

CENTURYTEL INC
Form 11-K
June 28, 2006

United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2005

OR

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

Commission file number 1-7784

A. Full title of the plan and the address of the plan, if different from that of the issuer
named below:

CENTURYTEL, INC.
UNION GROUP INCENTIVE PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its
principal executive office:

CENTURYTEL, INC.
100 CENTURYTEL DRIVE
MONROE, LA 71203

Report of Independent Registered Public Accounting Firm

The Board of Directors
CenturyTel, Inc.:

We have audited the accompanying statements of net assets available for benefits of CenturyTel, Inc. Union Group Incentive Plan as of December 31, 2005 and 2004, and the related statement of changes in net assets available for benefits for the year ended December 31, 2005. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of CenturyTel, Inc. Union Group Incentive Plan as of December 31, 2005 and 2004, and the changes in net assets available for benefits for the year ended December 31, 2005 in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

/s/ KPMG LLP

Shreveport, Louisiana
June 16, 2006

CENTURYTEL, INC.
UNION GROUP INCENTIVE PLAN
Statements of Net Assets Available for Benefits
December 31, 2005 and 2004

	2005	2004
PLAN ASSETS		
Investments, at fair value	\$ 54,315,661	45,695,966
Cash	338	-
Contributions receivable - employer	21	85,488
Contributions receivable - participants	36	-
NET ASSETS AVAILABLE FOR BENEFITS	\$ 54,316,056	45,781,454

See accompanying notes to financial statements.

CENTURYTEL, INC.
UNION GROUP INCENTIVE PLAN
 Statement of Changes in Net Assets Available for Benefits
 For the year ended December 31, 2005

Additions to net assets:	
Investment income:	
Net appreciation (depreciation) in fair value of investments:	
Mutual funds	\$ 686,725
Common stocks	(125,764)
Dividend and other income	2,157,692
Interest income	163,805
Net investment income	2,882,458
Contributions:	
Participants	5,814,216
Company	2,355,649
Total contributions	8,169,865
Total investment income and contributions	11,052,323
Deductions from net assets:	
Participant withdrawals	2,517,721
Net increase	8,534,602
Net assets available for benefits:	
Beginning of year	45,781,454
End of year	\$ 54,316,056

See accompanying notes to financial statements.

CENTURYTEL, INC.
UNION GROUP INCENTIVE PLAN
Notes to Financial Statements
December 31, 2005 and 2004

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROVISIONS
OF THE PLAN**

Basis of Presentation

The CenturyTel, Inc. Union Group Incentive Plan (the Plan) was established on June 1, 1983. The accompanying financial statements of the Plan have been prepared on the accrual basis of accounting and present the net assets available for benefits as of December 31, 2005 and 2004 and changes in net assets available for benefits for the year ended December 31, 2005. The Plan has made estimates in preparing the accompanying financial statements in accordance with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

The assets of the Plan are invested by the Trustee in various investment programs (funds) which are described in Note 2.

The following description of the Plan provides only general information. Participants should refer to the Plan Document for a more complete description of the Plan's provisions.

Participation

Participation in the Plan is available to each eligible employee of CenturyTel, Inc. (the Company) whose compensation and conditions of employment are covered by certain collective bargaining agreements.

In order to participate in the Plan, an employee must execute a Salary Deferral Agreement with the Company. In the Salary Deferral Agreement, which is executed either on-line or by telephone, an employee agrees to a deferral of between one percent and twenty-five percent of his eligible pay; however, the total amount contributed to the Plan cannot exceed \$14,000 for 2005 (as adjusted from year to year in accordance with Federal Law). The percentage of compensation a participant elects to defer applies to the participant's W-2 earnings not in excess of \$210,000 for 2005 (as adjusted in accordance with Federal Law) excluding severance pay, disability pay, reimbursements or other expense allowances, fringe benefits, moving expenses, deferred compensation, and welfare benefits. The amount of compensation deferred by each participant is credited to an account (Elective Deferral Account) maintained for each participant by the Trustee.

Participants age 50 years or older are allowed to make an additional contribution to the Plan each year in excess of the otherwise prescribed limits. The amount of the allowable additional contribution for a participant in 2005 was \$4,000; the amount will increase by \$1,000 to a maximum of \$5,000 in 2006 (which will thereafter be adjusted annually).

An employee is permitted to transfer to the Plan as a contribution his interest in another plan qualified under Section 401(k) of the Internal Revenue Code, as amended (the Code). Such contribution must qualify as a "rollover" contribution described in Section 402(c) or 408(d)(3) of the Code. Such a rollover will be credited to a rollover account on behalf of the participant (the Rollover/Transfer Account).

