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): January 10, 2011

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

Delaware	0-28839
(State or other jurisdiction of incorporation)	(Commission File Number)

13-1964841
(I.R.S. Employer Identification No.)

180 Marcus Blvd., Hauppauge, New York	11788
(Address of principal executive officers)	(Zip Code)

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 file 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))

Item 2.02 **Results of Operations and Financial Condition**

On January 10, 2011, Audiovox Corporation (the "Company") issued a press release announcing its earnings for the nine months ended November 30, 2010. A copy of the release is furnished herewith as Exhibit 99.1.

Item 8.01 **Other Events.**

On January 11, 2011, the Company held a conference call to discuss its financial results for the nine months ended November 30, 2010. 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.

EXHIBIT INDEX

Exhibit No.	**Description**
99.1	Press Release, dated January 10, 2011, relating to Audiovox Corporation's earnings release for the Nine months ended November 30, 2010 (filed herewith).
99.2	Transcript of conference call held on January 11, 2011 at 10:00 am (filed herewith).

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: January 11, 2011
BY: /s/ Charles M. Stoehr
Charles M. Stoehr
Senior Vice President and
Chief Financial Officer

News Release

Audiovox Corporation Reports Fiscal 2011 Third Quarter and Nine Month Results

- Sales for the quarter up 4.8%, driven by continued growth in mobile electronics.
- Gross margins increase 180 basis points due to higher margins in all product categories.
- Operating income increased to $5.4 million from $3.1 million in the comparable third quarters.

HAUPPAUGE, N.Y., Jan. 10, 2011 /PRNewswire via COMTEX/ --

Audiovox Corporation (Nasdaq: VOXX), today announced results for its Fiscal 2011 third quarter ended November 30, 2010.

Commenting on the Company's performance, Pat Lavelle, President and CEO stated, "During the third quarter, our automotive business, both in the aftermarket and at the OE level, continued to offset the weakness in our consumer and accessory categories. Concerns over the state of the U.S. economy remain and while our sales in these groups are lower than last year, we gained several new retail accounts, which is encouraging for the future. Additionally, our international business continues to grow. What was most pleasing was our 3Q margin improvement, as it was across the board in all of our segments. We still have concerns about the U.S. market, though we believe business conditions will improve as we move into our next fiscal year."

<u>Fiscal Third Quarter Comparisons</u>

Net sales for the third quarter ended November 30, 2010 were $163.2 million, an increase of 4.8% compared to net sales of $155.7 million reported in the comparable year ago period.

Electronics sales were $122.7 million for the 2011 fiscal third quarter as compared to $109.7 million for the three months ended November 30, 2009, an increase of 11.8%. Electronics sales were positively impacted by higher sales of mobile electronics products, particularly in automotive security and from new OEM programs, as well as from the Company's Invision acquisition. These increases were partially offset by declines in select retail categories. Electronic sales represented 75.2% of net sales for the three months ended November 30, 2010 compared to 70.5% in the comparable prior year period.

Accessory sales were $40.5 million for the 2011 fiscal third quarter as compared to $45.9 million for the three months ended November 30, 2009, a decrease of 11.9%. At the retail level, the Accessories group continues to be impacted by slower sales for electronics products utilizing our accessories, partially offset by modest increases in select remote control lines and in the Company's international operations. Accessory sales represented 24.8% of our net sales for the three months ended November 30, 2010 as compared to 29.5% in the comparable prior year period.

Gross margins were 21.2% for the fiscal 2011 third quarter ended November 30, 2010, a 180 basis point improvement from 19.4% reported in the comparable prior year period. During the 2011 fiscal third quarter, the Company experienced increases in gross profit margins in every category, both domestically and internationally. Contributing to this improvement was the shift in the product mix, most notably higher sales in the automotive market, as well as reduced costs in freight and warehousing as compared to the prior year period.

