adequate coverage against potential liabilities. To the extent product liability or other litigation losses are beyond the limits or scope of the Company's insurance coverage, the Company's expenses could materially increase.

The Company may be liable for additional tax payments to the IRS in connection with the extraordinary dividend paid by the Company to recipients on March 24, 2010.

On March 2, 2010, the Board declared an extraordinary dividend of \$1.10 per common share which was paid on March 24, 2010. In connection with the Company's determination as to the taxability of the dividend, the Board relied upon information and research provided to it by the Company's tax advisors and, in reliance on the "stock-for-debt" exception in the Internal Revenue Code Sections 108(e)(8) and (e)(10), concluded that 4.9% of such dividend paid was taxable to the recipients. The Company initially withheld from the dividend paid to foreign shareholders an amount equal to the tax liability associated with such dividend based on this exception. In August 2012, the Company received a Form 886-A from the IRS which challenges the Company's conclusions and determines that the Company does not qualify for the above-referenced exception. The Company prepared and, on October 25, 2012, delivered its

rebuttal to the IRS contesting the IRS determination.

In the event that the Company is not successful in establishing with the IRS that the Company's calculations were correct, then the shareholders who received the dividend likely will be subject to and liable for an assessment of additional taxes due. Moreover, the Company may be contingently liable for taxes due by certain of its shareholders resulting from the dividend paid by the Company. Any such liability, should it be required to be recognized by the Company, would likely have a material adverse effect on the Company's results of operations in the period recognized. As of March 31, 2016, the Company believes that it is more likely than not

that the assessment period for the Company for tax under section 1461 of the Internal Revenue Code in connection with the withholding tax requirements pertaining to the March 2010 dividend have expired, such that if the IRS were to attempt to assess tax, the assessment would be time-barred. Thusly, as of March 31, 2016, the Company believes that it is more likely than not that it will not be liable for such assessment; however, there can be no assurance that the Company would be successful in defending its position if the IRS were to attempt to assess tax. See Note 3 “Related Party Transactions—Dividend-Related Issues with S&T” to the consolidated financial statements.

An information systems interruption or breach in security, including as a result of cyber-attacks, could adversely affect the Company’s business, results of operations and reputation.

In the ordinary course of business, the Company electronically maintains sensitive data, including intellectual property, its proprietary business information and that of its customers and suppliers, and some personally identifiable information of employees, in its facilities and on its networks. The secure processing, maintenance and transmission of this information is important to the Company’s operations. A breach of the Company’s security systems and procedures or those of its vendors could result in significant data losses or theft of the Company’s customers' or the Company’s employees' intellectual property, proprietary business information or personally identifiable information. A cybersecurity breach could negatively affect the Company’s reputation.

Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, the Company may be unable to anticipate these techniques or implement adequate preventive measures. In addition, hardware, software or applications the Company procures from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to the Company’s systems or facilities through fraud, trickery or other forms of deceiving its employees. Accordingly, the Company may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, or if such measures are implemented, and even with appropriate training conducted in support of such measures, human errors may still occur. It is virtually impossible for the Company to entirely mitigate this risk. A party, whether internal or external, who is able to circumvent the Company’s security measures could misappropriate information.

If the Company fails to reasonably maintain the security of confidential information, the Company may suffer significant reputational and financial losses and the Company’s results of operations, cash flows, financial condition, and liquidity may be adversely affected. In addition, a system breach could result in other negative consequences, including disruption of internal operations, and may subject the Company to private litigation, government investigations, enforcement actions, and cause the Company to incur potentially significant liability, damages, or remediation costs.

Stock Ownership Risks

The Company is a “controlled company” within the meaning of the NYSE MKT rules and, as a result, qualifies for, and relies on, exemptions from certain corporate governance requirements. As a result, the Company’s shareholders do not have the same protections afforded to shareholders of companies that are subject to such requirements.

Grande, through one of its indirect subsidiaries, is the beneficial owner of approximately 56.2% of the Company’s outstanding common stock as of June 23, 2016. As a result, the Company is a “controlled company” within the meaning of the NYSE MKT Company Guide. Under the NYSE MKT rules, a company of which more than 50% of the voting power is held by another person or group of persons acting together is a controlled company and may elect not to comply with certain NYSE MKT corporate governance requirements, including the requirements that:

- a majority of the Company’s Board of Directors consist of independent directors;
- the Company has a nominating committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities; and
- the Company has a compensation committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities.

The Company has elected to use certain of these exemptions and the Company may continue to use all or some of these exemptions in the future for so long as the Company is a controlled company. The Company’s Board of Directors acts as the nominating committee and compensation committee and determines the compensation and benefits of the Company’s executive officers,

administers its employee stock and benefit plans, and reviews policies relating to the compensation and benefits of its employees. Although all board members have fiduciary obligations in connection with compensation matters, the Company's lack of an independent compensation committee presents the risk that any executive officers who are also directors may have influence over their personal compensation and benefits levels that may not be commensurate with the Company's financial performance. Accordingly, shareholders of the Company do not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of the NYSE MKT.

The controlling ownership of the Company's common stock by an indirect subsidiary of Grande substantially reduces the influence of other stockholders, and the interests of Grande may conflict with the interests of the Company's other stockholders.

Grande, through one of its indirect subsidiaries, is the beneficial owner of approximately 56.2% of the Company's outstanding common stock as of June 23, 2016. As a result, Grande will be able to exert significant influence over the Company's business and have the ability to control the approval process for actions by the Company that require stockholder approval, including: the election of the Company's directors and the approval of mergers, sales of assets or other significant corporate transactions or matters submitted for stockholder approval. Grande may have interests that differ from your interests and may cause the shares in the Company beneficially owned by Grande to be voted in a way with which you disagree and that may be adverse to your interests. In addition, several provisions of the Company's organizational documents and Delaware law may deter or prevent a takeover attempt, including a takeover attempt in which the potential purchaser offers to pay a per share price greater than the current market price of its common stock. Under the terms of the Company's certificate of incorporation, its board of directors has the authority, without further action by the stockholders, to issue shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. These provisions could discourage potential acquisition proposals and could delay or prevent a change in control transaction. They could also have the effect of discouraging others from making tender offers for the Company's common stock, including transactions that may be in your best interests.

Certain of the Company's directors and officers may have actual or potential conflicts of interest because of their relationships with Grande, and accordingly have loyalties and fiduciary obligations to both Grande and the Company.

Mr. Christopher Ho, the Company's Chairman of the Board, and Mr. Duncan Hon, the Chief Executive Officer and a director of the Company, have material relationships with Grande that may have actual or potential conflicts of interest with their duties to the Company. Effective May 30, 2016, Mr. Hon also serves as the Chief Executive Officer and an executive director of Grande. As described in Note 3 to the Company's financial statements and in the Company's previous filings with the SEC, there have historically been certain related party transactions between the Company and certain subsidiaries and affiliates of Grande. Although the Company has established procedures designed to ensure that material related party transactions are fair to the Company, transactions between the Company and Grande, even if entered into on an arm's-length basis, create the potential for, or could result in, conflicts of interests.

The Company recently received a notice of non-compliance from NYSE MKT related to the composition of the Company's Audit Committee. Although the Company has cured such non-compliance, if the Company is unable to maintain compliance with the continued listing standards of the NYSE MKT, then the Company's common stock could

be delisted from the NYSE MKT, which could negatively impact the liquidity and trading price of the Company's common stock.

On June 7, 2016, the Company received a notice from the NYSE MKT indicating that the Company no longer satisfied the continued listing standards set forth in Section 803(B)(2)(c) of the NYSE MKT Company Guide that require the Audit Committee of the Board to be comprised of at least two independent members. The Company received the notice following the resignation of five directors, including four independent directors, in late May and early June 2016 following the completion of the Grande Restructuring Plan. See Item 1— "Recent Developments." As a result of these resignations, the Company had only one independent director and the Company's Audit Committee was no longer comprised of two independent members as required under the Company Guide. Pursuant to Section 803(B)(6)(b) of the Company Guide, the Company was provided until the earlier of (i) the next annual shareholders' meeting or (ii) one year from the occurrence of the event that caused the failure to comply with this requirement; provided, however, that if the annual shareholders' meeting occurs no later than 75 days following the event that caused the failure to comply with the audit committee composition requirement, a smaller reporting company shall instead have 75 days from such event to regain compliance with the requirement to have two independent directors serving on the audit committee.

Effective as of June 19, 2016, the Company's Board of Directors appointed Mr. Kin Yuen as an independent director and member of the Audit Committee, following which the Company regained compliance with Section 803(B)(2)(c) of the Company Guide. Although the Exchange's notification of non-compliance with Section 803(B)(2)(c), and the Company's subsequent cure of such non-compliance by the appointment of Mr. Yuen, has had no current effect on the listing of the Company's shares, failure to regain compliance within the prescribed grace period could have resulted in the Company's shares being delisted from the NYSE

MKT. If the Company's common stock is delisted from the NYSE MKT and transferred to the over-the-counter market, it may result in decreased liquidity by making the trading of the Company's common stock less efficient.

The Company's board of directors has formed a Special Committee of independent directors to explore strategic alternatives. However, there can be no assurances that any transaction will occur, or if such a transaction does occur, the value of that transaction to the Company or its shareholders.

The Company's board of directors formed an ad hoc Special Committee consisting solely of independent directors in March 2013 to evaluate possible strategic alternatives intended to enhance stockholder value. These alternatives could include, among others, possible joint ventures, strategic partnerships, marketing alliances, sale of all or some of our assets or other possible transactions. However, there can be no assurance that any such strategic transaction will occur. In addition, if such a transaction occurs, there can be no assurances as to the value of any such transaction to the Company or its stockholders.

Item 2. PROPERTIES

The following table sets forth the material properties leased by the Company:

	Approximate		
	Square		
Facility Purpose	Footage	Location	Lease Expires
Corporate headquarters	5,541	Hackensack, NJ	July 2018
Hong Kong office	6,162	Hong Kong, China	July 2019
Macao office	960	Macao, China	May 2017

The Company presently relies on warehouse space from its third party logistics provider.

The Company believes that the properties used for its operations are in satisfactory condition and adequate for its present and anticipated future operations. The Company does not currently own any of the properties it occupies.

Item 3. LEGAL PROCEEDINGS

The Company is not currently a party to any legal proceedings other than litigation matters, in most cases involving ordinary and routine claims incidental to its business. Management cannot estimate with certainty the Company's ultimate legal and financial liability with respect to such pending litigation matters. However, management believes, based on its examination of such matters, that the Company's ultimate liability will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER REPURCHASES OF EQUITY SECURITIES

(a) Market Information

The Company's common stock began trading on the American Stock Exchange under the symbol MSN on December 22, 1994, and currently trades on the NYSE MKT under the same symbol, as a result of NYSE Euronext's acquisition of the American Stock Exchange in 2008. The following table sets forth the range of high and low sales prices for the Company's common stock as reported by the NYSE MKT during the last two fiscal years.

	Fiscal 2016		Fiscal 2015	
	High	Low	High	Low
First Quarter	\$1.46	\$1.12	\$2.20	\$1.70
Second Quarter	1.31	1.05	2.34	1.26
Third Quarter	1.28	0.82	1.38	1.00
Fourth Quarter	1.10	0.83	1.46	1.01

There is no established trading market for the Company's Series A convertible preferred stock, whose conversion feature expired as of March 31, 2002.

