

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): October 11, 2005

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

Delaware ----- (State or other jurisdiction of incorporation)	0-28839 ----- (Commission File Number)	13-1964841 ----- (I.R.S. Employer Identification No.)
------------------------------------------------------------------------	----------------------------------------------	----------------------------------------------------------------

150 Marcus Blvd., Hauppauge, New York ----- (Address of principal executive offices)	11788 ----- (Zip Code)
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Registrant's telephone number, including area code (631) 231-7750

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(e))

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Item 2.02 Results of Operations and Financial Condition

On October 11, 2005, Audiovox Corporation (the "Company") issued a press release announcing its earnings for the quarter ended August 31, 2005. A copy of the release is furnished herewith as Exhibit 99.1.

Item 8.01 Other Events

On October 12, 2005 at 10:00 a.m., the Company held a conference call to discuss its financial results for the quarter ended August 31, 2005. The Company has prepared a transcript of that conference call, a copy of which is annexed hereto as Exhibit 99.2.

The information furnished under Items 2.02 and 8.01, including Exhibits 99.1 and 99.2, shall not be deemed to be filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and will not be incorporated by reference into any registration statement filed under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.



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.

AUDIOVOX CORPORATION (Registrant)

Date: October 12, 2005

/s/Charles M. Stoehr

-----  
Charles M. Stoehr  
Senior Vice President and  
Chief Financial Officer

EXHIBIT INDEX

Exhibit No. -----	Description -----
99.1	Press Release, dated October 11, 2005, relating to Audiovox Corporation's earnings release for the quarter ended August 31, 2005
99.2	Transcript of conference call held on October 12, 2005 at 10:00 a.m.

HAUPPAUGE, NY, October 11, 2005 - Audiovox Corporation (Nasdaq: VOXX) today announced results for its fiscal third quarter and nine-months ended August 31, 2005.

Audiovox Corporation (the "Company") reported fiscal 2005 third quarter net sales of \$122.9 million, a decrease of 7.3% compared to net sales of \$132.6 million reported in the fiscal third quarter of 2004. Net loss from continuing operations for the 2005 fiscal third quarter was \$3.6 million or a loss of \$0.16 per diluted share compared to net income of \$37,000 or earnings per diluted share of \$0.00 in the comparable prior year period. Including discontinued operations, the Company reported a net loss of \$3.7 million or a loss per diluted share of \$0.17 compared to net income of \$5.3 million or \$0.24 per diluted share in the fiscal third quarter of 2004.

Mobile Electronics, which represented 64.0% of net sales, came in at \$78.6 million, down 21.3% compared to net sales of \$99.8 million reported in the comparable prior year period. This decline was primarily related to the reduction of selling prices in satellite radio Plug-N-Play units and certain discontinued mobile video products. As previously announced, the Company took an inventory write down of \$3.8 million to reflect current market conditions in the satellite radio category, which has seen prices on Plug-N-Play units fall by roughly 50%. Offsetting these declines were stronger sales of the Company's Jensen branded auto sound products, Terk products and the introduction of new mobile video systems. Consumer Electronics, which represented 36.0% of net sales, had sales of \$44.4 million, an increase of 35.2% compared to net sales of \$32.8 million reported in the fiscal third quarter of 2004. This increase was due primarily to higher sales of LCD flat-panel TV's and portable DVD products.

Gross margins for the third fiscal quarter of 2005 declined primarily to the satellite radio inventory write down, increased consumer electronics sales at traditionally lower margins and the lower margins associated with the remaining sales of discontinued mobile video products. This decline was partially offset by higher margins from the Terk and Jensen product lines.

Operating expenses for the fiscal 2005 third quarter were \$21.3 million, a decrease of 3.6% as compared to operating expenses of \$22.1 million reported in the fiscal third quarter last year. The reductions in operating expenses were primarily in selling, general and administrative expenses and were partially offset by higher expenses associated with increased technical and engineering support. Other income came in at \$2.5 million as compared to \$580,000 reported in the comparable prior year period. This increase was primarily related to higher interest income generated during the quarter.

Patrick Lavelle, President and CEO of Audiovox stated, "The unexpected declines in satellite radio, coupled with the ongoing shift in the mobile video category, negatively impacted both our top- and bottom-line results this quarter. Overall mobile video sales continue to be effected by the shift from the video-in-a-bag systems to lower priced portable DVD players. SUV sales, which have been trending lower over the last several quarters, will move lower still in the fourth quarter and beyond as consumers respond to the sharp increases in fuel costs. Despite those negatives, we believe that mobile video will remain a viable sales category for us in the future although at a reduced level. In fact, our margins on installed mobile video products should reach more normal levels in the fourth quarter."

EXHIBIT 99.1

Audiovox Reports Fiscal 2005 Third Quarter Results  
Page 2 of 6

Lavelle continued, "As for satellite radio, we are looking to restructure our business model in this category in order to mitigate our exposure to drastic price fluctuations. Other lines, including our LCD TV's, portable DVDs, Jensen branded mobile multi-media products and new mobile video systems recently introduced continue to perform well."

Nine-Month Results

For the nine-month period ended August 31, 2005, the Company reported net sales of \$383.4 million, a 7.6% decrease compared to net sales of \$414.8 million reported for the nine-month period ended August 31, 2004. Mobile Electronics sales, which represented 64.2% of net sales, came in at \$246.2 million, a decrease of 20.7% compared to net sales of \$310.4 million reported for the comparable nine-month period last year. Consumer Electronics sales were \$137.2 million, an increase of 31.4% compared to net sales of \$104.5 million reported in the nine-month period ended August 31, 2004.

Gross margins decreased to 13.3% for the nine-months ended August 31, 2005 as compared to 15.8% for the nine-months ended August 31, 2004. Gross margins were adversely impacted by the inventory write down in the satellite radio category, increased sales in consumer electronics at traditionally lower margins as well as the sales of discontinued mobile video products. Sales of the Company's LCD TV's, portable DVDs and Jensen auto sound products partially offset the decline in margins as did sales associated with the Terk product line and recently introduced mobile video systems.