Operating expenses increased by $2.1 million or 7.8% from $27.1 million to $29.2 million for the three month periods ended November 30, 2009 and November 30, 2010, respectively. The increase in total operating expenses was primarily due to higher expenses associated with the Company's acquisitions of Schwaiger and Invision, which accounted for $2.6 million of the increase in the fiscal 2011 third quarter compared to Fiscal 2010 results. Prior to incremental expenses related to acquisitions, the Company's operating expenses declined by $0.5 million for the comparable periods primarily as a result of a decrease in general and administrative expenses. As a percentage of net sales, operating expenses were 17.9% as compared to 17.4% for the three months ended November 30, 2010 and November 30, 2009, respectively.

The Company reported operating income of $5.4 million for the three months ended November 30, 2010 as compared to operating income of $3.1 million in the comparable year ago period. Net income for the three months ended November 30, 2010 was $3.9 million or $0.17 per share as compared to net income of $12.6 million or earnings per share of $0.55. The fiscal 2010 third quarter included an income tax benefit of $9.0 million as compared to an income tax expense of $2.0 million recorded in the fiscal 2011 third quarter.

Lavelle continued, "We took aggressive steps last year to improve our margins and I believe that has been reflected in our results in each quarter this fiscal year. We also lowered our overhead by over $22 million, less acquisitions and we continue to monitor our expense structure, looking for synergies and optimum utilization of our resources. We remain on track for sales increases and profitability this fiscal year, though the true profit potential for Audiovox directly correlates to our top-line. We are working diligently to grow our retail presence, expand our automotive distribution, and introduce innovative products that will resonate with our partners and consumers - many of which were on display and in demand at the Consumer Electronics Show last week in Las Vegas."

Nine-Month Comparisons

Net sales for the nine months ended November 30, 2010 were $422.8 million, an increase of 5.6% compared to net sales of $400.4 million reported in the comparable nine-month period.

Electronics sales were $312.4 million for the 2011 fiscal nine-month period as compared to $267.7 million for the nine months ended November 30, 2009, an increase of 16.7%. Electronics sales were positively impacted by the acquisitions of Invision Automotive System as well as higher sales of mobile electronics products in the aftermarket and at the OEM level, partially offset by declines in sales of portable DVD players and other consumer electronics categories. Electronics represented 73.9% of net sales for the nine months ended November 30, 2010 compared to 66.9% in the prior nine-month period.

Accessory sales were $110.4 million for the nine months ended November 30, 2010 as compared to $132.6 million for the nine months ended November 30, 2009, a decrease of 16.8%. A large portion of this decline was directly related to lower sales of digital antenna products as last fiscal year's results were positively influenced by the transition from analog to digital technology. The Accessories group has also been impacted by the general slowdown in consumer electronics sales at retail. Accessories represented 26.1% and 33.1% of net sales for the nine months ended November 30, 2010 and November 30, 2009, respectively.

Gross margins were 21.1% for the nine-month period ended November 30, 2010, a 190 basis point improvement from 19.2% reported in the comparable nine-month period. The increase in gross margins is a direct result of a shift in the company's product mix towards more OEM related products, as well as better margins in the Company's existing product lines with several new product introductions. Gross margins were also favorably impacted by reduced costs in freight and warehousing as compared to the prior year period.

Operating expenses increased by $12.5 million or 17.2% from $72.6 million, to $85.0 million for the nine-month periods ended November 30, 2009 and November 30, 2010, respectively. The increase in total operating expenses was primarily due to approximately $10.1 million in incremental expenses associated with the Company's acquisitions of Schwaiger and Invision. The additional increase in operating expenses is related to charges for employee stock option costs, higher professional fees, bad debt expenses associated with a bankruptcy settlement, severance charges associated with the consolidation of a German operating location, and a reinstatement of a portion of the reductions originally instituted in the salary reduction program to all employees below the vice president level. As a percentage of net sales, operating expenses decreased to 20.1% as compared to 18.1% for the nine months ended November 30, 2010 and November 30, 2009, respectively.

The Company reported operating income of $4.1 million for the nine months ended November 30, 2010 as compared to operating income of $4.2 million in the comparable year ago period. Net income for the nine months ended November 30, 2010 was $5.6 million or $0.24 per share as compared to net income of $15.9 million or earnings per share of $0.69. The fiscal 2010 nine-month period included an income tax benefit of $10.3 million as compared to an income tax expense of $1.8 million recorded in the nine-month period in Fiscal 2011.