As of the end of each payroll period, the Company contributes to an account (Employer Match Account) for each participant a contribution equal to a percentage, as determined by the participant's applicable collective bargaining

agreement, of each such participant's contribution during such payroll period; however, this matching contribution applies only to the first 6% of such participant's eligible compensation contributed to the Plan by the employee. The Board of Directors of the Company may, at its discretion, elect at the end of each year to contribute an additional amount to participants' accounts (Additional Match Account). During 2005, the Company contributed \$2,355,649 to the Plan, all of which related to contributions made to the Employer Match Account.

The interest of a participant in his Elective Deferral Account and his Rollover/Transfer Account is fully vested and non-forfeitable at all times.

The interest of a participant in his Employer Match Account and Additional Match Account vests as follows:

<u>Years of Service</u>	<u>Percentage Vested</u>
Less than 1	0%
1	20
2	40
3	60
4	80
5	100

In the event of death, disability, or upon reaching age 65, the Employer Match Account and Additional Match Account become fully vested.

Reports to Participants

Participants are furnished with quarterly statements which set forth the status of their accounts in the Plan.

Forfeitures

A participant's non-vested account balances shall be forfeited as of the date upon which the participant's employment has terminated with the Company. Forfeiture amounts may be utilized first to satisfy any restorations for the year. Any remaining forfeitures shall be applied to offset future employer contributions.

Distributions

If the employment of a participant with the employer ceases because of death, retirement, disability, termination of employment or for any other reason, the participant's vested interest in the Plan may be distributed to him or to his beneficiary in a lump sum or in periodic installments. If the participant dies without designating a beneficiary, his beneficiary shall be, in the order listed, (i) his spouse, (ii) his children, or (iii) his estate.

Withdrawals

A participant who is an employee and over age 59 1/2 may make withdrawals from his vested investment accounts prior to normal distribution requirements being met. A participant may make withdrawals from his Rollover/Transfer Account at any time. In addition, a hardship withdrawal may be made from an Elective Deferral Account, the vested interest in an Employer Match Account, or the vested interest in an Additional Match Account only as a result of financial hardship related to unreimbursable educational expenses, medical expenses which are not reimbursable by insurance, the need to pay for the funeral expenses of a family member, the prevention of eviction or foreclosure from the Participant's principal residence, or for the purchase of the participant's principal residence. The determination of the existence of a financial hardship and the amount required to be distributed to meet the need created by the

hardship shall be made uniformly and without discrimination at the sole discretion of the Plan Administrator.

Loans to Participants

The Plan has a provision whereby a participant can borrow from his Elective Deferral Account or Rollover/Transfer Account. The maximum loan is \$50,000 reduced by the excess, if any, of the highest outstanding loan balance during the previous year over the outstanding balance on the date of the new loan or 50% of the vested account balance. The loans are repaid through payroll deductions and the interest rate is the prime rate published in the Wall Street Journal on the last day of the previous quarter plus 1%. The loan repayment period may not exceed five years except for loans for the purchase of the Participant's principal residence which may be for any period not to exceed fifteen years.

Trustee

The Trustee of the Plan, as of December 31, 2005, was T. Rowe Price Trust Company (T. Rowe Price). The Board of Directors of the Company may remove the Trustee and appoint a successor trustee. The Company and the Trustee have entered into a Trust Agreement which provides for the establishment of a Trust for the purpose of holding and investing the contributions to the Trust pursuant to the provisions of the Plan.

Administration

The Company has appointed a committee to administer the Plan. The individuals who administer the Plan serve at the discretion of the Board of Directors of the Company and may be removed by the Board of Directors at any time. The administrative costs of the Plan are paid by the Company.

Investment Valuation and Income Recognition

Investments in CenturyTel, Inc. Common Stock (CenturyTel Common Stock) are valued at the closing market price on December 31, 2005 and 2004, respectively. Other investments in the funds, which consist primarily of shares of mutual funds, are valued by the Trustee based on the market value at year-end of the underlying assets of each fund. Purchases and sales of securities are recorded on a trade date basis. Loans to participants are valued at principal amount outstanding which approximates market value. Interest income is recorded on the accrual basis.

Plan Termination

Although it has not expressed any intention to do so, the Company has the right under the Plan to change, suspend or terminate the Plan at any time, subject to the provisions set forth in the Employee Retirement Income Security Act of 1974. However, the Company is required to comply with all relevant provisions of the applicable labor agreements.

(2) DESCRIPTION OF THE FUNDS

The following is a description of each of the funds which had outstanding balances and were available to Plan participants as of December 31, 2005:

- (a) CenturyTel Common Stock Fund - consists of shares of CenturyTel Common Stock (\$2,148,494 and \$2,073,771 at December 31, 2005 and 2004, respectively).
- (b) Loan Fund - represents loans to participants from the participants' investment accounts (\$3,155,683 and \$2,550,968 at December 31, 2005 and 2004, respectively).
- (c)

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American Funds Amcap, R4 - consists primarily of investments in U.S. common stocks (\$2,075,603 and \$1,840,983 at December 31, 2005 and 2004, respectively).