Operating expenses for the nine-month period ended August 31, 2005 were \$65.4 million, an increase of 5.3% as compared to operating expenses of \$62.1 million reported for the nine-months ended August 31, 2004. This increase was primarily due to an increase in professional fees as well as increased costs associated with the acquisition of Terk. The Company reported net income from continuing operations of \$1.6 million for the fiscal 2005 nine-month period, as compared to \$2.3 million for the comparable 2004 period. Including discontinued operations,

net income for the nine-months ended August 31, 2005 was \$705,000 as compared to net income of \$10.9 million reported for the nine-month period ended August 31, 2004. Earnings per share for the fiscal 2005 nine-month period was \$0.03 per diluted share as compared to \$0.49 per diluted share, respectively, for the nine-month period reported last year.

Lavelle continued, "Despite these recent setbacks, we believe the Company is well positioned for the future. Our balance sheet remains strong and we exit the quarter with over \$148 million in cash and short-term investments to fund operations and to act quickly on business opportunities. We are actively seeking strategic acquisitions, investing in the Company's infrastructure to maximize efficiencies and developing new products which, we believe will enhance our position in both the mobile and consumer electronics categories. As always we remain committed to increasing shareholder value over the long-term."

#### Fiscal Third Quarter Conference Call

The Company will be hosting its quarterly conference call to discuss fiscal 2005 third quarter results tomorrow morning on Wednesday, October 12, 2005 at 10:00 a.m. EDT. Interested parties can participate by logging onto the Audiovox website at <http://www.audiovox.com> under "Investor Relations". For those who will be unable to participate on the call, a replay has been arranged and will be available approximately one hour after the call has been completed and will last for one week thereafter.

Replay Number: (888) 286-8010 / International Replay Number: (617) 801-6888  
Access Code: 88174336

EXHIBIT 99.1

#### About Audiovox

Audiovox Corporation is a leading international supplier and value added service provider in the consumer electronics industry. The Company conducts its business through subsidiaries and markets mobile and consumer electronics products both domestically and internationally under several of its own brands. It also functions as an OEM (Original Equipment Manufacturer) supplier to a wide variety of customers, through several distinct distribution channels. For additional information, please visit Audiovox on the Web at <http://www.audiovox.com>.

#### Safe-Harbor Language

Except for historical information contained herein, statements made in this release that would constitute forward-looking statements may involve certain risks and uncertainties. All forward-looking statements made in this release are based on currently available information and the Company assumes no responsibility to update any such forward-looking statement. The following factors, among others, may cause actual results to differ materially from the results suggested in the forward-looking statements. The factors include, but are not limited to, risks that may result from changes in the Company's business operations; our ability to keep pace with technological advances; significant competition in the mobile and consumer electronics businesses as well as the wireless business; our relationships with key suppliers and customers; quality and consumer acceptance of newly introduced products; market volatility; non-availability of product; excess inventory; price and product competition; new product introductions; the possibility that the review of our prior filings by the SEC may result in changes to our financial statements; and the possibility that stockholders or regulatory authorities may initiate proceedings against Audiovox and/or our officers and directors as a result of any restatements. Risk factors associated with our business, including some of the facts set forth herein, are detailed in the Company's Form 10-K for the fiscal year ended November 30, 2004 and Form 10-Q for the fiscal third quarter ended August 31, 2005.

#### Company Contacts

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GW Communications for Audiovox  
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- Tables to Follow -

EXHIBIT 99.1

AUDIOVOX CORPORATION AND SUBSIDIARIES  
Consolidated Balance Sheets  
(In thousands, except share and per share data)

	November 30, 2004	August 31, 2005 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 43,409	\$ 18,099
Restricted cash	8,264	1,463
Short-term investments	124,237	140,001
Accounts receivable, net	118,388	95,787
Inventory	139,307	147,915
Receivables from vendors	7,028	7,286
Prepaid expenses and other current assets	14,057	8,332
Deferred income taxes	6,873	7,508
Current assets of discontinued operations	20,582	3,793
	-----	-----
Total current assets	482,145	430,184
Investment securities	5,988	6,214
Equity investments	12,878	12,076
Property, plant and equipment, net	19,707	20,464
Excess cost over fair value of assets acquired	7,019	19,028
Intangible assets	8,043	8,182
Deferred income taxes	6,220	3,893
Other assets	413	344
Non-current assets of discontinued operations	925	777
	-----	-----
Total assets	\$ 543,338 =====	\$ 501,162 =====

EXHIBIT 99.1

AUDIOVOX CORPORATION AND SUBSIDIARIES  
Consolidated Balance Sheets (continued)  
(In thousands, except share and per share data)

	November 30, 2004	August 31, 2005 (unaudited)
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 26,004	\$ 27,797
Accrued expenses and other current liabilities	32,814	22,587
Accrued sales incentives	7,584	7,919
Income taxes payable	42,790	2,998
Bank obligations	5,485	3,941
Current portion of long-term debt	2,497	1,407
Current liabilities of discontinued operations	2,953	3,146
	-----	-----
Total current liabilities	120,127	69,795
Long-term debt	7,709	6,910
Capital lease obligation	6,001	6,018
Deferred compensation	4,888	5,887
	-----	-----
Total liabilities	138,725	88,610
	-----	-----
Minority interest	426	363
	-----	-----
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Preferred stock \$50 par value; 50,000 shares authorized and outstanding, liquidation preference of \$2,500	2,500	2,500
Series preferred stock \$.01 par value, 1,500,000 shares authorized; no shares issued or outstanding	-	-
<b>Common stock:</b>		
Class A \$.01 par value; 60,000,000 shares authorized; 20,859,846 and 21,513,346 shares issued at November 30, 2004 and August 31, 2005, respectively	209	215
Class B \$.01 par value; convertible 10,000,000 shares authorized; 2,260,954 shares issued and outstanding	22	22
Paid-in capital	253,959	262,902
Retained earnings	157,835	158,540
Accumulated other comprehensive loss	(1,841)	(3,493)
Treasury stock, at cost, 1,070,957 shares of Class A common stock	(8,497)	(8,497)
	-----	-----
Total stockholders' equity	404,187	412,189
	-----	-----
Total liabilities and stockholders' equity	\$ 543,338	\$ 501,162
	=====	=====