(b) Holders

At June 8, 2016, there were 203 stockholders of the Company's common stock whose shares were registered with the Company's transfer agent. The Company believes that the number of beneficial owners is substantially greater than the number of registered shareholders, because a large portion of the Company's common stock is held of record in broker "street names".

(c) Dividends

The Company has not paid cash dividends on its common stock since an extraordinary dividend paid on September 30, 2014, and does not currently plan to declare dividends on its common stock in the foreseeable future. The payment of dividends, if any, would be at the discretion of the Company's Board of Directors and would depend on the Company's results of operations, capital requirements, financial condition, prospects, contractual arrangements, and other factors that the Board of Directors may deem relevant.

Item 6. SELECTED CONSOLIDATED FINANCIAL DATA

Not applicable.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Company's operations and financial condition should be read in conjunction with the Financial Statements and notes thereto included elsewhere in this Annual Report on Form 10-K. In addition to historical information, the following discussion contains forward-looking statements that reflect the Company's plans, estimates and beliefs. The Company's actual results could differ materially from those contained in or implied by any forward-looking statements. Factors that could cause or contribute to these differences include those under Item 1A – "Risk Factors" or in other parts of this Annual Report on Form 10-K.

In the following discussions, most percentages and dollar amounts have been rounded to aid presentation. As a result, all figures are approximations.

Results of Operations:

The following table summarizes certain financial information for the fiscal years ended March 31 (in thousands):

	2016	2015
Net product sales	\$41,035	\$68,984
Licensing revenue	4,716	7,339
Net revenues	45,751	76,323
Cost of sales	38,819	62,088
Other operating costs and expenses	367	661
Selling, general and administrative	7,970	8,829
Operating (loss) income	(1,405)	4,745
Interest income, net	178	215
(Loss) income before income taxes	(1,227)	4,960
(Benefit) provision for income tax expense	(259)	3,067
Net (loss) income	\$(968)	\$1,893

Results of Operations — Fiscal 2016 compared with Fiscal 2015

Net product sales — Net product sales for fiscal 2016 were \$41.0 million as compared to \$69.0 million for fiscal 2015, a decrease of \$28.0 million, or 40.5% as detailed below. The Company's sales during fiscal 2016 and fiscal 2015 were highly concentrated among the Company's two largest customers, Target and Wal-Mart, where gross product sales comprised approximately 82.9% and 88.4%, respectively, of the Company's total gross product sales. Net product sales may be periodically impacted by adjustments made to the Company's sales allowance and marketing support accrual to record unanticipated customer deductions from accounts receivable or to reduce the accrual by any amounts which were accrued in the past but not taken by customers through deductions from accounts receivable within a certain time period. In the aggregate, these adjustments had the effect of increasing net product sales and operating income by \$0.1 million and \$0.2 million for fiscal 2016 and fiscal 2015, respectively. Net product sales are comprised primarily of the sales of houseware and audio products which bear the Emerson® brand name. The major elements which contributed to the overall decrease in net product sales were as follows:

- i) Houseware product net sales decreased \$27.3 million, or 41.3%, to \$38.8 million in fiscal 2016 as compared to \$66.1 million in fiscal 2015, principally driven by a decrease in sales of microwave ovens, compact refrigerators and wine products. The year-over-year decreases were driven mainly by product discontinuations by the Company's

key customers, lower year-over-year retail sell through on existing models, competitive pricing activity and the effects of the 2014/2015 Los Angeles/Long Beach port strike.

Emerson was informed in November 2015 by one of its key customers that, commencing with the Spring of 2016, this customer will discontinue retailing in its stores the Emerson-branded microwave oven and compact refrigeration products currently sold to this customer by the Company. During fiscal 2015 and fiscal 2016, net sales of these products by the Company to this customer were approximately \$39.5 million and \$19.0 million, respectively, comprising approximately 57.3% and 46.2% of the Company's total net product sales. The Company continued shipping these products to this customer only through December 2015. Emerson anticipates that net product sales for fiscal 2017 will be negatively impacted by this event. The loss of these sales has had and is expected to continue to have a material adverse effect on the Company's business and results of operations.

ii) Audio product net sales were \$2.2 million in fiscal 2016 compared to \$2.9 million in fiscal 2015, a decrease of \$0.7 million, or 23.6%, resulting from decreased net sales of clock radios.

Licensing revenue — Licensing revenue in fiscal 2016 was \$4.7 million as compared to \$7.3 million for fiscal 2015, a decrease of \$2.6 million, or 35.7%, driven by lower year-over-year sales by the Company's licensees of Emerson® branded product.

The Company's largest license agreement is with Funai, which accounted for approximately 79% of the Company's total fiscal 2016 and fiscal 2015 licensing revenue, and which was amended during November 2013 to extend the term of the agreement until March 31, 2018. The agreement provides that Funai will manufacture, market, sell and distribute specified products bearing the Emerson® trademark to customers in the U.S. and Canadian markets. Under the terms of the agreement, the Company receives non-refundable minimum annual royalty payments of \$3.75 million each calendar year and a license fee on sales of product subject to the agreement in excess of the minimum annual royalties. During fiscal 2016 and 2015 licensing revenues of \$3.75 million and \$5.8 million, respectively, were earned under this agreement.

As previously disclosed, on December 16, 2015, the Company received written notice from Funai stating its intention to terminate the agreement, with termination to be effective on December 31, 2016. As a result of such termination, unless the Company is successful in securing a new licensee to replace the licensing revenue which will be absent upon the Funai termination, the Company expects fiscal 2017, which begins April 1, 2016, licensing revenue will decline as compared to fiscal 2016 licensing revenue. As previously disclosed, since this licensing relationship contributes substantial product volume and market presence through Funai's manufacture and distribution of products bearing the Emerson® brand name in the United States, the loss of this relationship and licensing agreement with Funai is expected to materially and adversely affect the Company's revenue, earnings and business. The Company is analyzing the impacts of the Funai termination to its business and is identifying strategic courses of action for consideration, including seeking new licensing relationships. There can be no assurance that the Company will be able to secure a new licensee or distribution relationship to replace the licensing revenue, product volume and market presence of Emerson-branded products in the United States, which had been provided through the license agreement with Funai.

Net revenues — As a result of the foregoing factors, the Company's net revenues were \$45.8 million for fiscal 2016 as compared to \$76.3 million for fiscal 2015, a decrease of \$30.5 million, or 40.1%.

Cost of sales — Cost of sales includes those components as described in Note 1 "Cost of Sales" of the Notes to the Consolidated Financial Statements. In absolute terms, cost of sales decreased \$23.3 million, or 37.5%, to \$38.8 million in fiscal 2016 as compared to \$62.1 million in fiscal 2015. Cost of sales as a percentage of net product sales was 94.6% in fiscal 2016 as compared to 90.0% in fiscal 2015. The decrease in absolute terms for fiscal 2016 as compared to fiscal 2015 was primarily related to the reduced net product sales, partly offset by higher year-over-year gross cost of sales as a percentage of gross sales and approximately \$1.6 million in reversals of reserves no longer required during fiscal 2015.

Other operating costs and expenses — Other operating costs and expenses include those components as described in Note 1 "Other Operating Costs and Expenses" of the Notes to the Consolidated Financial Statements. Other operating costs and expenses as a percentage of net product sales was 0.9% in fiscal 2016 and 1.0% in fiscal 2015. In absolute terms, other operating costs and expenses was \$0.4 million in fiscal 2016 as compared to \$0.7 million in fiscal 2015.

Selling, general and administrative expenses ("S,G&A") — S,G&A, as a percentage of net revenues, was 17.4% in fiscal 2016 as compared to 11.6% in fiscal 2015. Fiscal 2016 S,G&A, in absolute terms, was \$7.9 million and fiscal 2015 S,G&A, in absolute terms, was \$8.8 million, a decrease of \$0.9 million, or 9.7%.

Analysis of S,G&A

Fiscal 2016 S,G&A included approximately \$0.3 million in legal and advisory fees pertaining to work performed for the Special Committee of the Company's Board of Directors and approximately \$0.5 million in tax advisory fees related to the audit of the Company's tax returns by the IRS, as mentioned elsewhere within this Annual Report on Form 10-K.

Fiscal 2015 S,G&A included approximately \$1.6 million in legal and advisory fees pertaining to work performed for the Special Committee of the Company's Board of Directors and approximately \$0.3 million in tax advisory fees related to the audit of the Company's tax returns by the IRS, as mentioned elsewhere within this Annual Report on Form 10-K.

Excluding the aforementioned items, the fiscal 2016 S, G&A was \$7.2 million and the fiscal 2015 S, G&A was \$6.9 million, an increase of \$0.3 million, or 4.3%, primarily due to higher year-over-year corporate and personnel costs.

Interest income, net — Interest income, net, was \$178,000 in fiscal 2016 as compared to \$215,000 in fiscal 2015, resulting from a reduction of its investments in Certificates of Deposit during fiscal 2016.

(Benefit) provision for income tax expense — In fiscal 2016, the Company recorded an income tax benefit of \$0.3 million, of which approximately \$0.2 million was recorded in the fourth quarter of fiscal 2016, as compared to income tax expense of \$3.1 million in fiscal 2015. See Note 5 “Income Taxes”.

Net (loss) income — As a result of the foregoing factors, the Company recorded a net loss of \$1.0 million for fiscal 2016 as compared to net income of \$1.9 million for fiscal 2015.

Liquidity and Capital Resources

General

As of March 31, 2016, the Company had cash and cash equivalents of approximately \$30.1 million as compared to approximately \$43.5 million at March 31, 2015. Working capital decreased to \$55.7 million at March 31, 2016 as compared to \$56.5 million at March 31, 2015 as adjusted to remove \$0.9 million in deferred tax assets which were reclassified from current to noncurrent upon the early and retrospective adoption of Accounting Standards Update 2015-17 by the Company as of March 31, 2016. The decrease in cash and cash equivalents of approximately \$13.4 million was due to the below factors.

Net cash provided by operating activities was approximately \$6.8 million for fiscal 2016 resulting from a \$2.5 million decrease in inventories, a \$2.2 million decrease in accounts receivable, a \$2.2 million decrease in royalty receivable, a \$2.1 million decrease in prepaid purchases, a \$0.6 million decrease in deferred tax assets, a \$0.2 million decrease in prepaid expenses and other current assets, partially offset by a \$1.0 million loss generated during the period, a \$0.7 million increase in asset allowances, a \$0.5 million decrease in long term liabilities, a \$0.4 million decrease in accounts payable and other current liabilities and a \$0.4 million decrease in income taxes payable.

Net cash used by investing activities was \$20.2 million due to investments made in short term certificates of deposit.

Net cash used by financing activities was nil during fiscal 2016.

Credit Arrangements

Letters of Credit — The Company has utilized Hang Seng Bank in the past to issue letters of credit on behalf of the Company, as needed, on a 100% cash collateralized basis, although no letter of credit agreement is in place between the Company and Hang Seng Bank or any financial institution. The last letter of credit placed with Hang Seng Bank on this basis was in May 2014. At March 31, 2016, the Company had no outstanding letters of credit. In the event that the Company does have outstanding letters of credit with Hang Seng Bank, a like amount of cash is posted by the Company as collateral against such outstanding letters of credit, and is classified as Restricted Cash on the balance sheet.