Conference Call Information

The Company will be hosting its conference call on Tuesday, January 11, 2011 at 10:00 a.m. Eastern. Interested parties can participate by visiting www.audiovox.com, and clicking on the webcast in the Investor Relations section or via teleconference (toll-free number: 800-237-9752; international number: 617-847-8706; pass code: 83022516). For those who will be unable to participate, a replay 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; pass code: 55330276).

About Audiovox

Audiovox (Nasdaq: VOXX) is a recognized leader in the marketing of automotive entertainment, vehicle security and remote start systems, consumer electronics products and consumer electronics accessories. The company is number one in mobile video and places in the top ten of almost every category that it sells. Among the lines marketed by Audiovox are its mobile electronics products including mobile video systems, auto sound systems including satellite radio, vehicle security and remote start systems; consumer electronics products such as MP3 players, digital camcorders, DVRs, Internet radios, clock radios, portable DVD players, multimedia products like digital picture frames and home and portable stereos; consumer electronics accessories such as indoor/outdoor antennas, connectivity products, headphones, speakers, wireless solutions, remo te controls, power & surge protectors and media cleaning & storage devices; Energizer(R)-branded products for rechargeable batteries and battery packs for camcorders, cordless phones, digital cameras and DVD players, as well as for power supply systems, automatic voltage regulators and surge protectors. The company markets its products through an extensive distribution network that includes power retailers, 12-volt specialists, mass merchandisers and an OE sales group. The company markets products under the Audiovox, Advent, RCA, Jensen, Acoustic Research, Energizer, Excalibur, Code Alarm, Invision, Omega, Prestige, Schwaiger, SURFACE and Terk brands. For additional information, visit our Web site at www.audiovox.com.

Safe Harbor Statement

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 c ustomers; 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 February 28, 2010 and in its most recent quarterly filing with the Securities and Exchange Commission (SEC).

Company Contact:
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Audiovox Corporation and Subsidiaries
Consolidated Balance Sheets
(In thousands, except share data)

Assets	**November 30, 2010** (unaudited)	**February 28, 2010**
Current assets:		
Cash and cash equivalents	$ 37,823	$ 69,511
Short-term investments	24,558	-
Accounts receivable, net	131,668	131,266
Inventory	133,351	102,717
Receivables from vendors	8,037	11,170
Prepaid expenses and other current assets	13,019	16,311
Income tax receivable		1,304
Deferred income taxes	48	47
Total current assets	348,504	332,326
Investment securities	11,467	15,892
Equity investments	12,926	11,272
Property, plant and equipment, net	20,229	22,145
Goodwill	8,212	7,389
Intangible assets	95,665	97,226
Deferred income taxes	528	515
Other assets	2,485	2,213
Total assets	$ 500,016	$ 488,978

Audiovox Corporation and Subsidiaries
Consolidated Balance Sheets
(In thousands, except share data)

Liabilities and Stockholders' Equity	**November 30, 2010** (unaudited)	**February 28, 2010**
Current liabilities:		
Accounts payable	$ 38,276	$ 36,126
Accrued expenses and other current liabilities	34,721	35,790
Accrued sales incentives	15,338	10,606
Income taxes payable	1,011	-
Deferred income taxes	1,895	1,931
Bank obligations	2,183	1,703
Current portion of long-term debt	2,712	6,383
Total current liabilities	96,136	92,539
Long-term debt	5,408	6,613
Capital lease obligation	5,384	5,490
Deferred compensation	3,601	3,158
Other tax liabilities	1,219	1,219
Deferred tax liabilities	8,243	8,502
Other long-term liabilities	6,168	7,194
Total liabilities	126,159	124,715
Commitments and contingencies		
Stockholders' equity:		
Series preferred stock, $.01 par value; 1,500,000 shares authorized, no shares issued or outstanding	0	0
Common stock:		
Class A, $.01 par value; 60,000,000 shares authorized, 22,545,337 and 22,441,712 shares issued and 20,727,505 and 20,622,905 shares outstanding at November 30, 2010 and February 28, 2010, respectively	225	225
Class B convertible, $.01 par value; 10,000,000 shares authorized, 2,260,954 shares issued and outstanding at November 30, 2010 and February 28, 2010	22	22
Paid-in capital	277,468	275,684
Retained earnings	119,619	113,996
Accumulated other comprehensive loss	(5,091)	(7,278)
Treasury stock, at cost, 1,818,807 shares of Class A common stock at November 30, 2010 and February 28, 2010	(18,386)	(18,386)
Total stockholders' equity	373,857	364,263
Total liabilities and stockholders' equity	$ 500,016	$ 488,978