AUDIOVOX CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Operations

For the Three and Nine Months Ended August 31, 2004 and 2005  
(In thousands, except share and per share data)  
(unaudited)

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2004	2005	2004	2005
Net sales	\$ 132,600	\$ 122,937	\$ 414,840	\$ 383,426
Cost of sales	109,452	110,672	349,168	332,291
	-----	-----	-----	-----
Gross profit	23,148	12,265	65,672	51,135
	-----	-----	-----	-----
Operating expenses:				
Selling	\$ 8,300	\$ 7,258	\$ 22,944	\$ 23,564
General and administrative	12,830	12,497	35,702	37,040
Engineering and technical support	935	1,514	3,404	4,752
	-----	-----	-----	-----
Total operating expenses	22,065	21,269	62,050	65,356
	-----	-----	-----	-----
Operating income (loss)	1,083	(9,004)	3,622	(14,221)
	-----	-----	-----	-----
Other income (expense):				
Interest expense and bank charges	(833)	\$ (552)	\$ (2,662)	\$ (1,923)
Equity in income of equity investees	1,041	849	3,591	1,945
Other, net	372	2,190	1,568	9,815
	-----	-----	-----	-----
Total other income, net	580	2,487	2,497	9,837
	-----	-----	-----	-----
Income (loss) from continuing operations before income taxes	1,663	(6,517)	6,119	(4,384)
Income taxes (benefit)	832	(2,926)	3,042	(6,003)
Minority interest	(794)	-	(754)	-
	-----	-----	-----	-----
Net income (loss) from continuing operations	37	(3,591)	2,323	1,619
Net income (loss) from discontinued operations, net of tax	5,307	(126)	8,568	(914)
	-----	-----	-----	-----
Net income (loss)	\$ 5,344	\$ (3,717)	\$ 10,891	\$ 705
	=====	=====	=====	=====
Net income (loss) per common share (basic):				
From continuing operations	\$ 0.00	\$ (0.16)	\$ 0.11	\$ 0.07
From discontinued operations	\$ 0.24	(0.01)	0.39	(0.04)
	-----	-----	-----	-----
Net income (loss) per common share (basic)	\$ 0.24	\$ (0.17)	\$ 0.50	\$ 0.03
	=====	=====	=====	=====
Net income (loss) per common share (diluted):				
From continuing operations	\$ 0.00	\$ (0.16)	\$ 0.10	\$ 0.07
From discontinued operations	\$ 0.24	(0.01)	0.39	(0.04)
	-----	-----	-----	-----
Net income (loss) per common share (diluted)	\$ 0.24	\$ (0.17)	\$ 0.49	\$ 0.03
	=====	=====	=====	=====
Weighted - average common shares outstanding (basic)	21,962,843	22,353,876	21,945,364	22,155,235
	=====	=====	=====	=====
Weighted - average common shares outstanding (diluted)	22,400,415	22,353,876	22,363,733	22,388,714
	=====	=====	=====	=====

Oct. 12. 2005 / 10:00AM, VOXX - Q3 2005  
Audiovox Corporation Earnings Conference Call

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CORPORATE PARTICIPANTS

Glenn Wiener  
Audiovox Corporation - IR

John Shalam  
Audiovox Corporation - Chairman, President and CEO

Patrick Lavelle  
Audiovox Electronics - President & CEO

Michael Stoehr  
Audiovox Corporation - SVP and CFO

CONFERENCE CALL PARTICIPANTS

John Bucher  
Harris Nesbitt - Analyst

Ian Corydon  
B. Riley & Co. - Analyst

Riley McCormack  
Tracer Capital - Analyst

EXHIBIT 99.2

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the third-quarter earnings conference call. My name is Shaquira and I will be your coordinator for today. At this time, all participants are in listen-only mode. We will conduct a question-and-answer session towards the end of the conference. (OPERATOR INSTRUCTIONS) As a reminder, this call is being recorded for replay purposes.

I would now like to turn the call over to Mr. Glenn Wiener. Please proceed, sir.

Glenn Wiener - Audiovox Corporation - IR

Good morning, everyone, and welcome to Audiovox Corporation's fiscal 2005 third-quarter conference call. As the operator mentioned, today's call is being webcast on the Company's website, www.Audiovox.com, under the Investor Relations section and a replay has been arranged for those who are unable to participate today. The replay will be available approximately one hour after the completion of the call on our website or by dialing 888-286-8010 and entering access code 88174336.

Fiscal 2005 third-quarter and nine-month results were released yesterday after market close. If you have not received a copy of the announcement, you can obtain one by calling my office after the completion of this call or by visiting the Company's website. Additionally our Form 10-Q for the period ended August 31 was filed and can be found on our website under SEC filings.

Now to the matter at hand. Joining us this morning is John Shalam, Chairman of Audiovox Corporation; Patrick Lavelle, President and CEO; and Michael Stoehr, Senior Vice President and Chief Financial Officer. Following the opening remarks by each party, there will be a question-and-answer session.

Before getting started, I have been instructed by legal counsel to read the

following Safe Harbor language. Except for historical information contained herein, statements made on today's call and on today's webcast that would constitute forward-looking statements may involve certain risks and uncertainties. All forward-looking statements made are based on currently available information and the Company assumes no responsibility to update any such forward-looking statements.