Short-term Liquidity

In fiscal 2016, products representing approximately 47% of net sales were imported directly to the Company’s customers. The direct importation of product by the Company to its customers significantly benefits the Company’s liquidity because this inventory does not need to be financed by the Company.

The Company's principal existing sources of cash are generated from operations. The Company believes that its cash on hand and existing sources of cash will be sufficient to support its existing operations over the next 12 months.

As of March 31, 2016, there were no capital expenditure or other commitments other than the normal purchase orders used to secure product.

As described above, Emerson was informed in November 2015 by one of its key customers that, commencing with the Spring of 2016, this customer will discontinue retailing in its stores the Emerson-branded microwave oven and compact refrigeration products currently sold to this customer by the Company, and the Company continued shipping these products to this customer only through December 2015. In addition, as described above, the Company's license agreement with Funai was terminated by Funai effective on December 31, 2016. Both of these events will have a material impact on the Company's business, financial condition, results of operations and cash position. The Company is analyzing the impacts to its business of these events and is identifying strategic courses of action for consideration.

Off-Balance Sheet Arrangements

On April 7, 2010, upon a request made to the Company by its foreign controlling stockholder, S&T, the Company entered into an agreement with S&T whereby the Company returned to S&T on April 7, 2010 that portion of the taxes that the Company had withheld from the dividend paid on March 24, 2010 to S&T which the Company believed was not subject to U.S. tax based on the Company's good-faith estimate of its accumulated earnings and profits at that time, and received collateral (in the form of shares in the Company) which was sufficient to cover any claims for taxes on the dividend paid (the "Agreement"). The Company believes this transaction resulted in an off-balance sheet arrangement, which was comprised of a possible contingent tax liability of the Company, which, if recognized, would be offset by the calling by the Company on S&T of the indemnification provisions of the Agreement. In February 2011, upon the request of S&T to the Company, the Company and S&T agreed the collateral pledged as a part of the Agreement would no longer be required and this collateral was returned by the Company to S&T in March 2011 (see Note 3 "Related Party Transactions — Dividend-Related Issues with S&T") and the Agreement was amended and restated to remove the collateral requirement but retain the indemnification provisions. The Agreement, as amended (the "Amended Agreement"), remains in effect as of today. In September 2014, the Company, with S&T's consent, withheld \$0.5 million in cash, to be pledged as collateral against the Amended Agreement, from the dividend paid to S&T on September 30, 2014 along with such dividend paid on that date to all common stockholders. The Company held, as of March 31, 2016, \$0.5 million in cash collateral from S&T against the Amended Agreement which was classified by the Company as restricted cash on its balance sheet. As of March 31, 2016, the Company believes that it is more likely than not that the assessment period for the Company for tax under section 1461 of the Internal Revenue Code in connection with the withholding tax requirements pertaining to the March 2, 2010 dividend has expired, such that if the IRS were to attempt to assess tax, the assessment would be time-barred. Thusly, as of March 31, 2016, the Company believes that it is more likely than not that it will not be liable for the Potential Tax Exposure Related to the March 2010 Dividend. In April 2016, the Company, upon a request made by S&T, considered and agreed that the collateral pledged as a part of the Agreement would no longer be required and that such collateral would be returned by the Company to S&T, net of the \$79,000 in expenses incurred by the Company in defending the IRS challenge with respect to the March 2, 2010 dividend. Thusly, on April 29, 2016, the Company paid \$421,000 to S&T to effectuate the release of the collateral net of the aforementioned expenses incurred by the Company.

Critical Accounting Policies

The discussion and analysis of the Company's financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles that are generally accepted within the United States. The preparation of the Company's financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management considers certain accounting policies related to inventories, trade accounts receivables, impairment of long-lived assets, valuation of deferred tax assets, sales return reserves and sales allowance accruals to be critical policies due to the estimation processes involved in each.

Revenue Recognition. Revenues from product distribution are recognized at the time title passes to the customer. Under the Direct Import Program, title passes in the country of origin. Under the Domestic Program, title passes

primarily at the time of shipment. Estimates for possible returns are based upon historical return rates and netted against revenues. Except in connection with infrequent sales with specific arrangements to the contrary, returns are not permitted unless the goods are defective.

In addition to the distribution of products, the Company grants licenses for the right to use the Company's trademarks for a stated term for the manufacture and/or sale of consumer electronics and other products under agreements which require payment of either i) a non-refundable minimum guaranteed royalty or, ii) the greater of the actual royalties due (based on a contractual calculation, normally comprised of actual product sales by the licensee multiplied by a stated royalty rate, or "Sales Royalties") or a minimum guaranteed royalty amount. In the case of (i), such amounts are recognized as revenue on a straight-line basis over the term of the license agreement. In the case of (ii), Sales Royalties in excess of guaranteed minimums are accounted for as variable fees and are not recognized as revenue until the Company has ascertained that the licensee's sales of products have exceeded the guaranteed minimum. In effect, the Company recognizes the greater of Sales Royalties earned to date or the straight-line amount of minimum guaranteed royalties to date. In the case where a royalty is paid to the Company in advance, the royalty payment is initially recorded as a liability and recognized as revenue as the royalties are deemed to be earned according to the principles outlined above.

Inventories. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out basis. The Company records inventory reserves to reduce the carrying value of inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory reserves may be required. Conversely, if market conditions improve, such reserves are reduced.

Trade Accounts Receivable. The Company extends credit based upon evaluations of a customer's financial condition and provides for any anticipated credit losses in the Company's financial statements based upon management's estimates and ongoing reviews of recorded allowances. If the financial condition of a customer deteriorates, resulting in an impairment of that customer's ability to make payments, additional reserves may be required. Conversely, reserves are reduced to reflect credit and collection improvements.

Income Taxes. The Company records a valuation allowance to reduce the amount of its deferred tax assets to the amount that management estimates is more likely than not to be realized. While management considers future taxable income and ongoing tax planning strategies in assessing the need for the valuation allowance, in the event that management determines that a deferred tax asset will likely be realized in the future in excess of the net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, if it is determined that all or part of a net deferred tax asset will likely not be realized in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

Sales Return Reserves. Management must make estimates of potential future product returns related to current period product revenue. Management analyzes historical returns, current economic trends and changes in customer demand for our products when evaluating the adequacy of the reserve for sales returns. Management judgments and estimates must be made and used in connection with establishing the sales return reserves in any accounting period. Additional reserves may be required if actual sales returns increase above the historical return rates. Conversely, the sales return reserve could be decreased if the actual return rates are less than the historical return rates, which were used to establish the reserve.

Sales Allowance and Marketing Support Accruals. Sales allowances, marketing support programs, promotions and other volume-based incentives which are provided to retailers and distributors are accounted for on an accrual basis as a reduction to net revenues in the period in which the related sales are recognized in accordance with ASC topic 605, "Revenue Recognition", subtopic 50 "Customer Payments and Incentives" and Securities and Exchange Commission Staff Accounting Bulletins 101 "Revenue Recognition in Financial Statements," and 104 "Revenue Recognition, corrected copy" ("SAB's 101 and 104").

At the time of sale, the Company reduces recognized gross revenue by allowances to cover, in addition to estimated sales returns as required by ASC topic 605, "Revenue Recognition.", subtopic 15 "Products", (i) sales incentives offered to customers that meet the criteria for accrual under ASC topic 605, subtopic 50 and (ii) under SAB's 101 and 104, an estimated amount to recognize additional non-offered deductions it anticipates and can reasonably estimate will be taken by customers which it does not expect to recover. Accruals for the estimated amount of future non-offered deductions are required to be made as contra-revenue items because that percentage of shipped revenue fails to meet the collectability criteria within SAB 104's and 101's four revenue recognition criteria, all of which are required to be met in order to recognize revenue.

If additional marketing support programs, promotions and other volume-based incentives are required to promote the Company's products subsequent to the initial sale, then additional reserves may be required and are accrued for when such support is offered.

Recently-Issued Financial Accounting Pronouncements

The following Accounting Standards Updates (“ASUs”) were issued by the Financial Accounting Standards Board during the twelve months ended March 31, 2016 or during the interim period between March 31, 2016 and June 29, 2016 which relate to or could relate to the Company as concerns the Company’s normal ongoing operations or the industry in which the Company operates:

Accounting Standards Update 2016-10 (Topic 606) Revenue from Contracts with Customers (Issued April 2016)

The core principle of the guidance in Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: 1. Identify the contract(s) with a customer. 2. Identify the performance obligations in the contract. 3. Determine the transaction price. 4. Allocate the transaction price to the performance obligations in the contract. 5. Recognize revenue when (or as) the entity satisfies a performance obligation. The amendments in this Update do not change the core principle of the guidance in Topic 606. Rather, the amendments in this Update

clarify the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The Company does not expect these amendments to have a material effect on its financial statements.

Accounting Standards Update 2016-07, Investments—Equity Method and Joint Ventures (Topic 323) (Issued March 2016)

The amendments in this Update eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The amendments in this Update require that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Earlier application is permitted. No additional disclosures are required at transition. The Company does not expect these amendments to have a material effect on its financial statements.

Accounting Standards Update 2016-02, Leases (Topic 842) (Issued February 2016)

The FASB is issuing this Update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. To meet that objective, the FASB is amending the FASB Accounting Standards Codification® and creating Topic 842, Leases. This Update, along with IFRS 16, Leases, are the results of the FASB's and the International Accounting Standards Board's (IASB's) efforts to meet that objective and improve financial reporting. The amendments in this Update are effective for fiscal years beginning after December 15, 2018. While the Company is currently evaluating the provisions of ASU 2016-02 to determine how it will be affected, the primary effect of adopting the new standard will be to record assets and obligations for current operating leases.

Accounting Standards Update 2016-01, Financial Instruments – Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Liabilities (Issued January 2016)

The amendments in this Update make targeted improvements to generally accepted accounting principles (GAAP) as follows:

1. Require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.
2. Simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value.

3. Eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities.
4. Eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet.
5. Require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes.
6. Require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.

7. Require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements.

8. Clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets.

For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company does not expect these amendments to have a material effect on its financial statements.

Accounting Standards Update 2015-17, Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes (Issued November 2015)

To simplify the presentation of deferred income taxes, the amendments in this Update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this Update apply to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this Update. For public business entities, the amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The amendments in this Update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. If an entity applies the guidance prospectively, the entity should disclose in the first interim and first annual period of change, the nature of and reason for the change in accounting principle and a statement that prior periods were not retrospectively adjusted. If an entity applies the guidance retrospectively, the entity should disclose in the first interim and first annual period of change the nature of and reason for the change in accounting principle and quantitative information about the effects of the accounting change on prior periods. The Company adopted ASU 2015-17 retrospectively at March 31, 2016 by reclassifying as of March 31, 2015 the \$962,000 previously classified as current deferred tax assets to noncurrent deferred tax assets, and by presenting all deferred tax assets as of March 31, 2016 as noncurrent.

