EMERSON RADIO CORP
Form 10-Q
February 11, 2010

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VERSION C
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2009

Or

o **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	22-3285224
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
85 Oxford Drive, Moonachie, New Jersey	07074
(Address of principal executive offices)	(Zip code)

(973) 428-2000

(Registrant s telephone number, including area code)

(Former name, former address, and former fiscal year, if changed since last report)

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

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 definition of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check One):

o Large accelerated filer	o Accelerated filer	o Non-accelerated filer (Do not check if a smaller reporting company)	þ Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes þ No

Indicate the number of shares outstanding of common stock as of February 11, 2010: 27,129,832.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

EMERSON RADIO CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except earnings per share data)

	Three Months Ended December 31		Nine Months Ended December 31	
	2009	**2008**	**2009**	**2008**
Net revenues				
Net revenues	$ 48,038	$ 60,068	$ 155,411	$ 157,424
Net revenues-related party				15
	48,038	60,068	155,411	157,439
Costs and expenses:				
Cost of sales	39,298	55,612	132,602	140,434
Other operating costs and expenses	708	2,058	2,563	4,769
Selling, general and administrative expenses	3,397	4,519	10,829	13,781
	43,403	62,189	145,994	158,984
Operating income (loss)	4,635	(2,121)	9,417	(1,545)
Interest (expense) income, net	(1)	21	21	227
Unrealized holding (losses) on trading securities		(410)		(431)
Realized gains on trading securities		91		623
Income (loss) from continuing operations before income taxes	4,634	(2,419)	9,438	(1,126)
Provision (benefit) for income taxes	1,221	(506)	1,643	848
Income (loss) from continuing operations	3,413	(1,913)	7,795	(1,974)
Loss from discontinued operations, net of tax benefit		176	55	357
Net income (loss)	$ 3,413	$ (2,089)	$ 7,740	$ (2,331)
Basic net income (loss) per share:				
Continuing operations	$ .13	$ (.07)	$ .29	$ (.07)
Discontinued operations		(.01)		(.02)
	$ .13	$ (.08)	$ .29	$ (.09)
Diluted net income (loss) per share:				
Continuing operations	$ .13	$ (.07)	$ .29	$ (.07)
Discontinued operations		(.01)		(.02)

	$ .13	$ (.08)	$ .29	$ (.09)
Weighted average shares outstanding:				
Basic	27,130	27,130	27,130	27,130
Diluted	27,133	27,130	27,131	27,130

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

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EMERSON RADIO CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31, 2009 (Unaudited)	March 31, 2009 (A)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 38,843	$ 22,518
Restricted cash	3	3,025
Accounts receivable, net	14,838	15,970
Other receivables	1,263	1,587
Due from affiliates	52	78
Inventory, net	16,748	20,691
Prepaid expenses and other current assets	2,738	2,190
Deferred tax assets	3,936	4,872
Total current assets	78,421	70,931
Property, plant and equipment, net	3,585	1,139
Trademarks and other intangible assets, net	1,683	255
Due from affiliates	185	114
Investments in marketable securities	6,031	6,031
Deferred tax assets	6,715	7,102
Other assets	235	472
Total assets	$ 96,855	$ 86,044
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings	$ 5,655	5,733
Current maturities of long-term borrowings	56	85
Accounts payable and other current liabilities	21,899	18,929
Due to affiliates	25	66
Accrued sales returns	1,313	1,130
Income taxes payable	159	155
Total current liabilities	29,107	26,098
Long-term borrowings	35	59
Deferred tax liabilities	103	87
Shareholders equity:		
Preferred shares 10,000,000 shares authorized; 3,677 shares issued and outstanding; liquidation preference of $3,677	3,310	3,310
Common shares $.01 par value, 75,000,000 shares authorized; 52,965,797 shares issued, and 27,129,832 shares outstanding	529	529
Capital in excess of par value	117,255	117,243
Accumulated other comprehensive losses	(82)	(82)

Accumulated deficit		(29,178)		(36,976)
Treasury stock, at cost, 25,835,965 shares		(24,224)		(24,224)
Total shareholders equity		67,610		59,800
Total liabilities and shareholders equity	$	96,855	$	86,044

(A) Reference is made to the Company s Annual Report on Form 10-K for the fiscal year ended March 31, 2009 filed with the Securities and Exchange Commission in July 2009 and amended in July 2009.

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

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EMERSON RADIO CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine Months Ended December 31	
	2009	**2008**
Cash flows from operating activities:		
Income (loss) from continuing operations	$ 7,795	$ (1,974)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	644	585
Non cash compensation	12	(6)
Deferred tax expense	1,339	573
Asset allowances, reserves and other	(2,687)	(616)
Gains on sales of investments		(623)
Unrealized holding gains on trading securities		431
Changes in assets and liabilities:		
Restricted cash	3,022	(96)
Foreign exchange foreign contracts		134
Accounts receivable	1,699	350
Other receivables	324	982
Due from affiliates	(45)	610
Inventories	6,249	(4,445)
Prepaid expenses and other current assets	(548)	(523)
Other assets	107	69
Accounts payable and other current liabilities	2,970	(4,040)
Due to affiliates	(41)	208
Interest and income taxes payable	4	(18)
Operating activities of continuing operations	20,844	(8,399)
Operating activities of discontinued operations		(555)
Net cash provided (used) by operating activities	20,844	(8,954)
Cash flows from investing activities:		
Proceeds from partial calls on securities		5,050
Purchase of trademark	(1,516)	
Additions to property and equipment	(2,872)	(328)
Investing activities of continuing operations	(4,388)	4,722
Investing activities of discontinued operations		92
Net cash (used) provided by investing activities	(4,388)	4,814
Cash flows from financing activities:		
Short-term borrowings		5,589
Repayments of short-term borrowings	(107)	

Borrowings under long-term credit facility	94,141	112,636
Repayments of borrowings under long-term credit facility	(94,165)	(112,697)
Net cash (used) provided by financing activities	(131)	5,528
Net increase in cash and cash equivalents	16,325	1,388
Cash and cash equivalents at beginning of period	22,518	14,283
Cash and cash equivalents at end of period	$ 38,843	$ 15,671
Cash paid during the period for:		
Interest	$ 89	$ 115
Income taxes	$ 17	$ 64

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

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EMERSON RADIO CORP. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 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 home appliance and consumer electronic products, and licenses the Emerson trademark for a variety of products domestically and internationally.