Audiovox Corporation and Subsidiaries
Consolidated Statements of Operations
For the three and nine months ended November 30, 2010 and 2009
(In thousands, except share and per share data)
(unaudited)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2010	2009	2010	2009
Net sales	$ 163,167	$ 155,657	$ 422,778	$ 400,354
Cost of sales	128,570	125,431	333,650	323,604
Gross profit	34,597	30,226	89,128	76,750
Operating expenses:				
Selling	9,498	8,026	25,951	21,188
General and administrative	16,674	16,521	50,034	44,555
Engineering and technical support	3,023	2,543	9,052	6,819
Total operating expenses	29,195	27,090	85,037	72,562
Operating income	5,402	3,136	4,091	4,188
Other income (expense):				
Interest and bank charges	(471)	(394)	(1,392)	(1,097)
Equity in income of equity investees	600	452	2,348	1,201
Other, net	363	448	2,363	1,303
Total other income (expense), net	492	506	3,319	1,407
Income before income taxes	5,894	3,642	7,410	5,595
Income tax expense (benefit)	2,035	(9,003)	1,786	(10,298)
Net income	$ 3,859	$ 12,645	$ 5,624	$ 15,893
Net income per common share (basic)	$ 0.17	$ 0.55	$ 0.25	$ 0.69
Net income per common share (diluted)	$ 0.17	$ 0.55	$ 0.24	$ 0.69
Weighted-average common shares outstanding (basic)	22,934,211	22,881,402	22,904,746	22,872,965
Weighted-average common shares outstanding (diluted)	23,098,948	22,936,346	23,057,969	22,911,792

CORPORATE PARTICIPANTS

Glenn Wiener
GW Communications - IR

Michael Stoehr
Audiovox Corporation - SVP, CFO

Pat Lavelle
Audiovox Corporation - President, CEO

CONFERENCE CALL PARTICIPANTS

Jim Barrett
CL King & Associates - Analyst

Anthony Chiarenza
Key Equity Investors - Analyst

Peter Mondejar
Tradelink Securities - Analyst

Gray North
GS North Company - Analyst

Mike Neary
Neary Asset Management - Analyst

PRESENTATION

Operator

Good good day, ladies and gentlemen, and welcome to the third quarter 2011 Audiovox Corporation earnings conference call. My name is Francine and I am your Operator for today. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. (Operator Instructions)

I would now like to turn the presentation over to your host for today's call, Mr. Glenn Wiener. Sir, you may proceed.

Glenn Wiener - ***GW Communications - IR***

Thank you and welcome to Audiovox's fiscal 2011 third quarter results conference call. As you know, today's call is being webcast on our site, www.audiovox.com and can be accessed in the Investor Relations section. With us this morning are Pat Lavelle, President and CEO, and Michael Stoehr, Senior Vice President and Chief Financial Officer, and John Shalam, Chairman of the Board.

Before we begin, I'd quickly like to remind everyone that except for historical information contained herein, statements made on today's call and 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. Risk factors associated with our business are detailed in the Company's form 10-K for the fiscal year ended February 28, 2010. Thank you for joining us this morning. And I'd now like to turn the call over to Patrick Lavelle. Pat?

Pat Lavelle - ***Audiovox Corporation*** - ***President, CEO***

Thanks, Glenn. Good morning, everyone. I'd like to start by wishing everyone a happy and healthy new year and the best in 2011. Yesterday, we released our results for the fiscal third quarter posting a sales increase of $7.5 million, or 4.8%, along with 180 basis point improvement in our gross profit margins. We also posted a $2.3 million increase in operating income and earnings per share of $0.17.