Accounting Standards Update 2015-11, Inventory (Topic 330) Simplifying the Measurement of Inventory (Issued July 2015)

An entity should measure inventory within the scope of this Update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments in this Update more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards (IFRS). The Board has amended some of the other guidance in Topic 330 to more clearly articulate the requirements for the measurement and disclosure of inventory. However, the Board does not intend for those clarifications to result in any changes in practice. Other than the change in the subsequent measurement guidance from the lower of cost or market to the lower of cost and net realizable value for inventory within the scope of this Update, there are no other substantive changes to the guidance on measurement of inventory. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The amendments in this Update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company does not expect these amendments to have a material effect on its financial statements.

The Financial Accounting Standards Board (FASB) voted to approve a one-year deferral of the effective date of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (July 2015).

In July 2015, the Financial Accounting Standards Board (“FASB”) voted to defer the effective date of the new accounting guidance related to revenue recognition by one year to December 15, 2017 for annual reporting periods beginning after that date and permitted early adoption of the standard, but not before fiscal years beginning after the original effective date of December 15, 2016. This new standard will replace all current U.S. GAAP guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. This guidance will be effective beginning January 1, 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company does not expect these amendments to have a material effect on its financial statements.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

of Emerson Radio Corp and Subsidiaries

We have audited the accompanying consolidated balance sheets of Emerson Radio Corp. and Subsidiaries (the “Company”), as of March 31, 2016 and 2015, and the related consolidated statements of operations, changes in shareholders’ equity, and cash flows for each of the two years in the period ended March 31, 2016. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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 Emerson Radio Corp. and Subsidiaries as of March 31, 2016 and 2015, and the results of their operations, and their cash flows for each of the two years in the period ended March 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Company has retrospectively changed its method of accounting for the classification of deferred tax assets and liability as of March 31, 2016 due to the early adoption of Accounting Standards Update 2015-17.

/s/ MSPC
Certified Public Accountants

and Advisors, A Professional Corporation

Cranford, New Jersey

June 29, 2016

EMERSON RADIO CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For The Years Ended March 31, 2016 and 2015

	2016	2015
	(In thousands, except per share data)	
Net revenues:		
Net product sales	\$41,035	\$68,984
Licensing revenue	4,716	7,339
Net revenues	45,751	76,323
Costs and expenses:		
Cost of sales	38,819	62,088
Other operating costs and expenses	367	661
Selling, general and administrative expenses	7,970	8,829
	47,156	71,578
Operating (loss) income	(1,405)	4,745
Other income:		
Interest income, net	178	215
(Loss) income before income taxes	(1,227)	4,960
(Benefit) provision for income tax expense	(259)	3,067
Net (loss) income	(968)	1,893
Basic net (loss) income per share	\$(0.04)	\$.07
Diluted net (loss) income per share	\$(0.04)	\$.07
Weighted average shares outstanding		
Basic	27,130	27,130
Diluted	27,130	27,130

The accompanying notes are an integral part of the consolidated financial statements.

EMERSON RADIO CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of March 31, 2016 and 2015

	2016	2015
	(In thousands, except share data)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$30,096	\$43,485
Restricted cash	500	500
Short term investments	20,155	—
Trade accounts receivable, net	2,800	4,275
Royalty receivable	1,292	3,522
Inventory	2,056	4,519
Prepaid purchases	871	2,961
Prepaid expenses and other current assets	556	702
Total Current Assets	58,326	59,964
Property, plant, and equipment, net	29	77
Deferred tax assets	1,401	2,020
Other assets	132	102
Total Non-current Assets	1,562	2,199
Total Assets	\$59,888	\$62,163
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and other current liabilities	1,691	2,137
Due to affiliates	512	500
Income tax payable	455	847
Total Current Liabilities	2,658	3,484
Non-current income tax payable	—	481
Total Non-current Liabilities	—	481
Total Liabilities	\$2,658	\$3,965
Shareholders' Equity:		
Series A Preferred shares — 10,000,000 shares authorized; 3,677 shares issued		
and outstanding; liquidation preference of \$3,677,000	3,310	3,310
Common shares — \$0.01 par value, 75,000,000 shares authorized; 52,965,797		
shares issued at March 31, 2016 and March 31, 2015, respectively; 27,129,832		
shares outstanding at March 31, 2016 and March 31, 2015, respectively	529	529
Additional paid-in capital	79,792	79,792
Accumulated deficit	(2,177)	(1,209)
Treasury stock, at cost (25,835,965 shares)	(24,224)	(24,224)
Total Shareholders' Equity	57,230	58,198

Total Liabilities and Shareholders' Equity	\$59,888	\$62,163
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The accompanying notes are an integral part of the consolidated financial statements.

EMERSON RADIO CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For The Years Ended March 31, 2016 and 2015

	Preferred Stock	Common Stock Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Total Shareholders' Equity
Balance — March 31, 2014	\$ 3,310	52,965,797	\$ 529	\$ 98,785	\$ (3,102)	\$(24,224)	\$ 75,298
Net income					\$ 1,893		\$ 1,893
Dividend paid				\$(18,991)			\$(18,991)
Loss on dissolution of subsidiary				\$(2)			\$(2)
Balance — March 31, 2015	\$ 3,310	52,965,797	\$ 529	\$ 79,792	\$ (1,209)	\$(24,224)	\$ 58,198
Net loss					\$ (968)		\$(968)
Balance — March 31, 2016	\$ 3,310	52,965,797	\$ 529	\$ 79,792	\$ (2,177)	\$(24,224)	\$ 57,230

The accompanying notes are an integral part of the consolidated financial statements

EMERSON RADIO CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Years Ended March 31, 2016 and 2015

	2016	2015
	(In thousands)	
Cash Flows from Operating Activities:		
Net (loss) income	\$(968)	\$1,893
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	48	75
Changes in assets and liabilities:		
Accounts receivable	2,235	(18)
Royalty receivable	2,230	343
Inventory	2,463	919
Prepaid purchases	2,090	(914)
Prepaid expenses and other current assets	146	902
Deferred tax assets	619	1,127
Other assets	(30)	28
Accounts payable and other current liabilities	(446)	(1,814)
Long term liabilities	(481)	481
Asset allowances, reserves and other	(760)	97
Due to affiliates	12	500
Income taxes payable	(392)	847
Net cash provided by operating activities	6,766	4,466
Cash Flows From Investing Activities:		
Short term investment	(20,155)	32,194
Restricted cash	—	(500)
Additions to property, plant and equipment	—	(10)
Loss on dissolution of subsidiary	—	(2)
Net cash (used) provided by investing activities	(20,155)	31,682
Cash Flows from Financing Activities:		
Dividend paid	—	(18,991)
Net cash (used) by financing activities	—	(18,991)
Net (decrease) increase in cash and cash equivalents	(13,389)	17,157
Cash and cash equivalents at beginning of year	43,485	26,328
Cash and cash equivalents at end of year	\$30,096	\$43,485
Supplemental disclosures of non-cash investing and financing activities:		
Cash paid for:		
Interest	\$—	\$—
Income taxes	\$292	\$58

The accompanying notes are an integral part of the consolidated financial statements

EMERSON RADIO CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES:

Background and Basis of Presentation

The consolidated financial statements include the accounts of Emerson Radio Corp. (“Emerson”, consolidated — the “Company”), and its subsidiaries. The Company designs, sources, imports and markets a variety of houseware and consumer electronic products, and licenses the Emerson trademark for a variety of products domestically and internationally.

It is the Company’s policy to prepare its financial statements in conformity with accounting principles generally accepted in the United States (“US GAAP”). The consolidated financial statements include the accounts of the Company and its wholly-owned or controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Certain items in prior year financials were reclassified to conform to current year presentation.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Highly liquid investments with original maturities of three months or less at the time of purchase are considered to be cash equivalents.

Fair Values of Financial Instruments

The carrying amounts for cash and cash equivalents, cash securing bank loans, trade accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short-term maturity of these financial instruments. The carrying amounts of bank debt approximate their fair values due to their variable rate interest features.

Investments

The Company determines the appropriate classifications of securities at the time of purchase and evaluates the continuing appropriateness of that classification thereafter. Realized gains and losses are determined on a specific identification basis and are reported separately as a component of income. Decreases and increases in the fair value of securities deemed to be other than temporary are included in earnings.

Long-Lived Assets

The Company's long-lived assets include property, plant and equipment. At March 31, 2016, the Company had approximately \$29,000 of property, plant and equipment, net of accumulated depreciation. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with ASC Topics 350 "Intangibles" and 360 "Property, Plant and Equipment". The recoverability of assets held and used is measured by a comparison of the carrying amount of the asset to the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Future events could cause the Company to conclude that impairment indicators exist and that long-lived assets may be impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets being depreciated. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and betterments are capitalized and depreciated over the remaining estimated useful lives of the related assets. At time of disposal, the cost and related accumulated depreciation are removed from the Company's records and the difference between net carrying value of the asset and the sale proceeds is recorded as a gain or loss.

Depreciation of property, plant and equipment is provided by the straight-line method as follows:

· Machinery, Equipment and Software	Three years to seven years
· Furniture & Fixtures	Seven years
· Leasehold Improvements	Straight-line basis over the shorter of the useful life of the improvement or the term of the lease

Revenue Recognition

Distribution of products

Revenues from product distribution are recognized at the time title passes to the customer. Under the Direct Import Program, title passes in the country of origin. Under the Domestic Program, title passes primarily at the time of shipment. Estimates for future expected returns are based upon historical return rates and netted against revenues.

Management must make estimates of potential future product returns related to current period product revenue. Management analyzes historical returns, current economic trends and changes in customer demand for the Company's products when evaluating the adequacy of the reserve for sales returns. Management judgments and estimates must be made and used in connection with establishing the sales return reserves in any accounting period. Additional reserves may be required if actual sales returns increase above the historical return rates. Conversely, the sales return reserve could be decreased if the actual return rates are less than the historical return rates, which were used to establish the reserve.

Sales allowances, marketing support programs, promotions and other volume-based incentives which are provided to retailers and distributors are accounted for on an accrual basis as a reduction to net revenues in the period in which the related sales are recognized in accordance with ASC topic 605, "Revenue Recognition", subtopic 50 "Customer Payments and Incentives" and Securities and Exchange Commission Staff Accounting Bulletins 101 "Revenue Recognition in Financial Statements," and 104 "Revenue Recognition, corrected copy" ("SAB's 101 and 104").

At the time of sale, the Company reduces recognized gross revenue by allowances to cover, in addition to estimated sales returns as required by ASC topic 605, "Revenue Recognition", subtopic 15 "Products", (i) sales incentives offered to customers that meet the criteria for accrual under ASC topic 605, subtopic 50 and (ii) under SAB's 101 and 104, an estimated amount to recognize additional non-offered deductions it anticipates and can reasonably estimate will be taken by customers which it does not expect to recover. Accruals for the estimated amount of future non-offered deductions are required to be made as contra-revenue items because that percentage of shipped revenue fails to meet the collectability criteria within SAB 104's and 101's four revenue recognition criteria, all of which are required to be

met in order to recognize revenue.

If additional marketing support programs, promotions and other volume-based incentives are required to promote the Company's products subsequent to the initial sale, then additional reserves may be required and are accrued for when such support is offered.