The unaudited interim consolidated financial statements as of December 31, 2009 and the results of operations for the three and nine month periods ended December 31, 2009 and December 31, 2008 have been prepared in accordance with generally accepted accounting principles. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary in order to make the financial statements not misleading have been included. All significant intercompany accounts and transactions have been eliminated in consolidation. The preparation of the unaudited interim consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes; actual results could materially differ from those estimates. The unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and accordingly do not include all of the disclosures normally made in the Company s annual consolidated financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended March 31, 2009 (fiscal 2009), included in the Company s annual report on Form 10-K, as amended, for fiscal 2009.

The financial position and results of operations of the Company s former joint venture interest in Advanced Sound and Image, LLC for the three and nine month periods ended December 31, 2009 and December 31, 2008 have been presented as discontinued operations. See Note 11 Discontinued Operations .

The results of operations for the three and nine month periods ended December 31, 2009 are not necessarily indicative of the results of operations that may be expected for any other interim period or for the full year ending March 31, 2010 (fiscal 2010).

Certain reclassifications were made to conform the prior year s financial statements to the current presentation and to segregate the activities associated with the Company s discontinued operations.

Unless otherwise disclosed in the notes to these financial statements, the estimated fair value of the financial assets and liabilities approximates the carrying value.

Subsequent events have been evaluated through February 11, 2010.

Stock- Based Compensation

The Company measures compensation cost for stock-based compensation arrangements based on grant date fair value. The computed fair value is expensed ratably over the requisite vesting period as required by the Stock Compensation Topic of the FASB Accounting Standards Codification. The Company has recorded compensation costs of $3,000 and $12,000 for the three and nine month periods ended December 31, 2009, respectively. For the three and nine month periods ended December 31, 2008, the Company recorded recoveries of $42,000 and $6,000, respectively.

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

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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.

NOTE 2 COMPREHENSIVE INCOME

Comprehensive income for the three and nine month periods ended December 31, 2009 and December 31, 2008 is as follows (in thousands):

	Three months ended December 31		Nine months ended December 31	
	2009	**2008**	**2009**	**2008**
Net income (loss)	$ 3,413	$ (2,089)	$ 7,740	$ (2,331)
Unrealized holding losses arising during period		410		431
Less: reclassification adjustment for losses included in net income		(410)		(431)
Comprehensive income (loss)	$ 3,413	$ (2,089)	$ 7,740	$ (2,331)

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NOTE 3 NET EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

	Three months ended December 31		Nine months ended December 31	
	2009	**2008**	**2009**	**2008**
Numerator:				
Net income (loss) from continuing operations for basic and diluted earnings per share	$ 3,413	$ (1,913)	$ 7,795	$ (1,974)
Denominator:				
Denominator for basic earnings per share weighted average shares	27,130	27,130	27,130	27,130
Effect of dilutive securities on denominator:				
Options and warrants	3		1	
Denominator for diluted earnings per share weighted average shares and assumed conversions	27,133	27,130	27,131	27,130
Basic and diluted earnings (loss) from continuing operations per share	$ 0.13	$ (0.07)	$ 0.29	$ (0.07)

NOTE 4 SHAREHOLDERS EQUITY

Outstanding capital stock at December 31, 2009 consisted of common stock and Series A convertible preferred stock. 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.

At December 31, 2009, Emerson had approximately 132,000 options outstanding with exercise prices ranging from $1.00 to $3.23.

In September 2003, the Company publicly announced the Emerson Radio Corp. common stock repurchase program. The program provides for share repurchase of up to 2,000,000 shares of Emerson s outstanding common stock. No shares were repurchased in the nine months ended December 31, 2009 and December 31, 2008. As of December 31, 2009, 732,377 shares remain available for repurchase under the program established in September 2003. Repurchases of the Company s shares are subject to certain conditions under Emerson s banking facility.

NOTE 5 INVENTORY

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. As of December 31, 2009 and March 31, 2009, inventories consisted of the following (in thousands):

	December 31, 2009 (Unaudited)	March 31, 2009
Finished goods	$17,957	$ 24,205
Less inventory allowances	(1,209)	(3,514)
Net inventory	$16,748	$ 20,691

NOTE 6 PROPERTY, PLANT, AND EQUIPMENT:

As of December 31, 2009 and March 31, 2009, property, plant, and equipment from continuing operations is comprised of the following (in thousands):

	December 31, 2009 (Unaudited)	March 31, 2009
Computer equipment & software	2,983	2,930
Furniture and fixtures	1,871	1,783
Machinery and equipment	903	737
Leasehold improvements	417	672
Building	1,929	
Land	641	
	8,744	6,122
Less accumulated depreciation and amortization	(5,159)	(4,983)
	$ 3,585	$ 1,139

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NOTE 7 INCOME TAXES

The Company has tax net operating loss carry forwards included in net deferred tax assets that are available to offset future taxable income and can be carried forward for 20 years. Although realization is not assured, management believes it is more likely than not that all of the net deferred tax assets will be realized through tax planning strategies available in future periods and through future profitable operating results. The amount of the deferred tax asset considered realizable could be reduced or eliminated if certain tax planning strategies are not successfully executed or estimates of future taxable income during the carry forward period are reduced. If management determines that the Company would not be able to realize all or part of the net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

As of April 1, 2007, the Company had $119,000 of unrecognized tax benefits related to state taxes. All of the unrecognized tax benefits could impact the Company s effective tax rate if recognized.

Estimated interest and penalties related to the underpayment of income taxes are classified as a component of income tax expense in the Consolidated Statement of Operations. Accrued interest and penalties were $49,000 as of December 31, 2009 and are recognized in the balance sheet.

The Company s effective tax rate differs from the federal statutory rate primarily due to expenses that are not deductible for federal income tax purposes, foreign tax rates and state income taxes.

The Company is subject to examination and assessment by tax authorities in numerous jurisdictions. A summary of the Company s open tax years is as follows as of December 31, 2009:

Jurisdiction	**Open tax years**
U.S. federal	2006-2009
States	2006-2009

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 8 RELATED PARTY TRANSACTIONS

From time to time, Emerson engages in business transactions with its controlling shareholder, The Grande Holdings Limited and its subsidiaries (Grande). Set forth below is a summary of such transactions.