To summarize our performance before I go into details, the US economy still remains in flux and it's hampered our sales, primarily at retail. Our Mobile business continues to increase with the uptick in car sales and our international business continues to grow as well. I firmly believe the US economy will rebound. It's just a matter of time and when it does, we expect the Company to deliver both top and bottom line growth, due to our strong product portfolio, new innovations, our retail presence, our aftermarket network and nationwide distribution.

As I said, our third quarter sales were up and for the year up $22 million, or 5.6%. International sales were up and our domestic sales were aided by INVISION, though there were many other Mobile categories that experienced sales growth. All of our Security groups delivered strong sales and our total OEM business, without contribution from acquisitions, was up 26%. With INVISION, our OEM business for the quarter almost tripled. Our rear seat entertainment system, remote start, and collision avoidance systems and several of our multi-media products are in high demand, both in the aftermarket and at the OE level, which bodes well for our future business with expected increase in car sales projected for next year. Early indications are for as many as 14 million cars and trucks next year.

The Mobile group did experience some slow sales at retail in several of our categories, and of course, we did not anniversary $4.7 million in sales from FLO TV. Overall our Mobile business is much stronger today than at this time last year and there is no doubt that it will be a significant part of our top line growth moving forward. I will remind everyone, however, that our fourth quarter is typically the lowest period for car sales nationally.

Our Consumer Electronics and Accessory business is where we continue to feel weakness most. Holiday sales for December did not reach expectations and industry-wide CE sales in particular were down 5%. Excluding smartphones and tablets, the decline was a lot steeper. The weakness in industry video sales also has a direct impact on our Accessory products, particularly antennas, audio/video cables and remote controls. However it is important to note that our margins were significantly higher in this fiscal year's 3Q than in last.

We believe going into the holiday season we did not believe it was going to be a robust year, and we chose not to participate in Black Friday promotions. We remained focused on managing our inventory position and limited potential exposures to write-off or mark-downs.

Our international sales grew 3.6% and our margins were up over 100 basis points. Excluding the impact from our SCHWAIGER acquisition, sales were still up. In-car posted nice top line improvements due to the start of OE programs for the BMW X3 and the Porsche Cayenne. I noted last quarter that in-car was also awarded a program with Bentley which now will be rolling out in September of 2011. For the fiscal nine-month period, our international business is up close to 22%, even with the problems in Venezuela that we had talked about last quarter. Mike will address the steps that we are taking to protect our Venezuelan assets.

In 3Q, perhaps the most encouraging sign was that our gross profit margins were up across the board, in Consumer, Mobile and Accessories, and up domestically and internationally as well. While we have historically guided in the 18% to 19% range, with the success we've had over the past several quarters, we now believe this is more in the range of 19% to 20% with potential upside depending on the product mix.

Michael will cover overhead, though I will make one comment. We continue to monitor expenses on a daily basis and are always looking to reduce costs throughout the organization. With that said, we believe our expenses are in line with anticipated sales.

Last week, at the Consumer Electronics Show, we launched a host of new products and I'd like to cover some of them. We introduced CarLink, a smartphone app that controls your vehicle security and remote start system from virtually anywhere using your smartphone, whether starting your car, unlocking your doors or trunk, or finding your car in a garage or larger lot with an imbedded locator. The CarLink app can be downloaded on any iPhone, Android or blackberry device and has unlimited range. This is now available at retail online and through dealers.

We launched a new Lane-Departure system, developed for the automotive aftermarket. Driver distraction continues to be a concern of the DOT in every state, with cell phones, PDA's, smartphones and of course the kids taking our attention away from driving. Our Lane-Departure product serves as a warning system to the driver when they cross over lane makers without engaging their signal or when they are rapidly overtaking another vehicle in front of them. Initial reception to this product was very favorable.