Licensing

In addition to the distribution of products, the Company grants licenses for the right to use the Company's trademarks for a stated term for the manufacture and/or sale of consumer electronics and other products under agreements which require payment of either i) a non-refundable minimum guaranteed royalty or, ii) the greater of the actual royalties due (based on a contractual calculation, normally comprised of actual product sales by the licensee multiplied by a stated royalty rate, or "Sales Royalties") or a minimum guaranteed royalty amount. In the case of (i), such amounts are recognized as revenue on a straight-line basis over the term of the license agreement. In the case of (ii), Sales Royalties in excess of guaranteed minimums are accounted for as variable fees and are not recognized as revenue until the Company has ascertained that the licensee's sales of products have exceeded the guaranteed minimum. In effect, the Company recognizes the greater of Sales Royalties earned to date or the straight-line amount of minimum guaranteed

royalties to date. In the case where a royalty is paid to the Company in advance, the royalty payment is initially recorded as a liability and recognized as revenue as the royalties are deemed to be earned according to the principles outlined above.

Cost of Sales

Cost of sales includes actual product cost, quality control costs, change in inventory reserves, duty, buying costs, the cost of transportation to the Company's third party logistics providers' warehouse from its manufacturers, warehousing costs, and an allocation of those selling, general and administrative expenses that are directly related to these activities.

Other Operating Costs and Expenses

Other operating costs and expenses include costs associated with returned product received from retailers, warranty costs, warehouse supply expenses, and an allocation of those selling, general and administrative expenses that are directly related to these activities. Because other operating costs and expenses is not included in cost of sales, the reported gross margin may not be comparable to those of other distributors that may include all costs related to the cost of product to their cost of sales and in the calculation of gross margin.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include all operating costs of the Company that are not directly related to the cost of procuring product or costs not included in other operating costs and expenses.

Foreign Currency

The assets and liabilities of foreign subsidiaries have been translated at current exchange rates, and related revenues and expenses have been translated at average rates of exchange in effect during the year. Related translation adjustments are reported as a separate component of shareholders' equity. Losses and gains resulting from foreign currency transactions are included in the results of operations.

The Company generally does not enter into foreign currency exchange contracts to hedge its exposures related to foreign currency fluctuations and there were no foreign exchange forward contracts held by the Company at March 31, 2016 or March 31, 2015.

Advertising Expenses

Advertising expenses are charged against earnings as incurred and are included in selling, general and administrative expenses. The Company incurred approximately \$19,000 of advertising expenses during fiscal 2016 and nil during fiscal 2015.

Sales Allowance and Marketing Support Expenses

Sales allowances, marketing support programs, promotions and other volume-based incentives which are provided to retailers and distributors are accounted for on an accrual basis as a reduction to net revenues in the period in which the related sales are recognized in accordance with ASC topic 605, "Revenue Recognition", subtopic 50 "Customer Payments and Incentives" and Securities and Exchange Commission Staff Accounting Bulletins 101 "Revenue Recognition in Financial Statements," and 104 "Revenue Recognition, corrected copy" ("SAB's 101 and 104").

At the time of sale, the Company reduces recognized gross revenue by allowances to cover, in addition to estimated sales returns as required by ASC topic 605, "Revenue Recognition", subtopic 15 "Products", (i) sales incentives offered to customers that meet the criteria for accrual under ASC topic 605, subtopic 50 and (ii) under SAB's 101 and 104, an estimated amount to recognize additional non-offered deductions it anticipates and can reasonably estimate will be taken by customers which it does not expect to recover. Accruals for the estimated amount of future non-offered deductions are required to be made as contra-revenue items because that percentage of shipped revenue fails to meet the collectability criteria within SAB 104's and 101's four revenue recognition criteria, all of which are required to be met in order to recognize revenue.

If additional marketing support programs, promotions and other volume-based incentives are required to promote the Company's products subsequent to the initial sale, then additional reserves may be required and are accrued for when such support is offered.

The sales and marketing support accrual activity for fiscal 2016 and fiscal 2015 was as follows (in thousands):

Balance at March 31, 2014	\$470
additions	1,504
usages	(1,175)
adjustments	(224)
Balance at March 31, 2015	\$575
additions	828
usages	(839)
adjustments	(91)
Balance at March 31, 2016	\$473

Interest income, net

The Company records interest as incurred. The net interest income for fiscal 2016 and 2015 consists of:

	2016	2015
	(In thousands)	
Interest expense	\$—	\$—
Interest income	178	215
Interest income, net	\$178	\$215

Income Taxes

Deferred income taxes are recorded to account for the tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets have been recorded net of an appropriate valuation allowance, to the extent management believes it is more likely than not that such assets will be realized. (See Note 5 “Income Taxes”). Any tax penalties or interest to which the Company is subject are recorded as a part of selling, general and administrative expenses.

Comprehensive Income

Comprehensive income is net income adjusted for foreign currency translation adjustments.

Earnings Per Common Share

Earnings per common share are based upon the weighted average number of common and common equivalent shares outstanding. Outstanding stock options and warrants are treated as common stock equivalents when dilution results from their assumed exercise.

Recent Accounting Pronouncements

The following Accounting Standards Updates (“ASUs”) were issued by the Financial Accounting Standards Board during the twelve months ended March 31, 2016 or during the interim period between March 31, 2016 and June 29, 2016 which relate to or could relate to the Company as concerns the Company’s normal ongoing operations or the industry in which the Company operates:

Accounting Standards Update 2016-10 (Topic 606) Revenue from Contracts with Customers (Issued April 2016)

The core principle of the guidance in Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: 1. Identify the contract(s) with a customer. 2. Identify the performance obligations in the contract. 3. Determine the transaction price. 4. Allocate the transaction price to the performance obligations in the contract. 5. Recognize revenue when (or as) the entity satisfies a performance obligation. The

amendments in this Update do not change the core principle of the guidance in Topic 606. Rather, the amendments in this Update clarify the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The Company does not expect these amendments to have a material effect on its financial statements.

Accounting Standards Update 2016-07, Investments—Equity Method and Joint Ventures (Topic 323) (Issued March 2016)

The amendments in this Update eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The amendments in this Update require that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Earlier application is permitted. No additional disclosures are required at transition. The Company does not expect these amendments to have a material effect on its financial statements.

Accounting Standards Update 2016-02, Leases (Topic 842) (Issued February 2016)

The FASB is issuing this Update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. To meet that objective, the FASB is amending the FASB Accounting Standards Codification® and creating Topic 842, Leases. This Update, along with IFRS 16, Leases, are the results of the FASB's and the International Accounting Standards Board's (IASB's) efforts to meet that objective and improve financial reporting. The amendments in this Update are effective for fiscal years beginning after December 15, 2018. While the Company is currently evaluating the provisions of ASU 2016-02 to determine how it will be affected, the primary effect of adopting the new standard will be to record assets and obligations for current operating leases.

Accounting Standards Update 2016-01, Financial Instruments – Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Liabilities (Issued January 2016)

The amendments in this Update make targeted improvements to generally accepted accounting principles (GAAP) as follows:

1. Require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.
2. Simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an

entity is required to measure the investment at fair value.

3. Eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities.
4. Eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet.
5. Require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes.
6. Require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.

7. Require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements.

8. Clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets.

For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company does not expect these amendments to have a material effect on its financial statements.

Accounting Standards Update 2015-17, Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes (Issued November 2015)

To simplify the presentation of deferred income taxes, the amendments in this Update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this Update apply to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this Update. For public business entities, the amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The amendments in this Update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. If an entity applies the guidance prospectively, the entity should disclose in the first interim and first annual period of change, the nature of and reason for the change in accounting principle and a statement that prior periods were not retrospectively adjusted. If an entity applies the guidance retrospectively, the entity should disclose in the first interim and first annual period of change the nature of and reason for the change in accounting principle and quantitative information about the effects of the accounting change on prior periods. The Company adopted ASU 2015-17 retrospectively at March 31, 2016 by reclassifying as of March 31, 2015 the \$962,000 previously classified as current deferred tax assets to noncurrent deferred tax assets, and by presenting all deferred tax assets as of March 31, 2016 as noncurrent.

Accounting Standards Update 2015-11, Inventory (Topic 330) Simplifying the Measurement of Inventory (Issued July 2015)

An entity should measure inventory within the scope of this Update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments in this Update more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards (IFRS). The Board has amended some of the other guidance in Topic 330 to more clearly articulate the requirements for the measurement and disclosure of inventory. However, the Board does not intend for those clarifications to result in any changes in practice. Other than the change in the subsequent measurement guidance from the lower of cost or market to the lower of cost and net realizable value for inventory within the scope of this Update, there are no other substantive changes to the guidance on measurement of inventory. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The amendments in this Update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company does not expect these amendments to have a material effect on its financial statements.

The Financial Accounting Standards Board (FASB) voted to approve a one-year deferral of the effective date of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (July 2015).

In July 2015, the Financial Accounting Standards Board (“FASB”) voted to defer the effective date of the new accounting guidance related to revenue recognition by one year to December 15, 2017 for annual reporting periods beginning after that date and permitted early adoption of the standard, but not before fiscal years beginning after the original effective date of December 15, 2016. This new standard will replace all current U.S. GAAP guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. This guidance will be effective beginning January 1, 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company does not expect these amendments to have a material effect on its financial statements.

NOTE 2 — INVENTORIES:

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. As of March 31, 2016 and March 31, 2015, inventories consisted exclusively of purchased finished goods.

NOTE 3 — RELATED PARTY TRANSACTIONS:

From time to time, Emerson engages in business transactions with its controlling shareholder, The Grande Holdings Limited (“Grande”), and one or more of Grande’s direct and indirect subsidiaries. Set forth below is a summary of such transactions.

Controlling Shareholder

The Grande Holdings Limited (“Grande”), together with S&T International Distribution Limited (“S&T”), a subsidiary of Grande, and Grande N.A.K.S. Ltd., a subsidiary of Grande (together with Grande, the “Reporting Persons”), have, based on a Schedule 13D/A filed with the Securities and Exchange Commission (“SEC”) on July 9, 2014, the shared power to vote and direct the disposition of 15,243,283 shares, or approximately 56.2%, of the Company’s outstanding common stock. Accordingly, the Company is a “controlled company” as defined in Section 801(a) of the NYSE MKT Company Guide.

On May 31, 2011, upon application of a major creditor, Grande was placed into provisional liquidation when the High Court of Hong Kong appointed joint and several provisional liquidators (“Provisional Liquidators”) over Grande. Accordingly, as of May 31, 2011, the directors of Grande no longer had the ability to exercise control over Grande or the power to direct the voting and disposition of the shares of the Company’s common stock beneficially owned by Grande. In May 2014, Grande, the Provisional Liquidators and a creditor of Grande entered into an agreement to implement the “Grande Restructuring Plan” submitted by a creditor of Grande. Based on public announcements by Grande dated May 26, 2016 (the “Grande Announcements”), and subsequently confirmed to the Company by Grande, Grande has completed the Grande Restructuring Plan, the Provisional Liquidators over Grande have been released and discharged by the Hong Kong Court, the winding up of Grande has been permanently stayed, and Grande has fulfilled all trading resumption conditions imposed on Grande by the Stock Exchange of Hong Kong Limited (“HKEX”). Following the completion of the Grande Restructuring Plan, based on the Grande Announcements and other information received from an affiliate of Grande, certain companies associated with Mr. Ho, the Company’s Chairman of the Board effective as of June 19, 2016, hold in the aggregate approximately a 72.3% shareholding in Grande, and therefore beneficially control the voting and disposition of the shares of the Company beneficially owned by Grande.