Majority Shareholder

Grande s Ownership Interest in Emerson. At December 31, 2009 and March 31, 2009, approximately 57.6% of the Company s outstanding common stock was owned by direct or indirect subsidiaries of Grande.

Related Party Transactions

Product Sourcing Transactions. Between August 2006 and September 2008, Emerson provided assistance with acquiring certain products for sale to Sansui Sales PTE Ltd (Sansui Sales) and Akai Sales PTE Ltd (Akai Sales), both of which are subsidiaries of Grande. Emerson issued purchase orders to third-party suppliers who manufactured these products, and Emerson issued sales invoices to Sansui Sales and Akai Sales at gross amounts for these products. Financing was provided by Sansui Sales and Akai Sales customers in the form of transfer letters of credit to the suppliers, and goods were shipped directly from the suppliers to Sansui Sales and Akai Sales customers. Emerson recorded no income for providing this service in the three month and nine month periods ended December 31, 2009, and $0 and $15,000, respectively, for providing this service in the three and nine month periods ended December 31, 2008. Sansui Sales and Akai Sales collectively owed Emerson $0 and $7,600 at December 31, 2009 and March 31, 2009, respectively, related to this activity.

Sales of goods. In addition to the product sourcing transactions described in the preceding paragraph, Emerson has also purchased products on behalf of Sansui Sales and Akai Sales from third-party suppliers and sold these goods to Sansui Sales and Akai Sales. These transactions, the latest of which occurred in February 2008, were similar to the transactions described in the preceding paragraph; however, instead of utilizing transfer letters of credit provided by Sansui Sales and Akai Sales customers, Emerson utilized its own cash to pay Sansui Sales and Akai Sales suppliers. Emerson invoiced Sansui Sales and Akai Sales an amount that was marked up between two and three percent from the cost of the product. Emerson and Akai Sales reached agreement in September 2009 related to certain defective products that Emerson had procured and sold to Akai Sales under this arrangement during the third quarter of fiscal 2007 under which Emerson agreed to accept a net charge of approximately $59,000 approximately $101,000 from

Akai Sales, upon which Emerson originally recognized approximately $4,000 of gross profit in the third quarter of fiscal 2007, offset by a credit from the factory from which Emerson procured the product of approximately $42,000. In September 2009, Emerson netted amounts owed to it from Akai Sales against this liability and settled this liability in full with Akai Sales during September 2009. Sansui Sales and Akai Sales collectively owe Emerson $0 at December 31, 2009 related to this activity. Emerson had no outstanding liabilities with suppliers of product invoiced to Sansui Sales and Akai Sales at December 31, 2009 or March 31, 2009.

Leases and Other Real Estate Transactions. Effective January 1, 2009, Emerson entered into an amended lease agreement with Grande pursuant to which the space rented from Grande was increased from 18,476 square feet to 19,484 square feet. This amended agreement by its terms expired on December 31, 2009, and is currently being renegotiated as of February 12, 2010. Effective June 1, 2009, Emerson entered into another lease agreement with Grande, which expires May 31, 2010, pursuant to which additional space was rented from Grande totaling 17,056 square feet for Emerson s use to refurbish certain returned products. In connection with this new space rental, during June 2009, Emerson paid a security deposit of approximately $71,400 to Grande. Rent expense and related service charges with Grande totaled approximately $191,000 and $109,000 for the three months ended December 31, 2009 and December 31, 2008, respectively, and approximately $529,000 and $353,000 for the nine months ended December 31, 2009 and December 31, 2008, respectively. Emerson owed Grande $0 and approximately $41,600, respectively, related to this activity at December 31, 2009 and March 31, 2009. Emerson had prepaid approximately $52,000 to Grande as of December 31, 2009, related to the month of January 2010. A security deposit of $153,000 and $81,900 on the leased property described in this paragraph was held by Grande as of December 31, 2009 and March 31, 2009, respectively.

In December 2008, Emerson signed a lease agreement with Akai Electric (China) Ltd., a subsidiary of Grande, concerning the rental of office space, office equipment, and lab equipment for Emerson s quality assurance personnel in Zhong Shan, China. The lease term began in July 2007 and ended by its terms in June 2009, at which time the agreement renews automatically unless canceled by either party. The agreement has not been canceled by either party, and therefore remains in full force and effect as of December 31, 2009. Rent charges with Akai Electric (China) Ltd. totaled approximately $28,000 and $81,000 for the three and nine month periods ended December 31, 2009, respectively. Emerson owed Akai Electric (China) Ltd. $0 related to the agreement at both December 31, 2009 and March 31, 2009. A security deposit of $31,600 on the leased property was held by Akai Electric (China) Ltd. as of both December 31, 2009 and March 31, 2009.

During fiscal 2009, Grande paid Emerson s quality assurance personnel in Renminbi in China on Emerson s behalf for which Emerson subsequently paid a reimbursement to Grande. Payroll and travel expenses, including utilization of Grande employees as well as payroll and travel expenses paid on Emerson s behalf and reimbursed to Grande, related to this activity, were $8,000 for the three months ended December 31, 2008, and $127,000 for the nine months ended December 31, 2008. Emerson owed Grande $0 for these activities at both December 31, 2009 and March 31, 2009.

Toy Musical Instruments. In May 2007, Emerson entered into an agreement with Goldmen Electronic Co. Ltd. (Goldmen), pursuant to which the Company agreed to pay $1,682,220 in exchange for Goldmen s manufacture and delivery to Emerson of musical instruments in order for it to meet its delivery requirements of these instruments in the first week of September 2007.

In July 2007, the Company learned that Goldmen had filed for bankruptcy and was unable to manufacture the ordered musical instruments. Promptly thereafter, Capetronic Displays Limited (Capetronic), a subsidiary of Grande, agreed to manufacture the musical instruments at the same price and on substantially the same terms and conditions. Accordingly, on July 12, 2007, Emerson paid Tomei Shoji Limited, an affiliate of Grande, $125,000 to acquire from Goldmen and deliver to Capetronic the molds and equipment necessary for Capetronic to manufacture the musical instruments. In July 2007, Emerson made two upfront payments to Capetronic totaling $546,000. On July 20, 2007, Capetronic advised Emerson that it was unable to manufacture the musical instruments because it did not have the requisite governmental licenses to do so.