- (d) Fidelity Diversified International Fund - consists primarily of investments in foreign common stocks (\$1,945,278 and \$1,284,389 at December 31, 2005 and 2004, respectively).
- (e) Oakmark Equity and Income Fund, Class I - consists primarily of investments in U.S. equity and debt securities (\$671,551 and \$481,213 at December 31, 2005 and 2004, respectively).
- (f) Morgan Stanley Institutional Fund Small Company Growth Portfolio B - consists primarily of investments in common stocks of small companies (\$2,563,136 and \$2,009,894 at December 31, 2005 and 2004, respectively).
- (g) PIMCO Low Duration III Institutional Fund - consists primarily of investments in debt securities with an average duration between one and three years (\$29,553 and \$32,723 at December 31, 2005 and 2004, respectively).
- (h) PIMCO Total Return Fund - consists primarily of investments in debt securities (\$4,875,665 and \$4,639,479 at December 31, 2005 and 2004, respectively).
- (i) Allianz NFJ Small Cap Value Institutional Fund - (formerly PIMCO NFJ Small Cap Value Institutional Fund) consists primarily of investments in common stocks of companies with market capitalizations between \$100 million and \$1.8 billion that have below average P/E ratios relative to their industries and U.S. depositary receipts (\$828,383 and \$177,748 at December 31, 2005 and 2004, respectively).
- (j) T. Rowe Price Retirement Income Fund - consists primarily of investments in U.S. and foreign equity and debt securities and money market instruments and is managed for investors planning to retire (or begin to withdraw substantial portions of their investment) in the near future (\$628,050 and \$337,262 at December 31, 2005 and 2004, respectively).
- (k) T. Rowe Price Retirement 2010 Fund - consists primarily of investments in U.S. and foreign equity and debt securities and money market instruments and is managed for investors planning to retire (or begin to withdraw substantial portions of their investment) around the year 2010 (\$1,274,165 and \$866,417 at December 31, 2005 and 2004, respectively).
- (l) T. Rowe Price Retirement 2015 Fund - consists primarily of investments in U.S. and foreign equity and debt securities and money market instruments and is managed for investors planning to retire (or begin to withdraw substantial portions of their investment) around the year 2015 (\$272,154 at December 31, 2005).
- (m) T. Rowe Price Retirement 2020 Fund - consists primarily of investments in U. S. and foreign equity and debt securities and money market instruments and is managed for investors planning to retire (or begin to withdraw substantial portions of their investment) around the year 2020 (\$812,510 and \$335,241 at December 31, 2005 and 2004, respectively).
- (n) T. Rowe Price Retirement 2025 Fund - consists primarily of investments in U. S. and foreign equity and debt securities and money market instruments and is managed for investors planning to retire (or begin to withdraw substantial portions of their investment) around the year 2025 (\$39,374 at December 31, 2005).
- (o) T. Rowe Price Retirement 2030 Fund - consists primarily of investments in U.S. and foreign equity and debt securities and money market instruments and is managed for investors planning to retire (or begin to withdraw substantial portions of their investment) around the year 2030 (\$778,710 and \$437,652 at December 31, 2005 and 2004, respectively).

- (p) T. Rowe Price Retirement 2035 Fund - consists primarily of investments in U.S. and foreign equity and debt securities and money market instruments and is managed for investors planning to retire (or begin to withdraw substantial portions of their investment) around the year 2035 (\$20,535 at December 31, 2005).
- (q) T. Rowe Price Retirement 2040 Fund - consists primarily of investments in U.S. and foreign equity and debt securities and money market instruments and is managed for investors planning to retire (or begin to withdraw substantial portions of their investment) around the year 2040 (\$296,213 and \$174,160 at December 31, 2005 and 2004, respectively).
- (r) T. Rowe Price Equity Income Fund - consists primarily of investments in U. S. and foreign common stocks (\$12,531,704 and \$11,837,422 at December 31, 2005 and 2004, respectively).
- (s) T. Rowe Price Equity Index 500 Fund - consists of investments in the same stocks and in substantially the same percentages as the S&P 500 Index (\$6,125,424 and \$5,881,778 at December 31, 2005 and 2004, respectively).
- (t) T. Rowe Price Mid-Cap Growth Fund - consists primarily of investments in common stocks of companies whose market capitalization falls within the range of companies in the S&P MidCap 400 Index (\$5,224,486 and \$3,851,025 at December 31, 2005 and 2004, respectively).
- (u) T. Rowe Price Summit Cash Reserves Fund - consists primarily of investments in various money market instruments (\$8,018,990 and \$6,883,841 at December 31, 2005 and 2004, respectively).