Related Party Transactions

Dividend-Related Issues with S&T

On March 2, 2010, the Board declared an extraordinary dividend of \$1.10 per common share which was paid on March 24, 2010. In connection with the Company’s determination as to the taxability of the dividend, the Board relied upon information and research provided to it by the Company’s tax advisors and, in reliance on the “stock-for-debt” exception in the Internal Revenue Code Sections 108(e)(8) and (e)(10), concluded that 4.9% of such dividend paid was taxable to the recipients.

In August 2012, the Company received a Form 886-A from the IRS which challenges the Company's conclusions and determined that the Company did not qualify for the above-referenced exception. Accordingly, the IRS concluded that 100% of the dividend paid was taxable to the recipients. The Company defended its position and calculations and contested the position asserted by the IRS. The Company prepared and, on October 25, 2012, delivered its rebuttal to the IRS contesting the IRS determination. There can be no assurance that the Company will be successful in defending its position (for a discussion of whether the relevant period of assessment has expired, see below).

In the event that the Company is not successful in establishing with the IRS that the Company's calculations were correct, then the shareholders who received the dividend likely will be subject to and liable for an assessment of additional taxes due. Moreover, the Company may be contingently liable for taxes due by certain of its shareholders resulting from the dividend paid by the Company.

Initially, the Company withheld from the dividend paid to foreign shareholders an amount equal to the tax liability associated with such dividend. On April 7, 2010, upon a request made to the Company by its foreign controlling shareholder, S&T, the Company entered into an agreement with S&T (the "Agreement"), whereby the Company returned to S&T on April 7, 2010 that portion of the funds withheld for taxes from the dividend paid on March 24, 2010 to S&T, which the Company believed was not subject to U.S. tax based on the Company's good-faith estimate of its accumulated earnings and profits at that time. The Agreement includes provisions pursuant to which S&T agreed to indemnify the Company for any liability imposed on it as a result of the Company's agreement not

to withhold such funds for S&T's possible tax liability and a pledge of stock as collateral. The Company continues to assert that such dividend is largely not subject to U.S. tax based on the Company's good-faith estimate of its accumulated earnings and profits. In addition, the Company also continues to assert that this transaction results in an off-balance sheet arrangement and a possible contingent tax liability of the Company, which, if recognized, would be offset by the calling by the Company on S&T of the indemnification provisions of the Agreement.

In February 2011, upon the request of S&T to the Company, the Company and S&T agreed that the collateral pledged as a part of the Agreement would no longer be required and such collateral was returned by the Company to S&T in March 2011 and the Agreement was amended and restated to remove the collateral requirement but retain the indemnification provisions. The Agreement, as amended (the "Amended Agreement"), remains in effect as of today.

In September 2014, the Company, with S&T's consent, withheld \$0.5 million in cash, to be pledged as collateral against the Amended Agreement, from the dividend paid to S&T on September 30, 2014 along with such dividend paid on that date to all common stockholders. The Company held, as of March 31, 2016, \$0.5 million in cash collateral from S&T against the Amended Agreement. In the event that (i) the Company is not successful in establishing with the IRS that the Company's calculations were correct and (ii) S&T is unable or unwilling to pay the additional taxes due or indemnify the Company under the terms of the Amended Agreement, the Company may be liable to pay such additional taxes, which, together with penalties and interest, are currently estimated by the Company to be approximately \$5.0 million as of March 31, 2016 (the "Potential Tax Exposure Related to the March 2010 Dividend"), \$0.5 million of which was collateralized in cash held by the Company as of March 31, 2016 as described above and which was classified by the Company as restricted cash on its balance sheet. Any such liability, should it be required to be recognized by the Company, would likely have a material adverse effect on the Company's results of operations in the period recognized.

As of March 31, 2016, the Company believes that it is more likely than not that the assessment period for the Company for tax under section 1461 of the Internal Revenue Code in connection with the withholding tax requirements pertaining to the March 2, 2010 dividend has expired, such that if the IRS were to attempt to assess tax, the assessment would be time-barred. Thusly, as of March 31, 2016, the Company believes that it is more likely than not that it will not be liable for the Potential Tax Exposure Related to the March 2010 Dividend.

In April 2016, the Company, upon a request made by S&T, considered and agreed that the collateral pledged as a part of the Agreement would no longer be required and that such collateral would be returned by the Company to S&T, net of the \$79,000 in expenses incurred by the Company in defending the IRS challenge with respect to the March 2, 2010 dividend. Thusly, on April 29, 2016, the Company paid \$421,000 to S&T to effectuate the release of the collateral net of the aforementioned expenses incurred by the Company.

Consulting Services Provided to Emerson by one of its Former Directors who is a Current Director of Grande

Until such agreement was cancelled by the Company effective November 7, 2013, Mr. Eduard Will, a former director of Emerson and a current director of Grande, was paid consulting fees by the Company for work performed by Mr. Will related to a lawsuit that the Company settled in December 2013 and merger and acquisition research.

Mr. Will was not re-elected to serve as a director of the Company at the Company's 2013 Annual Meeting of Stockholders held on November 7, 2013. Accordingly, Mr. Will was no longer a director of the Company or a related party to the Company from November 7, 2013 until his appointment as a director of Grande on February 19, 2016, at which time Mr. Will is once again a related party to the Company.

During March 2016, Emerson accrued \$12,000 in consulting fees and expense reimbursements for consulting work invoiced to the Company and expenses incurred by Mr. Will as a director of the Company during the period September 2013 through November 2013, and which the Company paid to Mr. Will in April 2016.

NOTE 4 — PROPERTY, PLANT, AND EQUIPMENT:

As of March 31, 2016 and 2015, property, plant and equipment is comprised of the following:

	2016	2015
	(In thousands)	
Computer equipment and software	338	345
Furniture and fixtures	194	194
Machinery and equipment	0	12
Leasehold improvements	8	8
	540	559
Less accumulated depreciation and amortization	(511)	(482)
	\$29	\$77

Depreciation of property, plant, and equipment amounted to approximately \$47,000 and \$75,000 for the twelve months ended March 31, 2016 and 2015, respectively. During fiscal 2016, the Company disposed of property, plant and equipment with gross book values totaling approximately \$6,000. The Company recognized a total net loss of approximately \$1,000 on these disposals in fiscal 2016. During fiscal 2015, the Company disposed of property, plant and equipment with gross book values totaling approximately \$259,000. The Company recognized a total net loss of approximately \$1,000 on these disposals in fiscal 2015.

NOTE 5 — INCOME TAXES:

Income Tax Issues Concerning Overseas Income

On April 15, 2013 and June 5, 2013, the Company received correspondence from the Internal Revenue Service (“IRS”) pertaining to the Company’s fiscal 2010 and fiscal 2011, including a (i) Form 5701 and Form 886-A regarding Adjusted Sales Income (collectively referred to as “NOPA 1”) and (ii) Form 5701 and Form 886-A regarding Adjusted Subpart F-Foreign Base Company Sales Income (“FBCSI”) (collectively referred to as “NOPA 2”), which challenged certain tax positions of the Company with respect to the Company’s controlled foreign corporation in Macao (the “Macao CFC”).

Although the Company continues to disagree with the assessments made by the IRS as set forth in each of NOPA 1 and NOPA 2, in June 2015, following a formal IRS Appeal, the Company and the IRS agreed to settle on the following terms: (1) that the IRS would not pursue the aforementioned NOPA 1 and NOPA 2 income assessments pertaining to fiscal 2010 and fiscal 2011 provided that the Company agreed to treat 30% of the Macao CFC’s income as taxable Subpart F income in the U.S. for fiscal 2010 and fiscal 2011, and (2) that the IRS would impose no penalties for fiscal 2010 and fiscal 2011 (collectively, the “Settlement Agreement”). Based on discussions between the Company, its advisors and the IRS, the IRS applied the Settlement Agreement’s calculation reached for the Company’s fiscal 2010 and fiscal 2011 periods to the Company’s fiscal 2012 and fiscal 2013 periods (the “Settlement Application”). On June 7, 2016, the IRS completed its examination of the Company’s fiscal 2012 and fiscal 2013 periods and issued the Company a Form 5701 and Form 886-A regarding Adjusted Sales Income which was in accordance with the Settlement Application and which the Company has accepted.

Based on the foregoing, the Company was subject to additional federal and state income taxes for fiscal 2010 through fiscal 2013 of approximately \$3.0 million. Of this amount, approximately \$1.6 million was recorded as income tax expense in the fourth quarter of fiscal 2016, \$0.5 million was recorded as income tax expense in the fourth quarter of fiscal 2015 and \$0.9 million was recorded as income tax expense in the fourth quarter of fiscal 2013.

With respect to fiscal 2014 and fiscal 2015, there was some uncertainty as to what the ultimate tax treatment would be of a service fee regularly paid by the Company to the Macao CFC (the "Service Fee"). Therefore, an uncertain tax position under the requirements of ASC 740-10 "Income Tax Accounting" existed, and the Company recorded income tax expense and a non-current tax liability of approximately \$0.5 million to its March 31, 2015 financial statements representing the maximum amount of income taxes, penalties and interest that the Company estimates it could have owed for fiscal 2014 and fiscal 2015 if the Service Fee was determined to be taxable to the Company as FBCSI under the Internal Revenue Code. As of March 31, 2016, the Company has determined that the Service Fee is taxable to the Company as FBCSI and therefore, beginning March 31, 2016, the tax on the Service Fee is no longer considered to be an uncertain tax position and the Company has recorded any pertinent tax within its current income tax liabilities.

Other

The Company's provision for income tax (benefit) expense for fiscal 2016 and fiscal 2015 was as follows:

	2016	2015
	(In thousands)	
Current:		
Federal	\$(685)	\$(308)
Foreign, state and other	8	55
Prior year federal and state, with interest	48	1,713
Uncertain tax positions, federal and state	(249)	481
Deferred:		
Federal	602	672
Foreign, state and other	17	454
Provision for income tax (benefit) expense	\$(259)	\$3,067

The Company files a consolidated federal return and certain state and local income tax returns.

The difference between the effective rate reflected in the provision for income taxes and the amounts determined by applying the statutory federal rate of 34% to earnings before income taxes for fiscal March 2016 and fiscal 2015 is analyzed below:

	2016	2015
	(In thousands)	
Statutory provision	\$(432)	\$1,701
Foreign subsidiary	76	(798)
State taxes	48	637
Permanent differences	3	61
Prior year taxes	—	892
True up to prior year taxes	299	(226)
Valuation allowance	—	—
(Decrease)/increase in Uncertain Tax Positions	(249)	481
NOL Adjustments	(4)	319
Provision for income tax (benefit) expense	\$(259)	\$3,067

As of March 31, 2016 and March 31, 2015, the significant components of the Company's deferred tax assets of which were classified as non-current, were as follows:

	2016	2015
	(In thousands)	
Deferred tax assets:		

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Accounts receivable reserves	\$548	\$484
Inventory reserves	284	411
Accruals	42	67
Property, plant and equipment	504	522
Net operating loss and credit carry forwards	23	536
Total deferred tax assets	\$1,401	\$2,020

The Company has no U.S. federal net operating loss carry forwards (“NOLs”) as of March 31, 2016 .