In June 2008, Capetronic repaid the $546,000 advance it received from Emerson in July 2007.

In August 2008, Capetronic requested that Emerson reimburse it for the cost it had incurred to purchase the production materials required to produce the musical instruments. After a review of the facts, the material purchased orders, the physical material at the Capetronic premises, and deducting an agreed upon scrap value for the material, Emerson decided to honor the request and paid $313,000 to Capetronic on September 30, 2008. These materials are the property of Capetronic. Furthermore, Capetronic is currently in physical possession of Emerson s molds originally required to produce the musical instruments, which Emerson wrote off in fiscal 2008.

Hong Kong Electronics Fairs (HKEF). Emerson incurred costs totaling $152,633 for its participation in the 2008 HKEF. The total includes $5,138 billed by Grande to Emerson for services rendered in connection with the event, and, as of June 30, 2009, Emerson owes Grande subsidiary Lafe Technology (Hong Kong) Ltd $4,396 for storage and delivery charges. In addition, Emerson has billed $19,657, $8,222 and $5,944, respectively, to Grande subsidiaries Nakamichi Corporation Ltd., Akai Sales PTE Ltd., and Sansui Sales PTE Ltd., all of which was repaid to Emerson in September 2009.

Between August and December 2007, Emerson paid invoices and incurred charges for goods and services relating to the 2007 HKEF of $153,069. Portions of these charges, totaling $87,353, have been allocated and invoiced to affiliates of Grande in proportion to their respective share of space occupied and services rendered during the 2007 HKEF as follows: Nakamichi Corporation Ltd. $17,143, Akai Sales PTE Ltd $44,495 and Sansui Sales PTE Ltd. $25,715. All amounts so invoiced have been repaid in full to Emerson as of September 30, 2009.

Other. In January and February 2008, Emerson invoiced The GEL Engineering Corp. Ltd (GEL), a non-subsidiary affiliate of Grande, for a portion of $7,900 travel expenses paid by Emerson, of which 70% pertained to travel for the benefit of GEL and 30% pertained to travel for Emerson. In September 2009, Emerson wrote off its receivable from GEL of $5,500 pertaining to this activity as GEL is insolvent.

In June 2008, Emerson paid Capetronic $160,000 for reimbursement of payroll and travel expenses that Capetronic paid on behalf of Emerson from October 2007 through May 2008 for expenses related to Emerson employees located in mainland China.

In September 2008, Akai Sales invoiced Emerson for travel expenses and courier fees which Akai Sales paid on Emerson s behalf. As of March 31, 2009 and December 31, 2009 Emerson owed Akai Sales $0 as a result of this invoice.

During the three and nine months ended December 31, 2009, Emerson paid Innovative Capital Limited, a subsidiary of Grande, consulting fees of $0 and $125,000, respectively for services rendered to Emerson during the first six months of fiscal 2010 by personnel of Grande. This consulting arrangement ended on September 30, 2009. Emerson owed $0 to Innovative Capital Limited at December 31, 2009 related to this arrangement.

During the three and nine months ended December 31, 2009, Akai Sales invoiced Emerson approximately $5,000 and $21,000, respectively, for travel expenses which Akai Sales paid on Emerson s behalf. As of December 31, 2009 Emerson owed Akai Sales $25,000 as a result of these invoices.

During September 2009, Nakamichi Corporation Ltd. invoiced Emerson approximately $1,000 for audio samples. As of December 31, 2009, Emerson owed Nakamichi Corporation Ltd. $0 as a result of this invoice.

NOTE 9 BORROWINGS

Short-term Borrowings

At both December 31, 2009 and March 31, 2009, there were $5.7 million of short-term borrowings outstanding under a credit line maintained with Morgan Stanley Smith Barney LLC. This facility is backed by the Company s auction rate securities, bears interest at the Fed Open Market Rate plus 1.10%, and these borrowings have no net carrying cost.

Long-term Borrowings

As of December 31, 2009 and March 31, 2009, borrowings under long-term facilities consisted of the following (in thousands):

	December 31, 2009 (Unaudited)	March 31, 2009
Capitalized lease obligations and other	91	144
Less current maturities	(56)	(85)
Long term debt and notes payable	$ 35	$ 59

Credit Facility Emerson Credit Facility On December 23, 2005, the Company entered into a $45.0 million Revolving Credit Agreement with Wachovia Bank, which expires on December 23, 2010. This credit facility provides for revolving loans subject to individual maximums which, in the aggregate, are not to exceed the lesser of $45.0 million or a Borrowing Base as defined in the loan agreement. The Borrowing Base amount is established by specified percentages of eligible accounts receivables and inventories and bears interest ranging from Prime plus 1.00% to 1.50% or, at the Company s election, the London Interbank Offered Rate (LIBOR) plus 2.50% to 3.00% depending on excess availability. Pursuant to the loan agreement, the Company is restricted from, among other things, paying certain cash dividends, and entering into certain transactions without the lender s prior consent and is subject to certain leverage financial covenants. Borrowings under the loan agreement are secured by substantially all of the Company s tangible assets.

At March 31, 2009, as a result of failing to meet the fixed charge coverage ratio (FCCR) requirement, the Company was not in compliance with the covenants of the Wachovia Loan Agreement. The lender agreed to waive such defaults, and the Company and the lender negotiated an amendment in July 2009 to the loan and security agreement. The Company was required to pay $50,000 to the lender in connection with the amendment. The amendment raises the pricing on letters of credit by 2% and the unused line fee by 12.5 basis points.

At December 31, 2009, there were no borrowings outstanding under the facility.

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NOTE 10 LEGAL PROCEEDINGS

In re: Emerson Radio Shareholder Derivative Litigation. In late 2008, the plaintiffs in two previously filed derivative actions (the Berkowitz and Pinchuk actions) filed a consolidated amended complaint naming as defendants two current and one former director of the Company and alleging that the named defendants violated their fiduciary duties to the Company in connection with a number of related party transactions with affiliates of Grande Holdings, the Company s controlling shareholder. In January 2009, the individual defendants filed an answer denying the material allegations of the complaint and the litigation currently is in the discovery stage. The recovery, if any, in this action will inure to the Company s benefit.