The following factors among others may cause actual results to differ materially from the results suggested in the forward-looking statements. These factors include but are not limited to risks that may result from changes in the Company's business operations; our ability to keep pace with technological advances; significant competition in the mobile and consumer electronics businesses; relationships with key suppliers and customers; quality and consumer acceptance of newly introduced products; market volatility; nonavailability of products; excess inventory; price and product competition; new product introductions; the possibility that the review of our prior filings by the SEC may result in changes to our financial statements; and the possibility that the stockholders or regulatory authorities may initiate proceedings against Audiovox and our officers and directors as a result of any numerous statements or other corporate actions.

Risk factors associated with our business including some of the factors set forth herein are detailed in the Company's Form 10-K for the year ended November 30, 2004 and the Company's Form 10-Q for the period ended August 31, 2005.

Thank you again for your participation and at this time I would like to introduce John Shalam, Chairman of Audiovox. John?

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John Shalam - Audiovox Corporation - Chairman, President and CEO

Thank you, Glenn, and good morning everyone and welcome. We appreciate your taking the time to join us as we discuss our third-quarter results and our outlook for the future. After my opening remarks, Pat will walk you through our business operations in detail, followed by Michael, who will recap our financial results. All of us will be available to address your questions thereafter.

I am sorry to report the disappointing results this quarter but remain confident in our long-term outlook. Since the beginning of the year, we have repeatedly said that 2005 would be a year of transition, a year in which we would streamline our operations, enhance our product portfolio, and capitalize on our financial position to take advantage of future growth opportunities. We have addressed those issues and continue to make progress on all fronts, although we do so in an increasingly uncertain economic environment.

Trade and budget deficits, crippling hurricanes, soaring energy prices, the real estate bubble, rising interest rates, and the less optimistic job outlook have pushed consumer confidence to its lowest level in nearly two years. Many economists however believe that as rebuilding efforts take place and job growth gains momentum, confidence should rebound and return to more positive levels in the fourth quarter and into 2006.

Despite the economic uncertainties, our consumer business has shown steady and impressive gains and the recent problems we have experienced are due more to competitive market forces and shifts in business models. Two of our major product categories, mobile video and satellite radio, have been impacted by unexpected market developments and have not lived up to either sales or profit expectations. Both categories however remain important business segments and we are working through these challenges to position the Company for both growth and profits in the years ahead. I would also like to add that many of our product segments continue to perform better-than-expected.

On the administrative level, we worked to reduce overhead and restructure this group to reflect the sale of our cellular subsidiary and to meet or reduce needs. In the rest of our Company, we had taken similar steps to reduce staff and expenses to realize additional cost savings. Some of the distribution and transportation initiatives may not result in the projected savings due to higher energy costs and fuel surcharges, but we will still show savings due to greater efficiency.

In regard to M&A, we continue to evaluate several companies identified as potential acquisitions; however, values are very high and in many cases unrealistic, the result of stronger activity by hedge funds and venture capitalists. We continue our efforts and have enlisted several investment banking firms to help achieve these goals.

Since we completed the sale of our cellular subsidiary, we have acquired Terk Technologies, which has provided us with increased revenues, strong profits, and most importantly enhanced our long-term position in the satellite radio business.

Lastly, several investors have asked about the repurchase of stock. We believe Audiovox's interests will be best served by preserving our resources for future opportunities.

Again, I would like to thank you for your continued support and at this time, I will turn the call over to Pat.

---

Patrick Lavelle - Audiovox Electronics - President & CEO

Thank you, John, and good morning everyone. What I plan to do today is have Mike Stoehr first walk you to our third-quarter results and then I will recap and address the challenges and opportunities we see in the electronics

marketplace. Mike, if you want to go now --?

-----  
Michael Stoehr - Audiovox Corporation - SVP and CFO

Thanks, Pat. Good morning everyone. Consolidated sales in the third quarter ending August 31, 2005 were \$122.9 million, versus 132.6 million or a decline of 7.3% quarter versus quarter. The sales in our mobile electronics group was 78.6 million, a 21.3% decline versus last year's sales of 99.8 million and our consumer electronics group posted sales of 44.4 million, a 35.2% increase over third quarter 2004.

Our mobile electronics sales, which account for roughly 64% of our overall business, declined primarily due to a 50% decline in pricing for satellite radio Plug-N-Play units, as well as a shift in sales from Video-In-The-Bag to lower priced portable DVD products. This was partially offset by the incremental sales of satellite radio and accessory products as a result of our Terk acquisition in January of this year and higher sales of the Jensen mobile products and introduction of new video systems in 2005.

Consumer electronics sales, which account for 36% of net sales, were up due to higher sales of our LCD TV productline as well as gains in other product categories such as portable DVDs. After our markdowns, gross margins declined to 10% versus 17.5% which we reported third quarter last year. As we discussed, decline in gross margins was primarily related to the write-down of satellite radio Plug-N-Play units, an average write-down of approximately \$2.1 million net. And an additional write-down of 1.6 million of other products as we worked through our discontinued mobile video product and other product lines which we typically take each quarter.

Offsetting this decline was higher margins on our Terk and Jensen product lines. Another factor that impacted gross margins was the increase in consumer goods revenue to 36% of total revenue versus 25% third quarter 2004. Consumer goods traditionally carries a lower gross margin in the mobile electronics productline.

Our overhead was 21.3 million in the third quarter, compared to 21.1 million -- to 22.1 million last year. The decline is due to lower SG&A expenses in both electronics and the administrative expenses primarily as a result of lower sales commissions, a reduction in advertising, lower healthcare expenses, a reduction in total domestic headcount of 49 employees, which represents an 8% reduction of total headcount. The administrative group reduced headcount by 25%. This reduction was offset by severance charges in the third quarter of \$393,000, which should not reoccur in the following quarters and increased cost due to the Terk acquisition in the engineering and technical sport categories which did not occur in third quarter of 2004.

We anticipate our administrative expenses will continue to decline given the change in our business structure. As a result of lower sales and lower margins, the Company reported a loss from operations of \$9 million.