The Company has \$0.4 million of state NOLs as of March 31, 2016 as follows (in millions \$):

Loss Year (Fiscal)	Included in DTA	Expiration Year (Fiscal)
2014	\$0.4 million	2034

The tax benefits related to these state net operating loss carry forwards and future deductible temporary differences are recorded to the extent management believes it is more likely than not that such benefits will be realized.

Income of foreign subsidiaries before taxes was a loss of \$212,000 for the fiscal year ended March 31, 2016 as compared to income before taxes of \$2,367,000 for the fiscal year ended March 31, 2015, respectively.

No provision was made for U.S. or additional foreign taxes on undistributed earnings of foreign subsidiaries. Such earnings have been and will be reinvested but could become subject to additional tax if they were remitted as dividends, or were loaned to the Company or a domestic affiliate, or if the Company should sell its stock in the foreign subsidiaries. It is not practicable to determine the amount of additional tax, if any, that might be payable on undistributed foreign earnings.

A reconciliation of the Company's changes in uncertain tax positions from April 1, 2015 to March 31, 2016 is as follows:

	In 000's
Total amount of unrecognized tax benefits as of April 1, 2015	\$480
Gross increases in unrecognized tax benefits as a result of tax	
positions taken during a prior period	—
Gross decreases in unrecognized tax benefits as a result of tax	
positions taken during a prior period	—
Gross increases in unrecognized tax benefits as a result of tax	
positions taken during the current period	—
Gross decreases in unrecognized tax benefits as a result of tax	
positions taken during the current period	—
Decreases in unrecognized tax benefits relating to settlements	
with taxing authorities	(480)
Reductions to unrecognized tax benefits as a result of lapse of	
statute of limitations	—
Total amount of unrecognized tax benefits as of March 31, 2016	0

The Company is subject to examination and assessment by tax authorities in numerous jurisdictions. As of March 31, 2016, the Company's open tax years for examination for U.S. federal tax are 2011-2015, and for U.S. states' tax are 2011-2015. Based on the outcome of tax examinations or due to the expiration of statutes of limitations, it is reasonably possible that the unrecognized tax benefits related to uncertain tax positions taken in previously filed returns may be different from the liabilities that have been recorded for these unrecognized tax benefits. As a result, the Company may be subject to additional tax expense.

NOTE 6 — COMMITMENTS AND CONTINGENCIES:

Leases:

The Company leases warehouse and office space from non-affiliated companies, with annual commitments as follows (in thousands):

Fiscal Years	Amount
2017	260
2018	230
2019	157
2020	31
Thereafter	—
Total	\$ 678

Rent expense resulting from leases with non-affiliated companies aggregated \$250,000 and \$790,000, respectively, for fiscal 2016 and 2015.

Letters of Credit:

The Company utilizes the services of one of its banks to issue secured letters of credit on behalf of the Company, as needed, on a 100% cash collateralized basis. At March 31, 2016 and March 31, 2015, the Company had no letters of credit outstanding.

Capital Expenditure and Other Commitments:

As of March 31, 2016, there were no capital expenditure or other commitments other than the normal purchase orders used to secure product.

Employee Benefit Plan:

The Company currently sponsors a defined contribution 401(k) retirement plan which is subject to the provisions of the Employee Retirement Income Security Act. The Company matches a percentage of the participants' contributions up to a specified amount. These contributions to the plan for fiscal 2016 and 2015 were \$44,000 and \$47,000, respectively, and were charged against earnings for the periods presented.

NOTE 7 — SHAREHOLDERS' EQUITY:

Common Shares:

Authorized common shares total 75,000,000 shares of common shares, par value \$0.01 per share, of which, 27,129,832 were issued and outstanding as of March 31, 2016 and 2015. Shares held in treasury at March 31, 2016 and 2015 were 25,835,965.

Common Stock Repurchase Program:

In September 2003, the Company's Board authorized a share repurchase programs for 2,000,000 shares. No shares were repurchased in fiscal 2016 or fiscal 2015. As of March 31, 2015, 732,377 shares remain available for repurchase under this program.

Series A Preferred Stock:

The Company has issued and outstanding 3,677 shares of Series A Preferred Stock, ("Preferred Stock") \$.01 par value, with a face value of \$3,677,000, which had no determinable market value as of March 31, 2016. Effective March 31, 2002, the previously existing conversion feature of the Preferred Stock expired. The Series A convertible preferred stock is non-voting, has no dividend preferences and has not been convertible since March 31, 2002; however, it retains a liquidation preference.

NOTE 8 — SHORT TERM INVESTMENTS:

At March 31, 2016 and March 31, 2015, the Company held short-term investments totaling \$20.2 million and nil, respectively.

The Company held \$3.0 million in certificates of deposit which were classified as cash equivalents as of March 31, 2016 and \$15.1 million as of March 31, 2015. The \$3.0 million in certificates of deposit matured on April 4, 2016 and

have been subsequently re-invested into certificates of deposit with maturities of 90 days or less.

NOTE 9 — NET EARNINGS PER SHARE:

The following table sets forth the computation of basic and diluted earnings per share for the years ended March 31, 2016 and March 31, 2015:

	2016	2015
	(In thousands, except per share data)	
Numerator:		
Net (loss) income for basic and diluted earnings per share	\$ (968)	\$ 1,893
Denominator:		
Denominator for basic earnings per share — weighted		
average shares	27,130	27,130
Effect of dilutive securities on denominator:		
Options	—	—
Denominator for diluted earnings per share — weighted		
average shares and assumed conversions	27,130	27,130
Net (loss) income per share:		
Basic and diluted (loss) income per share	\$ (0.04)	\$.07

For the year ended March 31, 2016, there were no outstanding instruments which were potentially dilutive.

NOTE 10 — LICENSE AGREEMENTS:

The Company is party to three license agreements that allow licensees to use its trademarks for the manufacture and/or the sale of consumer electronics and other products. These license agreements (i) allow the licensee to use the Company's trademarks for a specific product category, or for sale within specific geographic areas, or for sales to a specific customer base, or any combination of the above, or any other category that might be defined in the license agreement and (ii) may be subject to renewal at the initial expiration of the agreements and are governed by the laws of the United States.

The Company's largest license agreement is with Funai, which accounted for approximately 79% of the Company's total fiscal 2016 and fiscal 2015 licensing revenue, and which was amended during November 2013 to extend the term of the agreement until March 31, 2018. The agreement provides that Funai will manufacture, market, sell and distribute specified products bearing the Emerson® trademark to customers in the U.S. and Canadian markets. Under the terms of the agreement, the Company receives non-refundable minimum annual royalty payments of \$3.75 million each calendar year and a license fee on sales of product subject to the agreement in excess of the minimum annual royalties. During fiscal 2016 and 2015 licensing revenues of \$3.7 million and \$5.8 million, respectively, were earned under this agreement.

As previously disclosed, on December 16, 2015, the Company received written notice from Funai stating its intention to terminate the agreement, with termination to be effective on December 31, 2016. As a result of such termination, unless the Company is successful in securing a new licensee to replace the licensing revenue which will be absent upon the Funai termination, the Company expects fiscal 2017, which begins April 1, 2016, licensing revenue will decline as compared to fiscal 2016 licensing revenue. As previously disclosed, since this licensing relationship contributes substantial product volume and market presence through Funai's manufacture and distribution of products bearing the Emerson® brand name in the United States, the loss of this relationship and licensing agreement with Funai is expected to materially and adversely affect the Company's revenue, earnings and business. The Company is analyzing the impacts of the Funai termination to its business and is identifying strategic courses of action for consideration, including seeking new licensing relationships. There can be no assurance that the Company will be able to secure a new licensee or distribution relationship to replace the licensing revenue, product volume and market presence of Emerson-branded products in the United States, which had been provided through the license agreement with Funai.

NOTE 11 — LEGAL PROCEEDINGS:

The Company is not currently a party to any legal proceedings other than litigation matters, in most cases involving ordinary and routine claims incidental to its business. Management cannot estimate with certainty the Company's ultimate legal and financial liability with respect to such pending litigation matters. However, management believes, based on its examination of such matters, that the Company's ultimate liability will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

NOTE 12 — RISKS AND UNCERTAINTIES:

Customer and Licensee Concentration

For the twelve months ended March 31, 2016 and March 31, 2015, the Company's largest two customers, Target and Wal-Mart, and largest licensee, Funai, accounted for approximately 81% and 87% of the Company's net revenues, respectively, with Target accounting for 42% and 51%, respectively, Wal-Mart accounting for 31% and 28%, respectively, and Funai accounting for 8% and 8%, respectively. A significant decline in net sales to Target or Wal-Mart, or a significant decline in licensing revenue from Funai, would have a material adverse effect on the Company's business, financial condition and results of operation.

Product Concentration

For the twelve months ended March 31, 2016, the Company's gross product sales were comprised of five product types within two categories — housewares products and audio products, and two of these product types, namely microwave ovens and compact refrigerators — both within the housewares category — generated approximately 93% of the Company's gross product sales, with microwave ovens generating approximately 56% of the total and compact refrigerators generating approximately 37% of the total. For the twelve months ended March 31, 2015, the Company's gross product sales were comprised of the same five product types within the same two categories — housewares products and audio products, and two of these product types, namely microwave ovens and compact refrigerators — both within the housewares category — generated approximately 95% of the Company's gross product sales, with microwave ovens generating approximately 67% of the total and compact refrigerators generating approximately 28% of the total. As a result of this dependence, a significant decline in pricing of, or market acceptance of these product types and categories,

either in general or specifically as marketed by the Company, would have a material adverse effect on the Company's business, financial condition and results of operation. Because the market for these product types and categories is characterized by periodic new product introductions, the Company's future financial performance will depend, in part, on the successful and timely development and customer acceptance of new and enhanced versions of these product types and other products distributed by the Company. There can be no assurance that the Company will continue to be successful in marketing these products types within these categories or any other new or enhanced products.

Concentrations of Credit Risk

As a percent of the Company's total trade accounts receivable, net of specific reserves, the Company's two top customers, Wal-Mart and Target, accounted for 88% and nil as of March 31, 2016, respectively, and 30% and 50% as of March 31, 2015. The Company periodically performs credit evaluations of its customers but generally does not require collateral, and the Company provides for any anticipated credit losses in the financial statements based upon management's estimates and ongoing reviews of recorded allowances. The accounts receivable allowance for doubtful accounts on the Company's total trade accounts receivable balances was \$9,000 at March 31, 2016 and \$5,000 at March 31, 2015. Due to the high concentration of the Company's net trade accounts receivables among just two customers, any significant failure by one of these customers to pay the Company the amounts owing against these receivables would result in a material adverse effect on the Company's business, financial condition and results of operation.