Investments in Loan Fund, PIMCO Total Return Fund, T. Rowe Price Equity Income Fund, T. Rowe Price Equity Index 500 Fund, T. Rowe Price Mid-Cap Growth Fund, and T. Rowe Price Summit Cash Reserves Fund were each greater than 5% of assets available for benefits at December 31, 2005.

A participant may instruct that all contributions to his accounts be allocated among the various funds. A participant may change his investment allocation instructions and contribution percentage at any time.

(3) INCOME TAXES

The Plan and related trust are designed to meet the necessary requirements of Internal Revenue Code Section 401(a) and, accordingly, the trust underlying the Plan is exempt from income taxation pursuant to Internal Revenue Code Section 501(a). A favorable determination letter was received in September 2003 related to the Plan. The Plan has been amended since receiving the determination letter. However, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable provisions of the Internal Revenue Code.

(4) RELATED PARTY TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by T. Rowe Price, Fidelity Investments (Fidelity), Capital Research and Management Company (Capital), Harris Associates (Harris), Morgan Stanley Investment Management Inc. (Morgan Stanley), Allianz Global Investors of America (Allianz), or Pacific Investment Management Company (PIMCO). T. Rowe Price is the Trustee as defined by the Plan. Therefore, T. Rowe Price, Fidelity, Capital, Harris, Morgan Stanley, Allianz, and PIMCO qualify as parties-in-interest. Fees paid by the Company to T. Rowe Price for trustee, record keeping and other services amounted to \$76,591 for the year ended December 31, 2005.

(5) CONCENTRATION OF INVESTMENTS

Substantially all of the assets available for benefits were invested in mutual funds managed by T. Rowe Price, Capital, Fidelity, Harris, Morgan Stanley, Allianz, or PIMCO. The remaining assets available for benefits are invested in

CenturyTel Common Stock and loans to participants.

**CENTURYTEL, INC.
UNION GROUP INCENTIVE PLAN**

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2005

Identity of issuer, borrower, lessor or similar party	Description of Investment	Current Value
Investment in CenturyTel Common Stock	64,792 shares at \$33.16 per share	\$ 2,148,494

The following table provides certain information with respect to the compensation earned or paid to the Company's Outside Directors during Fiscal 2011.

Table of Contents**Directors Compensation**

Name	Fees		Total (\$)
	Earned or Paid in Cash (\$)	All Other Compensation (\$)	
Christopher Ho	\$ 78,458	\$ 0	\$ 78,458
Mirzan Mahathir	\$ 80,000	\$ 0	\$ 80,000
Kareem E. Sethi	\$ 80,000	\$ 0	\$ 80,000
Terence A. Snellings	\$ 70,870	\$ 0	\$ 70,870
Eduard Will	\$ 80,000	\$ 113,547(1)(2)	\$ 193,547

- (1) Prior to Fiscal 2010, the Company had a policy of offering to provide health care insurance to each of its Outside Directors. Mr. Will is the only current Outside Director who elected to receive health care insurance through the Company. During Fiscal 2010, the Company decided to reverse this policy with retroactive effect and to recover the monies paid for such health care insurance from the applicable Outside Directors by offsetting such monies against future board fees over a thirty month period. Accordingly and as agreed between the Company and Mr. Will, the Company has been recovering, over a thirty month period, commencing June 2009, the \$28,177 it paid for Mr. Will's health insurance premiums after the date on which Mr. Will became an Outside Director and through March 31, 2010. Furthermore, the Company paid \$16,233 for cell phone charges for Mr. Will after the date on which Mr. Will became an Outside Director and through March 31, 2010, and, as agreed between the Company and Mr. Will, the Company has been recovering such monies by offsetting against future board fees over a thirty month period, commencing June 2009. During Fiscal 2011, the Company recovered \$11,970 from Mr. Will in accordance with terms of the above arrangement.
- (2) During Fiscal 2011, the Company paid \$113,547 to Mr. Will for work performed by Mr. Will related to a shareholder derivative lawsuit that the Company settled in January 2011.

Equity Compensation Plan Information

The following table gives information about the Company's common stock that may be issued upon the exercise of options and rights under the Emerson 2004 Employee Stock Incentive Plan and 2004 Non-Employee Outside Director Stock Option Plan, as of March 31, 2011 (the "Plans").

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	50,000	\$ 3.13	2,950,000

Certain Relationships and Related Transactions

From time to time, Emerson engages in business transactions with its controlling shareholder, Grande, and one or more of Grande's direct and indirect subsidiaries. Set forth below is a summary of such transactions.