Total other income increased by about 1.9 million this quarter versus last year's third quarter. This was due to lower interest expense in bank charges as a result of the sale of ACC, as we currently have no outstanding bank debt under our domestic bank obligations. Interest expense and bank charges primarily represent expenses for debt and bank obligations related to Audiovox Germany and interest for a capital lease. Other income increased due to \$1 million increase in our interest income from our short-term investments and a 598,000 gain as a result of the depreciation in (indiscernible) investments.

Net loss from continuing operations was 3.6 million for a loss of \$0.16 per share. If we include discontinued operations, the net loss was 3.7 or \$0.17 a share.

The effective tax rate during the third quarter was 44.9%, compared to 50% in the prior period. This decrease was due to tax expense interest income earned on short-term investments. Our share count at the end of the third quarter was 22,353,000.

Our operations used cash of 15.2 million for the nine months mainly to pay down 62 million in taxes as a result of the cellular deal and accrued expenses. Account receivable turnover was 73 days, while inventory turns were 141 days. Inventory balances have begun to increase as products are now being brought into the fourth quarter.

During this nine-month period in investing activities, we purchased Terk for \$15.4 million and had capital expenditures of 2.1 million.

In terms of our outlook, we anticipate that revenue and margins should improve over the third quarter, however we caution everyone there is a lot of volatility in the marketplace.

Thank you and I will be here to address any of your questions. Pat?

-----  
Patrick Lavelle - Audiovox Electronics - President & CEO

Michael, thank you. As you heard, the biggest problem we faced in Q3 was the write-down on our Plug-N-Play units. We were forced to drop prices by 50% to meet new market prices brought about by a drastic move by one of our major satellite competitors. This price drop was not expected and we believe was made in response to an excess inventory position.

Today the satellite radio hardware market has a small number of players and is

categorized by subsidized hardware, which increases its volatility and makes us susceptible to a drastic move by any one of our competitors. Once we were able to confirm that the price change in the market was not the result of a short-term promotion, we were compelled to act. At the time of our conference call last quarter, our Plug-N-Play units were selling at retail for about \$99 and now sell for under 50. At this time, we feel the write-down taken on our Plug-N-Play units is sufficient and we do not anticipate further adjustments as we move through our remaining inventory during the fourth quarter.

This situation notwithstanding, satellite radio is a strong category. Recently both service providers announced bullish outlooks for the fourth quarter and beyond. Combined, they expect to add nearly 1.7 million new subscribers in Q4, all of whom need hardware to support their service. We believe that satellite radio will remain an important segment for our Company; however, we will need to change our business model in this category to mitigate exposure to the volatility of the market and prevent a recurrence of this situation.

Looking at the balance of our business for the quarter, mobile electronics sales as Mike indicated represented 64% of sales and consumer electronics represented 36%, which was in line with the second quarter of 2005, but represented a significant shift from a year ago, when mobile electronics were 74.4% and consumer electronics was 25%.

Power retailers and mass merchants represented 61% of sales, versus 54 in the same quarter. Global distribution, which includes expeditors and independents came in at 31% versus 34 last year. And OE sales were 7.8 versus 11.8 in 2004. No one customer represents more than 8% of our total revenue year-to-date.

We are addressing the overall shift in business this year from the higher margin mobile electronics product to lower margin consumer electronics by investing in new mobile lines like collision avoidance and satellite TV and increased product development in existing lines. Our mobile electronics business, which includes satellite radio, was off just over 21% this quarter compared to last year, coming in at 78.6. Mobile video was negatively impacted by the discontinued Video-In-A-Bag line, which in past quarters represented a substantial portion of that business.

The shift from Video-In-A-Bag systems to lower cost, lower featured portable DVD players is not the only market issue plaguing this category. Additionally and as I have reported previously, there has been a major impact on volume driven by the increased presence by OEs offering mobile video systems as standard equipment and the continuing downtrend in the SUV sales.

We are seeing gross profit margins return to more normal levels as old inventory has been depleted and new systems have arrived during the third quarter. Although we have seen a sharp decline in mobile video, it remains an important category for us and will be a part of our sales mix well into the future, but at reduced levels.

During 2005, we have been successful at re-establishing the Jensen brand among a diverse customer base and sales of Jensen mobile multimedia products doubled over last year. In fact, Audiovox and Jensen branded mobile multimedia units were positioned as the number one and number two best-selling units through August 2005 according to NPD. This is noteworthy considering we compete against the major Japanese manufacturers in this category.

In Q4, we begin shipments of the first Bluetooth Jensen head unit as well as a new multimedia touchscreen unit which should help us maintain our market leadership position. Add to this a new line of speakers and amplifiers, and we believe Jensen is positioned for growth.

In mobile video, we will begin shipments of our satellite TV product, SkyBox in Q4, which is a niche mobile video product designed to give the consumer access to both dish network and DIRECTV while on the road. Although its high retail price will keep volumes small, it again places Audiovox in the lead in introducing innovative solutions to this changing market.

Our new overheads and headrest solutions will debut at CES 2006 and our strengthening intellectual property portfolio makes Audiovox the mobile video company to do business with.

In security, we have begun shipments of new Audiovox remote start systems with two-way multiple language transmitters. At Code, in August we began a new program covering DaimlerChrysler on all 2006 vehicles; for GM, a new dealer upgrade program uses our two-way remote start with LCD screen. This is to start in October of 2006. In addition, we are expanding our programs with Kia, Mazda of North America and Subaru of America.

In satellite, new XM and serious Plug-N-Play products begin shipments in Q4 and we continue to expand product offerings in the Terk Connect & Play and DirectConnect satellite radio lines. Rounding out mobile electronics is one of our newest product lines, collision avoidance. Consisting of rear observation, backup sensors and camera systems, this new category will be helped by a unique new trailer hitch system that began shipping this month.