The Company maintains its cash accounts with major U.S. and foreign financial institutions. The Company's cash and restricted cash balances on deposit in the U.S. as of March 31, 2016 and March 31, 2015 were insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per qualifying bank account in accordance with FDIC rules. The Company's cash, cash equivalents and restricted cash balances in excess of these FDIC-insured limits were approximately \$30.1 million and approximately \$43.5 million at March 31, 2016 and March 31, 2015, respectively.

Supplier Concentration

The Company, during the twelve months ended March 31, 2016, procured approximately 98% of its products for resale from its three largest factory suppliers, and of these, the Company procured approximately 53% of these products from one of them. The Company, during the twelve months ended March 31, 2015, procured approximately 96% of its products for resale from its three largest factory suppliers, and of these, the Company procured approximately 66% of these products from one of them. No assurance can be given that ample supply of product would be available at current prices and on current credit terms if the Company were required to seek alternative sources of supply without adequate notice by a supplier or a reasonable opportunity to seek alternate production facilities and component parts and any resulting significant shortage of product supply would have a material adverse effect on the Company's business, financial condition and results of operation.

NOTE 13 — GEOGRAPHIC INFORMATION:

Net revenues and long-lived assets of the Company for the fiscal years ended March 31, 2016 and March 31, 2015 are summarized below by geographic area (in thousands). Net revenues are attributed to geographic area based on location of customer.

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	Year Ended March 31, 2016		
	U.S.	Foreign	Consolidated
Net revenues	\$45,751	\$ —	\$ 45,751
Long-lived assets	\$32	\$ 98	\$ 130

	Year Ended March 31, 2015		
	U.S.	Foreign	Consolidated
Net revenues	\$76,323	\$ —	\$ 76,323
Long-lived assets	\$76	\$ 103	\$ 179

NOTE 14 — SUBSEQUENT EVENT:

In April 2016, the Company, upon a request made by S&T, considered and agreed that the collateral pledged as a part of the indemnification agreement between S&T, Grande and the Company pertaining to the aforementioned March 2010 dividend and the related IRS challenge, would no longer be required and that such collateral would be returned by the Company to S&T, net of the \$79,000 in expenses incurred by the Company in defending the IRS challenge. Thusly, on April 29, 2016, the Company paid \$421,000

to S&T to effectuate the release of the collateral net of the aforementioned expenses incurred by the Company. See Note 3 “Related Party Transactions – Dividend-Related Issues with S&T”.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d — 15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in its Exchange Act reports are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to management, including the Company’s principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons; by collusion of two or more people, or by management override of the control. The Company’s controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

As a result of its internal assessment, the Company’s management concluded that disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Annual Report on Form 10-K, are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive officer and principal financial officer, to ensure that such information is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms and that such information is accumulated and communicated to management, including the Company’s principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

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 Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of management, including the Company’s principal executive officer and principal financial officer, management conducted an evaluation of the effectiveness of the Company’s internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under this framework, management concluded that the Company’s internal control over financial reporting was effective.

This Annual Report on Form 10-K does not include an attestation report of the Company’s registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to the rules of the Securities and Exchange Commission for smaller reporting companies that permit the Company to provide only management’s report in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

During the fiscal quarter ended March 31, 2016, there were no changes in the Company’s internal control that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial

reporting.

Item 9B. Other Information

None

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PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS

The information required is incorporated herein by reference to Emerson's definitive Proxy Statement, or an amendment to this Annual Report on Form 10-K, to be filed with the Securities and Exchange Commission on or before July 29, 2016.

Item 11. EXECUTIVE COMPENSATION

The information required is incorporated herein by reference to Emerson's definitive Proxy Statement, or an amendment to this Annual Report on Form 10-K, to be filed with the Securities and Exchange Commission on or before July 29, 2016.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required is incorporated herein by reference to Emerson's definitive Proxy Statement, or an amendment to this Annual Report on Form 10-K, to be filed with the Securities and Exchange Commission on or before July 29, 2016.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required is incorporated herein by reference to Emerson's definitive Proxy Statement, or an amendment to this Annual Report on Form 10-K, to be filed with the Securities and Exchange Commission on or before July 29, 2016.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required is incorporated herein by reference to Emerson's definitive Proxy Statement, or an amendment to this Annual Report on Form 10-K, to be filed with the Securities and Exchange Commission on or before July 29, 2016.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES

(a) List of Financial Statements, Financial Statement Schedules, and Exhibits.

1. Financial Statements. The following financial statements of Emerson Radio Corp. are included in Item 8 of Part II of this Annual Report on Form 10-K:

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Operations for the years ended March 31, 2016 and 2015

Consolidated Balance Sheets as of March 31, 2016 and 2015

Consolidated Statements of Changes in Shareholders' Equity for the years ended March 31, 2016 and 2015

Consolidated Statements of Cash Flows for the years ended March 31, 2016 and 2015

Notes to Consolidated Financial Statements

All financial statement schedules are omitted from this Annual Report on Form 10-K, as they are not required or applicable or the required information is included in the financial statements or notes thereto.

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2. Exhibits. The following exhibits are filed with this Annual Report on Form 10-K or are incorporated herein by reference, as indicated.

Exhibit

Number

- 3.1 Certificate of Incorporation of Emerson (incorporated by reference to Exhibit (3) (a) of Emerson's Registration Statement on Form S-1, Registration No. 33-53621, declared effective by the SEC on August 9, 1994).
- 3.4 Certificate of Designation for Series A Preferred Stock (incorporated by reference to Exhibit (3) (b) of Emerson's Registration Statement on Form S-1, Registration No. 33-53621, declared effective by the SEC on August 9, 1994).
- 3.5 Amendment dated February 14, 1996 to the Certificate of Incorporation of Emerson (incorporated by reference to Exhibit (3) (a) of Emerson's Quarterly Report on Form 10-Q for the quarter ended December 31, 1995).
- 3.6 By-Laws of Emerson (incorporated by reference to Exhibit 3.1 of Emerson's Quarterly Report on Form 10-Q for the quarter ended December 31, 2007).
- 3.7 Amendment dated November 28, 1995 to the By-Laws of Emerson adopted March 1994 (incorporated by reference to Exhibit (3) (b) of Emerson's Quarterly Report on Form 10-Q for the quarter ended December 31, 1995).
- 3.8 Amendment effective as of November 10, 2009 to the By-Laws of Emerson adopted March 1994 (incorporated by reference to Exhibit 3.1 of Emerson's Current Report on Form 8-K filed on November 16, 2009).
- 3.9 Amendment effective as of August 31, 2011 to the By-Laws of Emerson adopted March 1994 (incorporated by reference to Exhibit 3.2 of Emerson's Current Report on Form 8-K filed on September 7, 2011).
- 10.12 License Agreement effective as of January 1, 2001 by and between Funai Corporation and Emerson (incorporated by reference to Exhibit (10) (z) of Emerson's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).
- 10.12.1 First Amendment to License Agreement dated February 19, 2002 by and between Funai Corporation and Emerson (incorporated by reference to Exhibit (10.12.1) of Emerson's Annual Report on Form 10-K for the year ended March 31, 2002).
- 10.12.2 Second Amendment to License Agreement effective August 1, 2002 by and between Funai Corporation and Emerson (incorporated by reference to Exhibit (10.12.2) of Emerson's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).

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- 10.12.3 Third Amendment to License Agreement effective February 18, 2004 by and between Funai Corporation and Emerson (incorporated by reference to Exhibit 10.12.3 of Emerson's Annual Report on Form 10-K for the year ending March 31, 2004).
- 10.12.4 Fourth Amendment to License Agreement effective December 3, 2004 by and between Funai Corporation, Inc. and Emerson (incorporated by reference to Exhibit (10.12.4) of Emerson's Quarterly Report on Form 10-Q for the quarter ended December 31, 2004).
- 10.12.5 Fifth Amendment to License Agreement effective May 18, 2005 by and between Funai Corporation, Inc. and Emerson (incorporated by reference to Exhibit (10.12.5) of Emerson's Annual Report on Form 10-K for the year ending March 31, 2005).
- 10.12.7 Seventh Amendment to License Agreement effective December 22, 2005 by and between Funai Corporation, Inc. and Emerson (incorporated by reference to Exhibit 10.1 of Emerson's Current Report on Form 8-K filed on December 29, 2005).
- 10.29 Employment Agreement dated as of October 1, 2009 between Emerson and Duncan Hon (incorporated by reference to Exhibit 10.1 to Emerson's Current Report on Form 8-K filed on November 16, 2009).
- 10.30 Employment Agreement dated as of March 31, 2011 between the Company and Mr. Hon Tak Kwong (incorporated by reference to Exhibit 10.31 to Emerson's Form 10-Q for the quarter ended September 30, 2011).
- 10.32 Employment Agreement dated as of August 1, 2007, as amended, between the Company and Mr. Andrew L. Davis (incorporated by reference to Exhibit 10.1 to Emerson's Current Report on Form 8-K filed on September 10, 2010).
- 10.33 Amendment dated March 5, 2015 to Employment Agreement dated as of August 1, 2007, as amended, between the Company and Mr. Andrew L. Davis (incorporated by reference to Exhibit 10.1 to Emerson's Current Report on Form 8-K filed on March 11, 2015).

- 10.34 Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 to Emerson's Form 10-Q for the quarter ended December 31, 2014.)
- 14.1 Code of Ethics for Senior Financial Officers (incorporated by reference to Exhibit 14.1 of Emerson's Annual Report on Form 10-K for the year ended March 31, 2004).
- 21.1 Principal Subsidiaries of the Company as of March 31, 2016.*
- 23.1 Consent of Independent Registered Public Accounting Firm — MSPC, Certified Public Accountants and Advisors, Professional Corporation.*
- 31.1 Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 31.2 Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 32 Certification of the Company's Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
- 101.1+XBRL Instance Document. *
- 101.2+XBRL Taxonomy Extension Schema Document. *
- 101.3+XBRL Taxonomy Extension Calculation Linkbase Document. *
- 101.4+XBRL Taxonomy Extension Definition Linkbase Document. *
- 101.5+XBRL Taxonomy Extension Label Linkbase Document. *
- 101.6+XBRL Taxonomy Extension Presentation Linkbase Document. *

* Filed herewith.

** Furnished herewith.

(b) Exhibits. The exhibits required by Item 601 of Regulation S-K are filed herewith or incorporated by reference.

(c) Financial Statement Schedules and Other Financial Statements.

Financial statement schedules are omitted from this Annual Report on Form 10-K, as they are not required or applicable or the required information is included in the financial statements or notes thereto.

SIGNATURES

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

EMERSON RADIO CORP.

By: /s/ Duncan Hon
Duncan Hon
Chief Executive Officer
Principal Executive Officer

By: /s/ Andrew L. Davis
Andrew L. Davis
Chief Financial Officer
Principal Financial and Accounting Officer

Dated: June 29, 2016

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.

/s/ Christopher W. Ho Christopher W. Ho	Chairman of the Board and Director	June 29, 2016
/s/ Duncan Hon Duncan Hon	Chief Executive Officer and Director	June 29, 2016
/s/ Michael Binney Michael Binney	Director	June 29, 2016
/s/ Kareem E. Sethi Kareem E. Sethi	Director	June 29, 2016
/s/ Kin Yuen Kin Yuen	Director	June 29, 2016