Except for the litigation matters described above, 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 our 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 our 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 11 MARKETABLE SECURITIES:

As of both December 31, 2009 and March 31, 2009, the Company had $8.1 million face value (net book value of $6.0 million) invested in trading securities, consisting entirely of student loan auction rate securities (SLARS). These securities have long-term nominal maturities for which interest rates are reset through a Dutch auction process at pre-determined calendar intervals; a process which, prior to February 2008, had historically provided a liquid market for these securities. As a result of the continuing liquidity issues experienced in the global credit and capital markets, these SLARS have had multiple failed auctions. As a result, the Company concluded at March 31, 2008, that these securities had experienced an other-than-temporary decline in fair value. These SLARS have AAA/Aaa and AAA/Baa3 credit ratings as of December 31, 2009, and have been classified as long-term investments in the Company s Consolidated Balance Sheet as a consequence of their uncertain liquidity. Based on the Company s internal valuation, it believes that the market value of the SLARS has not deteriorated between March 31, 2009 and December 31, 2009 and has therefore not recorded any realized or unrealized gains or losses on these securities in the three or nine month periods ended December 31, 2009.

ASC Topic 820 Fair Value Measurements and Disclosures defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures.

Under ASC Topic 820, financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy. The three levels are as follows:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 inputs are unobservable inputs that reflect our own assumptions about the assumptions that market participants would use in pricing the asset or liability. The Company would develop these inputs based on the best information available, including its own data.

In accordance with the fair value hierarchy described above, the following table shows the fair value of the Company s securities available for sale that are required to be measured at fair value as of December 31, 2009:

	Fair Value Measurement at Reporting Date Using:
	December 31, 2009
Significant Unobservable Inputs (Level 3)	

		(in thousands)
Investments in marketable securities (classified as trading securities)	$	6,031
Investments in marketable securities	$	6,031

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The following table summarizes the changes in fair value for the Company s Level 3 assets:

	Fair Value Measurement of Asset using Level 3 inputs (in thousands) Trading Securities non-current	
Balance at March 31, 2009		6,031
Total gains (losses) (realized or unrealized):		
Realized included in earnings at December 31, 2009		
Unrealized included in earnings at December 31, 2009		
Redemptions of principal		
Balance at December 31, 2009	$	6,031

NOTE 12 DISCONTINUED OPERATIONS:

On April 16, 2009, the Company sold its 50% membership interest in Advanced Sound and Image LLC (ASI) to ASI. On the same date, the Company also sold for $200,000 its right, title and interest in and to certain loan documentation relating to a secured line of credit made available to ASI, under which approximately $1.2 million was due and payable to the Company as of April 16, 2009. As a result of this transaction, the Company has presented as discontinued operations, net of taxes, its share of the results of operations of ASI for all periods presented.

Loss from discontinued operations, net of tax, for the three months ending December 31, 2009 and December 31, 2008, respectively, was $0 and $176,000. Loss from discontinued operations, net of tax, for the nine months ending December 31, 2009 and December 31, 2008, respectively, was $55,000 and $357,000.

Item 2. Management s Discussion and Analysis of Results of Operations and Financial Condition

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 Quarterly Report.

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

Forward-Looking Information

This report contains forward looking statements within the meaning of 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 Emerson 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 Emerson s control, and which may cause Emerson s 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. The reader can identify these forward-looking statements through Emerson s use of words such as may, will, can, anticipate, assume, should, indicate, would, believe, contemplate, expect, seek, estimate, contin predict, could, intend, target, potential, and other similar words and expressions of the future. These forward-loo statements may not be realized due to a variety of factors, including, without limitation:

the loss of any of the Company s key customers or reduction in the price or volume of its products purchased by any such customers;

the Company s inability to maintain effective internal controls or the failure by its personnel to comply with such internal controls;

the failure by the Company to maintain its relationships with its licensees and distributors or the failure to obtain new licensees or distribution relationships on favorable terms;

the Company s inability 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 parties to manufacture and deliver its products;

the seasonality of the Company s business, as well as changes in consumer spending and economic conditions;

the failure of third party sales representatives to adequately promote, market and sell the Company s products;

the Company s inability to protect its intellectual property;

the effects of competition;

changes in foreign laws and regulations and changes in the political and economic conditions in the foreign countries in which the Company operates;

conflicts of interest that exist based on the Company s relationship with Grande;

changes in accounting policies, rules and practices; and

the other factors listed under Risk Factors in the Company s Form 10-K, as amended, for the fiscal year ended March 31, 2009 and other filings with the Securities and Exchange Commission (the SEC).

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 report or the date of the document incorporated by reference into this 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. Management has expressed its expectations, beliefs and projections in good faith and it believes it has a reasonable basis for them. However, management cannot assure the reader that its expectations, beliefs or projections will be achieved or accomplished.

Company Filings

The Company makes available through its website free of charge the Company s 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 this website is not incorporated by reference in this report.

Results of Operations

The following table summarizes certain financial information for the three and nine month periods ended December 31, 2009 (fiscal 2010) and December 31, 2008 (fiscal 2009) (in thousands):

	Three Months Ended December 31		Nine Months Ended December 31	
	2009	2008	2009	2008
Net revenues	$48,038	$60,068	$155,411	$157,439
Cost of sales	39,298	55,612	132,602	140,434
Other operating costs and expenses	708	2,058	2,563	4,769
Selling, general and administrative expenses	3,397	4,519	10,829	13,781
Operating income (loss)	4,635	(2,121)	9,417	(1,545)
Interest income (expense), net	(1)	21	21	227
Unrealized holding (losses) on trading securities		(410)		(431)
Realized gains on trading securities		91		623
Income (loss) from continuing operations before income taxes	4,634	(2,419)	9,438	(1,126)
Provision (benefit) for income taxes	1,221	(506)	1,643	848
Net income (loss) from continuing operations	$ 3,413	$ (1,913)	$ 7,795	$ (1,974)