Under Advent, we launched an active rear view camera system in the collision avoidance category, which was a Best of CEA Innovation Award winner. It is the industry's first multi-view reverse camera system that can distinguish pedestrian or fixed objects behind the car, providing multiple viewpoints and audio alerts to the driver.

We significantly expanded our aftermarket OE style Sound Solution line with nine new models, and are currently supplying radios for the Toyota vehicles, Hyundai, GM and VW and we expect to add more models throughout the year. And we introduced the industry's first automotive Blu-ray disk player which was also a 2011 CEA Innovation honoree. This unit plays a Blu-ray disk, as well as traditional DVDs, CDs and audio discs in the car. Also in the video category, we revamped our complete line of portable DVD players to include Blu-ray and later this year will be introducing products that will include the new mobile DTV technology.

In Accessories, I'd like to provide updates on AirPower, as I know that has been a topic of conversation for many. We will not be launching an AirPower retail device since we believe the opportunity for this technology is more relevant for the OE telecom market. We have been in discussions with a number of parties over the past several months, including certain smartphone manufacturers and network operators. Moving forward, we'll be focusing on working with them to further prove the technology and develop the best long-term strategy for our Company.

We introduced the RCA Symphonix and the Acoustic Research Personal Sound Amplifier, designed for consumers with mild to moderate hearing loss. We developed these products based on very compelling demographics, as there are 33 million Americans alone who experience impaired hearing today, a figure which is expected to grow exponentially due to the large baby boom generation. 75% of people who need hearing assistance do not get it, largely due to the high cost associated with Class II medical hearing devices. We believe this is a market that holds great potential for us and is in the early stages of adoption.

The RCA Charger Program showcased five new stylish models of USB charging products that work with all USB compatible devices, including the iPhone, iPod, iTouch, blackberry and many of the new Android-based products on the market. Popularity and sales of smartphones and Tablets are increasing by the day, and consumers are looking for new options to keep their devices fully charged.

We introduced a complete line of docking stations from Acoustic Research, again for all Apple-related products, and a model for Android-based ones as well. These are some of the fastest selling consumer electronic devices and we created products that are intuitively designed and allow consumers to enjoy premium sound quality with convenient charging capabilities.

And lastly, we displayed our complete line of remote controls from our RCA models to the recently-introduced new One For All Units, and now our Zentral remote control which will be available later this month at retail. We believe the product introductions from our Consumer and Mobile groups, coupled with an improving economy, will enable us to drive top and bottom line growth in the year ahead.

In closing, I'd like to address the press release we issued last Thursday regarding our non-binding term sheet to purchase Klipsch Group Inc. and its worldwide subsidiaries. I cannot disclose any further information at this time beyond what is in our press release and in the 10-Q. However, should we complete our negotiations and sign a definitive agreement, we will be able to provide additional details at that time. Thank you for your support and I truly look forward to a great year. Now I'll turn the call over to Michael, and when he's through, we will open it up for questions. Michael?

Michael Stoehr - ***Audiovox Corporation*** - ***SVP, CFO***

Thanks, Pat. Good morning, everyone. Net sales for fiscal 2011 third quarter were $163.2 million, an increase of $7.5 million, or 4.8%, over $155.7 million reported in fiscal 2010 third quarter. Electronic sales were $122.7 million, up 11.8%, and Accessory sales were $40.5 million, a decline of 11.9%. For the nine-month period, net sales were up 5.6%, or $22.4 million. Electronics sales were up $312 million, compared to $267 million, an increase of $44.6 million, or 16.7%. Accessory sales were $110 million versus $132 million, or a decrease of $22 million, or 16.8%. In Electronics, which includes both Mobile and Consumer products, we saw increases in our Mobile business as a result of increased sales in both aftermarket security and OEM categories.

We experienced increases due to our acquisition of INVISION as well as the new security distribution agreement signed with Omega last year. Our OEM sales increased as a result of increased car manufacturing and related sales as well as new OEM programs entered into this year. Offsetting the gains in Mobile, lower sales of Consumer products as well as declines in our video, audio and satellite radio product groups. For the quarter, INVISION sales were $13 million of the electronic sales.