As for our consumer electronics group, we reported an increase in sales of 35% over the third quarter 2004. LCD TV unit sales nearly doubled and portable DVDs were up 140% as we saw some of our Video-In-A-Bag sales move to this category. Although sales in CE are strong and do continue to increase, remember that revenue in this category is affected by traditionally lower margins than we enjoy in mobile.

At CES, we plan to launch several new consumer electronic products. Among these will be a brand-new speaker concept which we are bringing in under the Acoustic Research (ph) brand. It will mark the first product in what we believe will be the resurgence of this brand. We are also working on new lines of LCD TV and portable DVDs that will allow us to remain competitive in this very competitive market.

Our acquisitions of Jensen, Code, and Terk are all performing well. Our focus thus far in 2005 has not been limited to product. We have made several moves designed to improve operations and maximize efficiencies. First we have executed the bulk of the expense reductions previously announced on both administrative and operational levels. Headcount is down 8% overall. Departments have been reorganized to optimize synergies.

We have added a distribution and logistics facility in Memphis, which will give us better inbound and outbound freight costs and provides labor and occupancy savings. We continually review these costs to improve rates as well as the efficiencies. The impact of all these efforts will be seen gradually. But more so in comparing fiscal 2006 to the current year. However I must caution you that despite these efforts to reduce expenses, we find that as a result of the shift to consumer electronic products and lower satellite radio retail prices or selling prices, we are actually shipping more units to maintain same sales dollars. This obviously impacts expenses, particularly in warehousing and freight.

It is my goal to continue to make the necessary changes to ensure we remain profitable despite market conditions. Additionally and as John had mentioned earlier, we are actively seeking acquisitions that will enhance our product portfolio, leading to topline growth and sustainable profits for the Company. While we have not made any selections -- know we are actively looking.

As we move through the fourth quarter and begin planning for 2006, we will continue to do what we do best, develop innovative products and get it to market quickly, offer our customer base unparalleled service and support, and continually review our business models to redefine business relationships to help protect us from future risks. There are always challenges in this industry, but there are also opportunities and we have been a player in this category since 1965 because we have been able to capitalize on opportunities.

Our financial position is very strong. Our product lines are strong. Our brands are strong and we are committed to investing in our own Company, its infrastructure, and product development in order to ensure maximum profits and shareholder value.

I will now turn the call back to the moderator to set up any questions and any answers period. Thank you.

QUESTION AND ANSWER

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Operator

(OPERATOR INSTRUCTIONS) John Bucher.

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John Bucher - Harris Nesbitt - Analyst

Thank you very much. First question for you just on strategic market opportunity. You gave a nice overview, Patrick, I think and I know that some of the new products that you got in particular the shuttle video system appears to be well-received. But it looks like some of the positive impact of these new products are just comparatively insufficient to hold off the overall declining market opportunity in mobile video within your mobile electronics reporting segment.

I am wondering is there another market opportunity within the mobile electronics space that you are targeting or specifically what do you see on the horizon that might possibly make up for the continuing declines in the mobile video area?

And then also the changes that you alluded to in changing the satellite radio business model, how might that -- if you can elaborate perhaps a little bit on that and how that might pertain to this topic? Thank you.

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Patrick Lavelle - Audiovox Electronics - President & CEO

Okay, well John, as far as the new products, we are looking at and we are about to expand new products like rear observation. I have spoken to you in the past about GPS handheld navigation. Although we do not want to operate at the low end of the business, we do want to develop products that are -- have features that no one else has so we can make margins on it. There are also multimedia handhelds that are coming out that we will utilize with our mobile video products.

So within each category of products there are new products that are always being developed that will help grow the sales of that category. What we are seeing in mobile video besides the factory pressure that we are getting -- we are getting a shift from the traditional mobile Video-In-A-Bag into portable DVDs. We essentially are not losing that business because our portable DVDs sales are up. It is shifting for us. Consumer though generally runs at a lower gross profit, okay, than what we have experienced in mobile.

So within each category, whether it be mobile, whether it be audio, and when I look at audio we look again the in-dash multimedia units that have done very well for us. We have new multimedia units coming out that should help us grow our Jensen business to offset some of the things that we lose within the traditional mobile video category.

And finally, do not discount satellite radio. Satellite radio we believe will still be a driver for us. The pricing has changed, but that does not mean that this category will not grow for us. When you look at the projections that are being made by both service providers, they are very big numbers and we plan to be a major supplier to supply hardware to those providers.

So within our product categories, there is a lot of new product being developed. There are some new categories -- again, rear observation, GPS, handheld, and we still look at satellite radio as an area for growth. As far as changing our business model, we are in the process of doing that. I cannot elaborate on it right now, but we are in the process of doing that.

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John Bucher - Harris Nesbitt - Analyst

Thank you, and then a question on the expense side. You indicated that the bulk of the operational efficiency savings that the Company planned to take post acquisition, that the bulk of those have already been taken. So as we look out over the next several quarters, I am guessing from that comment that we should not expect significant declines going forward in the G&A area nor in the technical support area. Would that be correct from the third quarter levels?

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Patrick Lavelle - Audiovox Electronics - President & CEO

Yes. When I looked in our volumes now, we are selling about the same amount of units as we sold last year, even though our sales dollars are lower. And that volume does drive overhead. So we do not see us dropping the overhead as long as that volume stays there. Now if that volume was to disappear or our average selling prices went up that really affected our volume, we would see the natural drops in our overhead due to that.

We will be constantly looking when we prepare our budgets for 2006. We will be looking at ways of turning overhead and driving more efficiencies into the business. We are in a fortunate position is that we do have the cash to invest in our infrastructure and systems that will help drive efficiencies. So I am not going to say that what you see in the third quarter is what it is going to be. We will continue to work at driving down the cost of doing business.

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John Bucher - Harris Nesbitt - Analyst

And then finally and I will yield here to other callers -- any target operating margin that you are seeking in either the November quarter or for 2006 or any just update on your target financial model?