Net Revenues Net revenues for the third quarter of fiscal 2010 were $48.0 million as compared to $60.1 million for the third quarter of fiscal 2009, a decrease of $12.1 million or 20.1%. For the nine month period of fiscal 2010, net revenues were $155.4 million as compared to $157.4 million for the nine month period of fiscal 2009, a decrease of $2.0 million or 1.2%. Net revenues 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 revenues and operating income by $0.3 million and $0.1 million in the third quarter of fiscal 2010 and fiscal 2009, respectively, and $1.0 million and $1.2 million for the nine month period of fiscal 2010 and fiscal 2009, respectively. Net revenues are comprised of Emerson(R) branded product sales, themed product sales and licensing revenues. Emerson(R) branded product sales are earned from the sale of products bearing the Emerson(R) or HH Scott(R) brand name; themed product sales represent products sold bearing a certain theme or character; and licensing revenues are derived from licensing the Emerson(R) and HH Scott(R) brand names to licensees for a fee. The major elements which contributed to the overall decrease in net revenues were as follows:

i) Home appliances product sales decreased $3.9 million, or 9.3%, to $38.2 million in the third quarter of fiscal 2010 as compared to $42.1 million in the third quarter of fiscal 2009 on decreases in microwave ovens, wine coolers and coffee makers, partially offset by increases in small refrigerators and toaster ovens. For the nine month period of fiscal 2010, home appliances product sales were $127.0 million, an increase of $15.0 million, or 13.3%, from $112.1 million in the nine month period of fiscal 2009, on increases in all product categories except for wine coolers. Home appliance product sales consist of microwave ovens, small refrigerators, toaster ovens, wine coolers and coffee makers;

ii) Emerson(R) branded products sales, excluding home appliances products, were $6.5 million in the third quarter of fiscal 2010 as compared to $12.5 million in the third quarter of fiscal 2009, a decrease of approximately

$6.0 million, or 48.0%. For the nine month period of fiscal 2010, Emerson® branded products sales, excluding home appliances products, were $20.1 million, a decrease of $11.7 million, or 36.8% from $31.8 million in the nine month period of fiscal 2009, primarily resulting from decreased sales volumes across the Company s entire audio category;

iii) Themed product sales were $1.3 million in the third quarter of fiscal 2010 compared to $3.9 million in the third quarter of fiscal 2009, a decrease of $2.6 million, or 67.7%. For the nine month period of fiscal 2010, themed product sales were $3.4 million, a decrease of $5.0 million, or 59.7%, from $8.3 million in the nine month period of fiscal 2009. The decrease in both periods results from the winding down of the Company s licensing arrangement with Mattel® to distribute themed products bearing the Barbie®, Hot Wheels® and Funkey® brand names. The licensing arrangement with Mattel terminated on December 31, 2009;

iv) Licensing revenues increased approximately $0.4 million, or 27.6%, to $2.0 million in the third quarter of fiscal 2010 as compared to $1.6 million in the third quarter of fiscal 2009 due primarily to higher sales volumes in the quarter of licensed video products. For the nine month period of fiscal 2010, licensing revenues decreased approximately $0.3 million, or 5.9%, to $4.9 million as compared to $5.2 million for the nine month period of fiscal 2009 due primarily to lower sales volumes in the nine month period of licensed video products.

Cost of Sales In absolute terms, cost of sales decreased $16.3 million, or 29.3%, to $39.3 million in the third quarter of fiscal 2010 as compared to $55.6 million in the third quarter of fiscal 2009. In absolute terms, cost of sales decreased $7.8 million, or 5.6%, to $132.6 million in the nine month period of fiscal 2010 as compared to $140.4 million in the nine month period of fiscal 2009. Cost of sales, as a percentage of net revenues, was 81.8% and 92.6% in the third quarters of fiscal 2010 and fiscal 2009, respectively, and 85.3% and 89.2% in the nine month periods of fiscal 2010 and fiscal 2009, respectively. Cost of sales as a percentage of sales revenues less license revenues was 85.4% in the third quarter of fiscal 2010 as compared to 95.1% in the third quarter of fiscal 2009. Cost of sales as a percentage of sales revenues less license revenues was 88.1% in the nine month period of fiscal 2010 as compared to 92.3% in the nine month period of fiscal 2009. The decrease in cost of sales in absolute terms for the third quarter of fiscal 2010 as compared to the third quarter of fiscal 2009 was primarily related to the decrease in net sales volume, lower inventory reserve requirements, lower costs of personnel in Asia involved with product sourcing and quality assurance activities, and lower inventory write-downs. The decrease in cost of sales in absolute terms for the nine month period of fiscal 2010 as compared to the nine month period of fiscal 2009 resulted from the decrease in net sales volume, lower costs of personnel in Asia involved with product sourcing and quality assurance activities, and lower inventory reserve requirements, partially offset by higher purchasing brokerage costs.

Gross Profit Margins Gross profit margins continue to be subject to competitive pressures arising from pricing strategies associated with the categories of the markets in which the Company competes. The Company s products are generally placed in the low-to-medium priced category of the market, which has a tendency to be highly competitive.

Other Operating Costs and Expenses As a percentage of net revenues, other operating costs and expenses were 1.5% in the third quarter of fiscal 2010 versus 3.4% in the third quarter of fiscal 2009. In absolute terms, other operating costs and expenses decreased $1.4 million, or 65.6%, to $0.7 million for the third quarter of fiscal 2010 as compared to $2.1 million in the third quarter of fiscal 2009 as a result of decreased returns processing, warranty and service costs. For the nine month period of fiscal 2010, other operating costs were 1.6% as a percentage of net revenues versus 3.0% for the nine month period of fiscal 2009. In absolute terms, other operating costs and expenses decreased $2.2 million, or 46.3%, to $2.6 million for the nine month period of fiscal 2010 as compared to $4.8 million in the nine month period of fiscal 2009, as a result of decreased returns processing, warranty and service costs.

Selling, General and Administrative Expenses (S,G&A) S,G&A, as a percentage of net revenues, was 7.1% in the third quarter of fiscal 2010 as compared to 7.5% in the third quarter of fiscal 2009. S,G&A, in absolute terms, decreased $1.1 million, or 24.8%, to $3.4 million for the third quarter of fiscal 2010 as compared to $4.5 million for the third quarter of fiscal 2009. The decrease in S,G&A in absolute terms between the third quarter of fiscal 2010 and third quarter of fiscal 2009 was primarily due to lower compensation, marketing, and travel and entertainment costs, partially offset by higher legal expenses. For the nine month period of fiscal 2010, S,G&A was 7.0% of net revenues versus 8.8% of net revenues in the nine month period of fiscal 2009. In absolute terms, S,G&A for the nine month period of fiscal 2010 was $10.8 million, a $3.0 million, or 21.4% decrease from the nine month period of fiscal 2009 level of $13.8 million. The decrease in S,G&A in absolute terms between the nine month period of fiscal 2010 and the nine month period of fiscal 2009 was primarily due to lower compensation, marketing, and travel and entertainment costs, partially offset by higher legal expenses.