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Controlling Shareholder

Grande's Ownership Interest in Emerson. Grande has advised the Company that, as of March 31, 2011, one of its indirect subsidiaries held beneficially 15,243,283 shares or approximately 56.2% of the outstanding common stock of Emerson. That number of shares includes the 3,391,967 Pledged Shares which, according to public filings made by Deutsche Bank in March 2010 had previously been pledged to Deutsche Bank to secure indebtedness owed to it. In February 2011, Deutsche Bank filed a Schedule 13G with the SEC stating that Deutsche Bank had sole voting and sole dispositive power over the Pledged Shares (which represent approximately 12.5% of the Company's outstanding common stock). The Company believes that both Grande and Deutsche Bank have claimed beneficial ownership of the Pledged Shares. As of October 14, 2011, the Company has not been able to verify independently the beneficial ownership of the Pledged Shares.

Related Party Transactions

Leases and Other Real Estate Transactions.

Rented Space in Hong Kong

Effective January 1, 2010, Emerson entered into a lease agreement with Lafe Properties (Hong Kong) Limited ("Lafe"), a related party of Grande at that time, pursuant to which Emerson rented 36,540 square feet from Lafe for the purpose of housing its Hong Kong based office personnel and for its use to refurbish certain returned products. This lease agreement expired on December 31, 2010 and was renewed for a one year period on substantially the same terms during December 2010, and therefore now expires on December 31, 2011. Per information obtained from Grande, on December 31, 2010, Lafe was sold by its immediate holding company to an independent third party. As such, the Company is no longer considering Lafe to be a related party to the Company beginning December 31, 2010.

Rent expense and related service charges associated with this lease agreement totaled approximately \$552,000 for the twelve months ended March 31, 2011. The rent expense and related service charges associated with this lease agreement is included in the Consolidated Statements of Operations as a component of selling, general, and administrative expenses.

Emerson owed a subsidiary of Grande approximately \$1,700 pertaining to rental related service charges at March 31, 2011.

Rented Space in the People's Republic of China

In December 2008, Emerson signed a lease agreement with Akai Electric (China) Co., Ltd. ("Akai China"), a subsidiary of Grande prior to its disposal on December 24, 2010, concerning the rental of office space, office equipment, and lab equipment for Emerson's quality assurance personnel in Zhongshan, People's Republic of China. The lease term began in July 2007 and ended by its terms in June 2009, at which time the agreement renewed automatically on a month-by-month basis unless canceled by either party. The agreement was cancelled in May 2011.

On December 24, 2010, Grande announced that it sold Capetronic Group Ltd. ("Capetronic") to a purchaser who, along with its beneficial owner, are third parties independent of Grande and its connected persons, as defined in the Listing Rules to the best of Grande's and its directors' knowledge, information and belief, having made all reasonable enquiries (the "Sale"). As Akai China was a subsidiary of Capetronic at the time of the Sale, and was disposed of along with Capetronic by Grande, the Company is no longer considering Akai China to be a related party to the Company beginning December 24, 2010.

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Rent charges with Akai China totaled approximately \$85,000 for the twelve months ending March 31, 2011.

Other.

During the twelve months ending March 31, 2011, Emerson paid consulting fees and related expense reimbursements of approximately \$114,000 and approximately \$23,000, respectively, to Mr. Eduard Will, a director of Emerson, for work performed by Mr. Will related to a shareholder derivative lawsuit that the Company settled in January 2011. In May 2010, Emerson signed an agreement with Mr. Will, which formalized the arrangement and commits Emerson to paying a consulting fee of a minimum of \$12,500 per quarter to Mr. Will relating to this lawsuit. During the three months ending June 30, 2011, Emerson paid consulting fees and related expense reimbursements of approximately \$3,400 and approximately \$2,900, respectively, to Mr. Will for work performed by Mr. Will related to the aforementioned lawsuit.

In May 2011, Emerson paid a travel advance of \$15,500 to Mr. Will for anticipated Emerson-related business travel to occur in a future period.

In July 2011, Emerson paid a consulting fee of \$3,300 to Mr. Will for work performed by Mr. Will during the months of April through June 2011 on mergers and acquisitions matters.

During the twelve months ending March 31, 2011, Akai Sales Pte Ltd. (Akai Sales), a subsidiary of Grande, invoiced Emerson approximately \$7,300 for travel expenses which Akai Sales paid on Emerson's behalf and Emerson reimbursed to Akai Sales during Fiscal 2011.