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Michael Stoehr - Audiovox Corporation - SVP and CFO

John, this is Mike. I think as Pat and I have discussed that we are always trying to sustain that 5% margin. And as Pat described as we work our way through the sales -- just one comment on the overhead, John. Take out the onetime charges that occurred in the third quarter for the severance pay. We are still trying to keep that target out in front of us as a challenge.

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John Bucher - Harris Nesbitt - Analyst

Thank you very much. I will get back in the queue.

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Operator

Ian Corydon, B. Riley & Co.

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Ian Corydon - B. Riley & Co. - Analyst

It's Ian Corydon. Just had a couple of follow-ups on the satellite radio. I guess you're not able to talk about what kind of business model changes you are looking out, but maybe you could talk about what kind of progress you're making there? And then in Q4, assuming no change to the business model, is that basically an unprofitable business until you can make changes there? And then if you could talk about satellite radio as a percentage of your revenues and any kind of growth rates you're seeing.

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Patrick Lavelle - Audiovox Electronics - President & CEO

Okay. We're making good progress in changing the way we do business and at this point, I could not go further than that. Settling radio for the fourth quarter as we indicated on the statements that we had put out previously, we are moving out the inventories that have been affected. So we do not see satellite radio being a profitable part of our fourth-quarter sales. But we will be moving through the inventory, which will be setting us up for the first quarter to where we can return to profitability. And we will move ahead with our plans in satellite radio as far as distributing and everything else once we have our new business model in place.

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Ian Corydon - B. Riley & Co. - Analyst

Thanks. The other questions were percentage of your business that is coming from satellite and any kind of growth rates.

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Patrick Lavelle - Audiovox Electronics - President & CEO

We normally do not comment on the breakdowns other than what we do in mobile and what we do in consumer.

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Ian Corydon - B. Riley & Co. - Analyst

Thank you.

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Operator

Riley McCormack, Tracer Capital.

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Riley McCormack - Tracer Capital - Analyst

A couple of questions. First the breakdown of the satellite radio products. Can you tell us what percentage -- I mean I assume you don't write down to zero. I assume you wrote them down to the \$50 you are selling them at?

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Patrick Lavelle - Audiovox Electronics - President & CEO

Well, we wrote them down essentially by half because that is what we had to do. We had to cut our retails in half which cuts virtually everything back.

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Riley McCormack - Tracer Capital - Analyst

Right, but you were making a margin on them before, right?

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Patrick Lavelle - Audiovox Electronics - President & CEO

We were making a margin on it before.

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Riley McCormack - Tracer Capital - Analyst

And so I assume you marked it down to a zero margin product?

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Patrick Lavelle - Audiovox Electronics - President & CEO

Yes.

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Riley McCormack - Tracer Capital - Analyst

Okay. Any risks -- has anything changed where you feel like this is the floor for the price drop of that product?

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Patrick Lavelle - Audiovox Electronics - President & CEO

From what we can see looking into the fourth quarter, we believe the pricing that we're seeing now is the pricing that will last through the fourth quarter. I don't see any further price declines, unless of course they are two very, very competitive companies, unless of course one makes a move and the other decides to follow. But we don't see -- with the hardware prices where they are, we don't see it going any further.

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Riley McCormack - Tracer Capital - Analyst

And Mike, if I'm correct, you guys took the write-off amount at 3.7 in your COGS, right?

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Michael Stoehr - Audiovox Corporation - SVP and CFO

Yes.

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Riley McCormack - Tracer Capital - Analyst

So if I back that out for the write-off, it seems that you guys were around 13.5% gross margins? Is that -- ?

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Michael Stoehr - Audiovox Corporation - SVP and CFO

Yes. If you look into the Q, we tell you the exact amount that impacted the gross margin.

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Riley McCormack - Tracer Capital - Analyst

Okay. So what was the delta between -- even ex this write-off -- obviously some of it was you were expecting to make margin on this product. But even so, call it maybe -- you were at a 14.5% -- what was the delta between that -- the guidance of 16 to 18% in the back half to the 14.5 without this one product?

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Michael Stoehr - Audiovox Corporation - SVP and CFO

I don't understand the question.

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Riley McCormack - Tracer Capital - Analyst

On the last call you mentioned you're going to be in 16 to 18% gross margin in the back half. I think? And if I add back the inventory write-down and also assume that you guys were expecting to make some sort of margin on the Plug-N-Play product -- so again looking at that, its probable you guys were -- assuming you didn't have the Plug-N-Player, assuming there wasn't this problem, you guys would have seemed like it would have been around 14.5%?

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Michael Stoehr - Audiovox Corporation - SVP and CFO

Are you looking what we're going to do in the fourth quarter in margins sans satellite?

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Riley McCormack - Tracer Capital - Analyst

I don't know. Have you guys talked about that?

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Michael Stoehr - Audiovox Corporation - SVP and CFO

No.

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Riley McCormack - Tracer Capital - Analyst

So I guess the question is -- that's my question.

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Patrick Lavelle - Audiovox Electronics - President & CEO

Okay, during the third quarter, if you look at making the normal margin that we have with satellite without the write-down, we'd have been around 16%.

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Riley McCormack - Tracer Capital - Analyst

So you are still comfortable that you should be in the 16 to 18% I guess for Q4 then as well?

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Michael Stoehr - Audiovox Corporation - SVP and CFO

Yes.

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Patrick Lavelle - Audiovox Electronics - President & CEO

Except that we will not be making a margin on any of our satellite radio sales that move out in the fourth quarter. So it will be lower than -- but discounting that, we should be back to the numbers that we previously reported.

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Riley McCormack - Tracer Capital - Analyst

How big a percentage -- just on the Plug-N-Play satellite radio, right?

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Patrick Lavelle - Audiovox Electronics - President & CEO

Correct.

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Riley McCormack - Tracer Capital - Analyst

And if I am assuming that 100% of your revenue miss from your guidance of 140 million -- bear with me while I do this math -- but if were at 140 and you came in at 123, so that's \$17 million. That means you guys were expecting to do somewhere in the \$30 million for Plug-N-Play at old ASPs and you ended up doing like 17 in the new ASPs?