Interest Income (Expense), net Interest expense, net, was $1,000 in the third quarter of fiscal 2010 as compared to $21,000 of interest income in the third quarter of fiscal 2009. For the nine month period of fiscal 2010, interest income, net was $21,000 as compared to $227,000 of interest income in the nine month period of fiscal 2009. The period-over-period change to net interest expense in fiscal 2010 s third quarter and period-over-period reduction in interest income in fiscal 2010 s nine month period is due to interest expense incurred on cash borrowed from Smith Barney by the Company against its auction rate securities beginning in August 2008, as well as lower period-over-period interest income due to lower yields on invested cash.

Realized/Unrealized Holding Gains (Losses) on trading securities Realized/unrealized holding losses on trading securities were $0 in the third quarter and nine month period of fiscal 2010 as compared to $410,000 and $431,000 in the third quarter and nine month period of fiscal 2009, respectively. The unrealized losses in fiscal 2009 s third quarter and nine month period were related to the revaluation of the Company s auction rate securities, which were unchanged in value during fiscal 2010 s third quarter and nine month period. See note 11 Marketable Securities .

Provision (benefit) for Income Taxes Provision for income taxes was $1.2 million in fiscal 2010 s third quarter as compared to a benefit of $506,000 in fiscal 2009 s third quarter. The provision for income taxes was $1.6 million for the nine month period of fiscal 2010 as compared to $848,000 for the nine month period of fiscal 2009. The Company s provision for income taxes in fiscal 2010 s third quarter and nine month period is due primarily to the reduction in deferred tax assets associated with the Company s profits earned in the United States during those periods.

Net Income (loss) from continuing operations As a result of the foregoing factors, the Company realized net income from continuing operations of $3.4 million in the third quarter of fiscal 2010 as compared to a loss of $1.9 million in the third quarter of fiscal 2009, and $7.8 million of net income from continuing operations in the nine month period of fiscal 2010 versus a net loss from continuing operations of $2.0 million in the nine month period of fiscal 2009.

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Liquidity and Capital Resources

General

As of December 31, 2009, the Company had cash and cash equivalents of approximately $38.8 million, compared to approximately $15.7 million at December 31, 2008. Working capital increased to $49.3 million at December 31, 2009 as compared to $46.8 million at December 31, 2008. The increase in cash and cash equivalents of approximately $23.1 million was primarily due to net income generated, reduced inventory and accounts receivable levels, and increased accounts payable and accrued liabilities partly offset by capital expenditures on property, plant and equipment and intangible assets.

Cash flow provided by operating activities from continuing operations was approximately $20.8 million for the nine months ended December 31, 2009, resulting primarily from the net income, decrease in inventory, decrease in restricted cash, increase in accounts payable and accrued liabilities, and decrease in accounts receivable.

Net cash used by investing activities from continuing operations was $4.4 million for the nine months ended December 31, 2009 and resulted primarily from the purchase during the period of the U.S. headquarters building and the Olevia® trademark.

Net cash used by financing activities from continuing operations was $131,000 for the nine months ended December 31, 2009, resulting from repayments of short and long-term borrowings.

Wachovia

On December 23, 2005, the Company entered into a $45.0 million Revolving Credit Agreement with Wachovia Bank, which expires on December 23, 2010. This credit facility provides for revolving loans subject to individual maximums which, in the aggregate, are not to exceed the lesser of $45.0 million or a Borrowing Base as defined in the loan agreement. The Borrowing Base amount is established by specified percentages of eligible accounts receivables and inventories and bears interest ranging from Prime plus 1.00% to 1.50% or, at the Company s election, the London Interbank Offered Rate (LIBOR) plus 2.50% to 3.00% depending on excess availability. Pursuant to the loan agreement, the Company is restricted from, among other things, paying certain cash dividends, and entering into certain transactions without the lender s prior consent and is subject to certain leverage financial covenants. Borrowings under the loan agreement are secured by substantially all of the Company s tangible assets.

At December 31, 2009, there were approximately $2.7 million of letters of credit outstanding under this facility. There were no borrowings outstanding at December 31, 2009 under this facility, and at December 31, 2009, the Company was in compliance with the covenants on its credit facilities.

Short-Term Liquidity. Liquidity is somewhat impacted by seasonality in that the Company generally experiences higher sales in the quarters ending June, September and December, as compared to the quarter ending March. This requires the Company to maintain higher inventory levels during these quarters, therefore increasing the working capital needs during these periods. Additionally, the Company receives the largest percentage of product returns in the quarter ending March. The higher level of returns during this period adversely impacts collection activity, and therefore liquidity. In the three and nine months ended December 31, 2009, products representing approximately 25.3% and 37.2%, respectively, of net product sales were imported directly to the Company s customers. This contributes significantly to the Company s liquidity in that this inventory does not need to be financed.

The Company s principal existing sources of cash are cash generated from operations and borrowings available under its revolving credit facilities. As of December 31, 2009, the Company had $12.2 million of borrowing capacity available under its $45.0 million revolving credit facilities. The Company believes that its existing sources of cash, including cash flows generated from operations, will be sufficient to support existing operations over the next 12 months; however, management may decide to raise additional financing, which may include the issuance of equity securities, or the incurrence of additional debt, in connection with existing operations or if the Company elects to pursue acquisitions.

Recently Issued Accounting Pronouncements

In April 2009, the FASB issued FSP SFAS 115-2 and SFAS 124-2, Recognition and Presentation of Other-than-temporary impairments, which was subsequently incorporated into ASC topic 320, Investments Debt and Equity Securities. The purpose of this ASC was to provide greater clarity to investors about the credit and noncredit component of an other-than-temporary impairment event and to communicate more effectively when an other-than-temporary impairment event has occurred. This ASC amends the other-than-temporary impairment guidance in GAAP for debt securities and improves the presentation and disclosure of other-than-temporary impairment on investment securities and changes the calculation of the other-than-temporary impairment recognized in earnings in the financial statements. This ASC does not amend existing recognition and measurement guidance related to other-than-temporary impairment of equity securities.