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 believes is not subject to U.S. tax based on the Company's good-faith estimate of its accumulated earnings and profits (the Agreement). The Company believes this transaction results in an off-balance sheet arrangement, which is 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. Per the terms of the Agreement, Emerson invoiced S&T in June 2010 approximately \$42,000 for reimbursement of legal fees incurred by Emerson with regard to the Agreement and approximately \$33,000 as a transaction fee for having entered into the Agreement. In January 2011, Emerson agreed, upon the request of S&T, to waive approximately \$5,000 of the legal charges that had been invoiced to S&T in June 2010. S&T paid the full amount owed to Emerson of approximately \$70,000 in February 2011. 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.

Review and Approval of Transactions with Related Parties

In March 2011, after final court approval and associated appeal and implementation periods of the settlement agreement that the Company entered into to bring to a close a shareholder derivative lawsuit, the Company updated its policy regarding the review and approval of transactions with related parties to require that all proposed transactions between the Company and related parties, as defined by the Financial Accounting Standard Board's Accounting Standards Codification Topic 850 (ASC 850), which are greater than \$100,000 (Covered RPT Transactions) be pre-approved by a majority of those directors of the Company who are independent within the meaning of Section 803(A)(2) of the Company Guide, as may be amended from time to time. In reviewing and approving transactions between the Company and related parties, the independent directors are to determine whether the proposed transaction is entirely fair to the Company and in the Company's best interest. For purposes of the policy, related parties means (i) an officer or director of the Company or the member of the immediate family of any of them or (ii) any other corporation, partnership, association, limited liability company, limited liability partnership, trust or other entity or organization in which one or more of the Company's officers or directors are (a) directors, officers, trustees or other fiduciaries or (b) have a financial interest.

Prior to this change, the Company's policy had required that all Covered RPT Transactions be pre-approved by the Related Party Transaction Review Committee of the Board of Directors, in accordance with the Related Party Transaction Review Committee charter. All other components of the policy were substantially the same as the current policy.

Table of Contents**Legal Proceedings**

In re: Kayne Litigation. On July 7, 2011, the Company was served with an amended complaint (the *Complaint*) filed in the United States District Court for the Central District of California alleging, among other things, that the Company, certain of its present and former directors and other entities or individuals now or previously associated with Grande, intentionally interfered with the ability of the plaintiffs to collect on a judgment (now approximately \$47 million) they had against Grande by engaging in transactions (such as the dividend paid to all shareholders in March 2010) which transferred assets out of the United States. The *Complaint* also asserts claims under the civil RICO statute and for alter ego liability. In the Company's opinion, based on an initial review, the claims appear to be devoid of merit. Accordingly, on September 27, 2011, Emerson moved to dismiss the action for failure to state claim (the *Motion*). The Court has scheduled oral argument for the *Motion* for December 19, 2011. In the interim, and in the event that the *Motion* is denied, Emerson intends to defend the action vigorously.

**PROPOSAL 2: RATIFICATION OF THE APPOINTMENT OF
MSPC AS INDEPENDENT AUDITORS OF EMERSON
FOR THE FISCAL YEAR ENDING 2012**

The Audit Committee has appointed MSPC as the Company's independent registered accountants to audit the Company's financial statements for the fiscal year ending March 31, 2012, and has further directed that management submit the selection of independent registered accountants for ratification by the Company's stockholders at the annual meeting. Stockholder ratification of the selection of MSPC is not required by our by-laws or otherwise. However, the Company is submitting the selection of MSPC to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain MSPC. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent accounting firm at any time during the year if it is determined that such a change would be in the best interests of Emerson and its stockholders.

Representatives of the firm of MSPC are expected to be present at the Company's annual meeting and will have an opportunity to make a statement, if they so desire, and will be available to respond to appropriate questions.

In accordance with the requirements of the Sarbanes-Oxley Act of 2002 and the Audit Committee's charter, all audit and audit-related work and all non-audit work performed by the Company's independent accountants, MSPC, is approved in advance by the Audit Committee, including the proposed fees for such work. The Audit Committee is informed of each service actually rendered.

o *Audit Fees.* Audit fees billed to the Company by MSPC for the audit of the financial statements included in the Company's Annual Reports on Form 10-K, and reviews by MSPC of the financial statements included in the Company's Quarterly Reports on Form 10-Q, for the fiscal years ended March 31, 2011 and 2010 totaled approximately \$255,300 and \$283,500, respectively.

o *Audit-Related Fees.* The Company was billed approximately \$118,000 and \$131,250 by MSPC for the fiscal years ended March 31, 2011 and 2010, respectively, for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under the caption *Audit Fees* above. Audit-related fees were principally related to procedures in connection with the audit of the Company's controlling shareholder's consolidated financial statement for its fiscal years ended December 31, 2010 and December 31, 2009, portions of which were credited to the Company's audit fees for the audit of its financial statements for the fiscal years ended March 31, 2011 and March 31, 2010.

o *Tax Fees.* MSPC billed the Company an aggregate of \$66,600 and \$73,500 for the fiscal years ended March 31, 2011 and 2010, respectively, for tax services, principally related to the preparation of income tax returns and related consultation.

o *All Other Fees.* The Company was not billed by MSPC for the fiscal years ended March 31, 2011 and 2010, respectively, for any permitted non-audit services.