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Michael Stoehr - Audiovox Corporation - SVP and CFO

Riley, if you look at the lower range that we were looking at, that's the 135 level, that is really what came and impacted us.

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Riley McCormack - Tracer Capital - Analyst

Okay, so I should assume that I can take the revenue miss in the low end of 135 less 123 or \$12 million, double that to get to where you expect with the old ASPs. So you guys are looking for 24 million or so of Plug-N-Play satellite radio?

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Patrick Lavelle - Audiovox Electronics - President & CEO

For the third quarter?

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Riley McCormack - Tracer Capital - Analyst

For the third quarter.

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Michael Stoehr - Audiovox Corporation - SVP and CFO

We would traditionally not comment on that, but you are close.

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Riley McCormack - Tracer Capital - Analyst

Okay, so again, assuming that now you are at a 12 million run rate, that should affect Q4 -- (multiple speakers)

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Patrick Lavelle - Audiovox Electronics - President & CEO

You've got to remember something. (multiple speakers) It's difficult but you've got to remember something. Fourth quarter for this type of product is huge. It is a fourth-quarter product. It is a retail product. So the impact of the drop in selling price by half will have big impact on our fourth quarter numbers as far as the sales target. And with the fact that a good portion of our mobile video sales were projected to be satellite radio in the fourth quarter because it is the most active quarter, those sales going out at 0% margin where we're just recapturing our cost of the goods will have an impact on us. I could not go any further than that.

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Riley McCormack - Tracer Capital - Analyst

Okay, do you still expect in Q4 to get to a four times turn number for inventory on an annualized basis?

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Patrick Lavelle - Audiovox Electronics - President & CEO

Yes.

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Riley McCormack - Tracer Capital - Analyst

Last question and sort of again -- you guys had mentioned if you couldn't get somewhere in that 5% operating margin, you would stop looking at acquisitions and start buying back stock. And I guess, first of all has that changed? And secondly, I look at your stock trading at maybe .5 to .6 times tangible book. And at this not even to current working capital. And obviously the market doesn't really agree with the strategy for you to make acquisitions. At what point do you guys say, hey let's return some of this capital which we are not getting credit for? I mean the market right now is saying you guys are worth half a live of what you be if you guys just handed back assets to shareholders. So why would you continue to make acquisitions and why would you not just return capital to shareholders?

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John Shalam - Audiovox Corporation - Chairman, President and CEO

No, our strategy is to strengthen the Company through acquisition and utilize those dollars long term. We do understand the financial impact of buying back and the fact that it could be a good deal. We are not saying that we will not buy back. We are saying that we will keep our options open and if we believe the pricing is at the right price, I am sure we will step in and purchase.

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Riley McCormack - Tracer Capital - Analyst

So what do you think the market is missing? If the market is saying you are worth twice as much dead as you are alive, what is the market missing? How come people just haven't understood the strategy?

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Michael Stoehr - Audiovox Corporation - SVP and CFO

I think one of the problems we have that is impacting the stock, Riley -- this is Michael -- is one that because we reported a loss it has an impact on the stock. The stock when we return to profitability will come back to book value. The question then becomes is the acquisition we make a better return as opposed to buying our stock back. Right now we're kind of in a weird situation when we report a loss which automatically pushes your stock down. It comes almost to the cash value what we're carrying now as a share value.

The question that we need to look at is that once the Company rights itself and we put these grants that Pat has described into place, then when you look at an acquisition from a level playing field, then that is the question that you look at.

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Riley McCormack - Tracer Capital - Analyst

Mike, maybe I'm reading too much into this but you didn't sound as confident in getting the 5% operating margin at some point next year as you did last call. Am I reading too much into it or do you think -- (multiple speakers).

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John Shalam - Audiovox Corporation - Chairman, President and CEO

The fourth quarter numbers are going to be pressed because of satellite radio. Other than the satellite radio, I think we can return to 5%.

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Riley McCormack - Tracer Capital - Analyst

But for next year, do you think -- okay, ex satellite radio, satellite radio is a big part of your business. Do you think next year fourth quarter you guys can be at 5% operating margins?

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Michael Stoehr - Audiovox Corporation - SVP and CFO

Yes.

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Riley McCormack - Tracer Capital - Analyst

All right, thanks.

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Operator

(OPERATOR INSTRUCTIONS) John Bucher, Harris Nesbitt.

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John Bucher - Harris Nesbitt - Analyst

Patrick, the consumers -- there has been some pretty impressive progress there in the consumer side, although it has obviously been masked by the mobile segment. You touched on something in your remarks that because that that tends to have I think lower ASPs and lower margins than historically the mobile has, that does have an impact as the mix moves more towards consumer. It does have an impact on overall profitability. Do you have a feel for what we should expect the mix to be between the mobile and the consumer segments, say, a year out?

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Patrick Lavelle - Audiovox Electronics - President & CEO

I think you will see what you have seen for the year. I think will pretty much hold. What you have seen for 2005 is a mix. Our second and third quarters were almost exactly the same. I think you'll probably see the same for the fourth quarter, with a slight uptick towards consumer because of the fact that the fourth quarter is always more of a consumer month for us.

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John Bucher - Harris Nesbitt - Analyst

Thank you very much.

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Operator

There are no more questions in the queue at this time.

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John Shalam - Audiovox Corporation - Chairman, President and CEO

Okay, I would like to thank everybody for calling in today. I know the weather was tough and I am sure getting to work was difficult as well. Audiovox is working very, very hard to put the numbers on the table that we have indicated that we would in the past. We have been hit with some unforeseen problems, but we believe that these problems are behind us and that the numbers that we have indicated for the future are numbers that we will be able to reach in the fourth quarter.

Thank you again for calling in and have a nice day.

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Operator

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect.  
Good day.

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