For debt securities, ASC topic 320 requires an entity to assess whether (a) it has the intent to sell the debt security, or (b) it is more likely than not that it will be required to sell the debt security before its anticipated recovery. If either of these conditions is met, an other-than-temporary impairment on the security must be recognized.

In instances in which a determination is made that a credit loss (defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis) exists but the entity does not intend to sell the debt security and it is not more likely than not that the entity will be required to sell the debt security before the anticipated recovery of its remaining amortized cost basis (i.e., the amortized cost basis less any current-period credit loss), ASC topic 320 changes the presentation and amount of the other-than-temporary impairment recognized in the income statement.

In these instances, the impairment is separated into (a) the amount of the total impairment related to the credit loss, and (b) the amount of the total impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total impairment related to all other factors is recognized in other comprehensive loss and will be amortized over the remaining life of the debt security as an increase in the carrying value of the security (with no effect on earnings unless the security is subsequently sold or there is additional other-than-temporary impairment losses recognized). The total other-than-temporary impairment is presented in the income statement with an offset for the amount of the total other-than-temporary impairment that is recognized in other comprehensive loss. Previously, in all cases, if an impairment was determined to be other-than-temporary, an impairment loss was recognized in earnings in an amount equal to the entire difference between the security s amortized cost basis and its fair value at the balance sheet date of the reporting period for which the assessment was made. The new presentation provides additional information about the amounts that the entity does not expect to collect related to a debt security.

ASC topic 320 is effective and is to be applied prospectively for financial statements issued for interim and annual reporting periods ending after June 15, 2009. When adopting ASC topic 320, an entity is required to record a cumulative-effect adjustment as of the beginning of the period of adoption to reclassify the noncredit component of a previously recognized other-than-temporary impairment from retained earnings to accumulated other comprehensive loss if the entity does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before the anticipated recovery of its amortized cost basis.

The Company adopted FASB Staff Position 115-2 (FSP 115-2) Recognition and Presentation of Other-than-Temporary Impairments on April 1, 2009. The adoption of FSP 115-2, which was subsequently incorporated into ASC topic 320, Investments Debt and Equity Securities, did not have a material impact on the Company s results of operation or financial condition for the three or nine months ended December 31, 2009.

In May 2009, the FASB issued SFAS No. 165 Subsequent Events (SFAS 165), which is effective for interim or annual financial periods ending after June 15, 2009, and which was subsequently incorporated into ASC topic 855, Subsequent Events. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 sets forth (1) The period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) The circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (3) The disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The Company adopted SFAS 165 in the quarter ended June 30, 2009 and has evaluated subsequent events through February 11, 2010, the date the financial statements were issued.

In June 2009, the FASB issued FAS No.168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162*. This codification is the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Company adopted the provisions of FAS No. 168 effective June 28, 2009. The adoption of this statement did not have an effect on our financial position or results of operations.

In January 2010, the FASB issued ASU 2010-06, Improving Disclosures about Fair Value Measurements. The standard amends ASC Topic 820, Fair Value Measurements and Disclosures to require additional disclosures related to transfers between levels in the hierarchy of fair value measurement. The standard is effective for interim and annual reporting periods beginning after December 15, 2009. The standard does not change how fair values are measured. Accordingly, the standard will not have an impact on the Company.

Inflation, Foreign Currency, and Interest Rates

Neither inflation nor currency fluctuations had a significant effect on the Company s results of operations during the third quarter of fiscal 2010. The Company s exposure to currency fluctuations has been minimized by the use of U.S. dollar denominated purchase orders. The Company purchases virtually all of its products for resale from manufacturers located in China.

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The interest on any borrowings under the Company s credit facilities would be based on the Fed Open Market, Prime or LIBOR rates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes from items disclosed in Form 10-K for the fiscal year ended March 31, 2009.

Item 4. Controls and Procedures

(a) *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. Our controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

As a result of the material weaknesses in internal controls over financial reporting as previously disclosed in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission on July 14, 2009, 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 December 31, 2009, are not effective to reasonably ensure 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.

(b) Changes in Internal Controls Over Financial Reporting

There have been no changes in the Company s internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

There were no material changes to the legal proceedings previously disclosed in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission on July 14, 2009.

Item 1A. Risk Factors

There were no material changes in any risk factors previously disclosed in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission on July 14, 2009.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None

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ITEM 3. Defaults Upon Senior Securities.

(a) None

(b) None

ITEM 4. Submission of Matters to a Vote of Security Holders.

The Company held its annual meeting on November 10, 2009 (2009 Annual Meeting) at which the matters described herein were submitted to a vote of the security holders.

At the 2009 Annual Meeting, the Company submitted a proposal to elect Christopher Ho, Duncan Hon, Adrian Ma, Mirzan Mahathir, Greenfield Pitts, Kareem E. Sethi, Terence A. Snellings, and Eduard Will to serve as directors until the next annual meeting of shareholders and until their respective successors have been duly elected and qualified. The votes cast for or withheld for each nominee were as follows:

Nominee:	Votes For:	Votes Withheld:
Christopher Ho	21,242,676	4,733,063
Adrian Ma	21,252,397	4,723,342
Greenfield Pitts	21,619,723	4,356,016
Eduard Will	21,259,058	4,716,681
Duncan Hon	21,591,755	4,383,984
Mirzan Mahathir	23,220,732	2,755,007
Kareem E. Sethi	23,249,672	2,726,067
Terence A. Snellings	23,262,403	2,713,336

At the 2009 Annual Meeting, the Company submitted a proposal to ratify the appointment of MSPC Certified Public Accountants and Advisors, A Professional Corporation (MSPC) as the Company s independent auditors for the year ended March 31, 2010. The votes cast for, against or abstaining from, and the broker non-votes were as follows:

No. of Voted For:	**No. of Shares Voted Against:**	**No. of Abstentions:**	**No. of Broker Non-vote:**
23,468,316	2,345,518	161,904	0

ITEM 5. Other Information.

None

ITEM 6. Exhibits.

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.*

* filed herewith

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SIGNATURES

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

	EMERSON RADIO CORP.
	(Registrant)
Date: February 11, 2010	/s/ Adrian Ma Adrian Ma Chief Executive Officer (Principal Executive Officer)
Date: February 11, 2010	/s/ Greenfield Pitts Greenfield Pitts Chief Financial Officer (Principal Financial and Accounting Officer)

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