Applicable law and regulations provide an exemption that permits certain services to be provided by the Company's outside auditors even if they are not pre-approved. We have not relied on this exemption at any time since the Sarbanes-Oxley Act was enacted.

Vote Required

The affirmative vote of a majority of the votes cast at the meeting at which a quorum representing a majority of all outstanding shares of the Company's common stock is present and voting, either in person or by proxy, is required for the ratification of the Company's independent registered accountants.

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**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE
APPOINTMENT OF
MSPC AS INDEPENDENT AUDITORS OF EMERSON FOR THE FISCAL YEAR ENDING MARCH 31,
2012.**

**SECTION 16(a) BENEFICIAL OWNERSHIP
REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires the Company's directors, officers, and stockholders who beneficially own more than 10% of any class of its equity securities registered pursuant to Section 12 of the Exchange Act, to file initial reports of ownership and reports of changes in ownership with respect to the Company's equity securities with the SEC and the NYSE Amex. All reporting persons are required to furnish the Company with copies of all reports that such reporting persons file with the SEC pursuant to Section 16(a) of the Exchange Act.

Except as set forth below, based solely upon a review of Forms 3, 4 and 5, and amendments to these forms furnished to the Company, all parties subject to the reporting requirements of Section 16(a) filed all such required reports during and with respect to Fiscal 2011.

Deutsche Bank AG filed a Form 4 on February 9, 2011 reporting a purchase of 2,552 shares of the Company's common stock which it made on December 17, 2010.

STOCKHOLDER COMMUNICATIONS AND PROPOSALS

The Company's Board of Directors has established a procedure that enables stockholders to communicate in writing with members of the Company's Board of Directors. Any such communication should be addressed to the Company's Secretary and should be sent to such individual c/o Emerson Radio Corp., 85 Oxford Drive, Moonachie, New Jersey 07074. Any such communication must state, in a conspicuous manner, that it is intended for distribution to the entire Board of Directors. Under the procedures established by the Board of Directors, upon the Secretary's receipt of such a communication, the Company's Secretary will send a copy of such communication to each member of the Board of Directors, identifying it as a communication received from a stockholder. Absent unusual circumstances, at the next regularly scheduled meeting of the Board of Directors held more than two days after such communication has been distributed, the Board of Directors will consider the substance of any such communication.

Stockholder proposals to be presented at the Company's Annual Meeting of Stockholders to be held in 2012, for inclusion in the Company's proxy statement and form of proxy relating to that meeting, must be received by the Company at its offices located at 85 Oxford Drive, Moonachie, New Jersey 07074, addressed to the Secretary, on or before June 18, 2012. If, however, the date of the Company's 2012 Annual Meeting of Stockholders is changed by more than thirty (30) days from the date of its 2011 annual meeting, the deadline is a reasonable time before the Company begins to print and mail its proxy materials for the 2012 Annual Meeting of Stockholders. Such stockholder proposals must comply with the Company's bylaws and the requirements of Regulation 14A of the Exchange Act. See Election of Directors for information on stockholder submissions of nominations for election to the Board of Directors.

Rule 14a-4 of the Exchange Act governs the Company's use of discretionary proxy voting authority with respect to a stockholder proposal that is not addressed in the proxy statement. With respect to the Company's 2012 Annual Meeting of Stockholders, if the Company is not provided notice of a stockholder proposal prior to September 1, 2012, the Company will be permitted to use its discretionary voting authority when the proposal is raised at the meeting, without any discussion of the matter in the proxy statement.

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PERSONS MAKING THE SOLICITATION

The enclosed proxy is solicited on behalf of the Company's Board of Directors. The Company will pay the cost of soliciting proxies in the accompanying form. The Company's officers may solicit proxies by mail, telephone, telegraph or fax. Upon request, the Company will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses incurred by them in forwarding proxy material to beneficial owners of the Company's shares of common stock. We have retained the services of American Stock Transfer & Trust Company to solicit proxies by mail, telephone, telegraph or personal contact.

OTHER MATTERS

The Board of Directors is not aware of any matter to be presented for action at the meeting other than the matters set forth herein. Should any other matter requiring a vote of stockholders arise, the proxies in the enclosed form confer upon the person or persons entitled to vote the shares represented by such proxies discretionary authority to vote the same in accordance with their best judgment in the interest of Emerson.

FINANCIAL STATEMENTS

A copy of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2011, including financial statements, accompanies this proxy statement. The Annual Report is not to be regarded as proxy soliciting material or as a communication by means of which any solicitation is to be made. The Company filed an amendment to its Annual Report on Form 10-K in July 2011 in order to include certain information regarding our management, compensation and other matters. All of the information included in such amendment has been updated and is included in this proxy statement. A copy of the Company's Annual Report on Form 10-K and Form 10-K/A for the fiscal year ended March 31, 2011, filed with the SEC, is available (excluding exhibits) without cost to stockholders upon written request made to Investor Relations, Emerson Radio Corp., 85 Oxford Drive, Moonachie, New Jersey 07074 or on-line at the Company's web site: www.emersonradio.com.

By Order of the Board of Directors,

/s/ Andrew L. Davis
ANDREW L. DAVIS
Secretary

October 20, 2011

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**ANNUAL MEETING OF STOCKHOLDERS OF
EMERSON RADIO CORP.**

November 9, 2011

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:

The Notice of Meeting, Proxy Statement, Proxy Card
are available at <http://www.amstock.com/proxyservices/viewmaterial.asp?CoNumber=02008>

Please sign, date and mail
your proxy card in the
envelope provided as soon
as possible.

â Please detach along perforated line and mail in the envelope provided. â

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110911

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE NOMINEES LISTED BELOW AND A
VOTE FOR PROPOSAL 2.**

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK
YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE ý**

FOR AGAINST ABSTAIN

1. To elect seven directors:

2. To ratify the

NOMINEES:

FOR ALL NOMINEES

¡ Christopher Ho

¡ Eduard Will

WITHHOLD AUTHORITY

¡ Duncan Hon

FOR ALL NOMINEES

¡ Vincent Fok

appointment of
MSPC Certified
P u b l i c
Accountants and
A d v i s o r s , A
P r o f e s s i o n a l
C o r p o r a t i o n a s
the independent
registered public
accounting firm
o f E m e r s o n
R a d i o C o r p . f o r
the fiscal year
ending March
31, 2012.

FOR ALL EXCEPT
(See Instructions below)

¡ Mirzan Mahathir

¡ Kareem E. Sethi

¡ Terence A.

Snellings

**THIS PROXY IS SOLICITED ON BEHALF
OF THE BOARD OF DIRECTORS. IT MAY
BE REVOKED PRIOR TO ITS EXERCISE.**

INSTRUCTIONS: To withhold authority to vote for any
individual nominee(s), mark **FOR ALL EXCEPT** and fill in the
circle next to each nominee you wish to withhold, as shown
here: =

**RECEIPT OF NOTICE OF THE ANNUAL
MEETING AND PROXY STATEMENT IS
HEREBY ACKNOWLEDGED, AND THE
TERMS OF THE NOTICE AND PROXY
S T A T E M E N T A R E H E R E B Y
INCORPORATED BY REFERENCE INTO
THIS PROXY. THE UNDERSIGNED
HEREBY REVOKES ALL PROXIES**

HERETOFORE GIVEN FOR SAID MEETING OR ANY AND ALL ADJOURNMENTS, POSTPONEMENTS AND CONTINUATIONS THEREOF.

PLEASE VOTE, SIGN, DATE AND PROMPTLY RETURN THIS PROXY IN THE ENCLOSED RETURN ENVELOPE WHICH IS POSTAGE PREPAID IF MAILED IN THE UNITED STATES.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Stockholder	Date:	Signature of Stockholder	Date:
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Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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**EMERSON RADIO CORP.
PROXY SOLICITED BY THE BOARD OF DIRECTORS
FOR THE ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON NOVEMBER 9, 2011**

The undersigned hereby appoints Andrew L. Davis and Barry Smith, and each of them, as attorneys and proxies of the undersigned, with full power of substitution, to vote all of the shares of stock of Emerson Radio Corp. which the undersigned may be entitled to vote at the Annual Meeting of Stockholders of Emerson Radio Corp. to be held at our offices located at 85 Oxford Drive, Moonachie, New Jersey 07074 on Wednesday, November 9, 2011, at 9:00 a.m. (local time), and at any and all postponements, continuations and adjournments thereof, with all powers that the undersigned would possess if personally present, upon and in respect of the following matters and in accordance with the following instructions, with discretionary authority as to any and all other matters that may properly come before the meeting.

UNLESS A CONTRARY DIRECTION IS INDICATED, THIS PROXY WILL BE VOTED FOR ALL NOMINEES LISTED IN PROPOSAL NO. 1 AND FOR PROPOSAL NO. 2, AS MORE SPECIFICALLY DESCRIBED IN THE PROXY STATEMENT. IF SPECIFIC INSTRUCTIONS ARE INDICATED, THIS PROXY WILL BE VOTED IN ACCORDANCE THEREWITH.

(Continued and to be signed on the reverse side.)

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