The nine-month period, our domestic Consumer sales declined by approximately 13.9%, and our Mobile sales were up 23.2%. OEM sales increased by $46 million, and excluding the impact of INVISION, our core OEM sales were up over $11 million. This fiscal year results did not include sales of FLO TV products which was reported in last year's nine months to date of approximately $4.7 million.

As a percentage of sales, Electronics represented 75.2% and 70.5% for the three-month and nine-month periods fiscal 2011, 2010. On a nine-month period 2011 and 2010, it was 73.9%, versus 66.9%.

Accessory sales were off of both periods down 11.9% and 16.8% respectively. This group was impacted by slower retail sales domestically partially offset by our acquisition in SCHWAIGER. Additionally, digital antenna sales declined $3.9 million for the nine-month period versus last year's nine-month results as sales of these products during the last year were higher as a result of the transition from analog to digital TV.

Overall, international sales increased approximately 22% due to our acquisition of SCHWAIGER and increases in our foreign OEM programs. These increases were partially offset by lower sales in Venezuela, which continues to experience economic difficulties. Sales of Audiovox Germany and in Mexico were up for the comparable three and nine-month periods.

Our gross margins improved 180 basis points to 21.2% from 19.4% for the comparable third quarters. The nine-month period, gross margins were 21.1% versus 19.2%, an increase of 190 basis points. Impacting these increases were higher margins on the Company's product lines across the board in Mobile, Consumer and Accessories. Further, a shift in our product mix towards more Mobile and OE-related programs have also aided margins as well as improvements in our freight and warehousing cost. As Pat noted earlier, with a shift in our business, we expect gross margins to be more in line with the 19% to 20% on a go forward basis with the possible upside depending on the product mix and programs underway.

Our operating expenses for the comparable three-month periods were $29.2 million versus $27.1 million, an increase of $2.1 million or 7.7%. For the nine-month periods, operating expenses were $85 million versus $72.6 million, an increase of $12.5 million or 17.1%. The increase in total operating expenses was primarily due to our SCHWAIGER and INVISION acquisitions, which accounted for approximately $2.6 million and $10.1 million for the three and nine-months periods of fiscal 2011. Prior overhead expenses related to these acquisitions, our core overhead declined by $500,000 for the quarter, primarily as a result of the decline in our G&A lines. Excuse me.

For the year-to-date, after adjusting for our acquisition, our expenses increased by $2.4 million, primarily due to charges from employee stock option costs of approximately $428,000, professional fees and bad debt expenses of $1.484 million and severance charges associated with the consolidation of our German operations of $282,000. As a percentage of net sales, operating expenses were 17.9% and 20.1% for the three and nine-months ended November 30, 2010 as compared to 17.4% and 18.1% for similar periods in 2009.

Interest and bank charges represent expenses of bank obligations of Audiovox Corporation and Audiovox Germany and interest of capital lease. The net impact during the third quarter was an expense of $471,000 compared to $394,000 for the nine-month period, an expense of $1.4 million versus an expense of $1.1 million. Equity income and our equity investees increased due to higher equity income of ASA for both the quarter and nine-month period.

The Company's share of income for ASA for the third quarter was $600,000 versus $452,000 last year, and for the nine-month period fiscal 2011 compared to fiscal 2010, $2.3 million versus $1.2 million. The improvement in income was a result of an improved market for ASA's products. Other income declined by $84,000 for the quarter as a result of foreign exchange charges and account fees related to investments and additional credit card service charges. Year-to-date, other income increased as a result of foreign exchange gains from our European operation and investment income.

For fiscal 2011 third quarter, operating income was $5.4 million compared to $3.1 million from the comparable quarter last year. Net income was $3.9 million, earnings per share of $0.17, compared to net income of $12.6 million or $0.55 in the third quarter of last year. Please note the Company recorded an income tax expense of $2 million in fiscal 2011 third quarter compared to an income tax benefit of approximately $9 million third quarter 2010 as a result of a $10.2 million tax refund. For the comparable nine-months period ended November 30, 2010 and 2009 respectively, operating income was $4.1 million versus $4.2 million. And net income was $5.6 million, or $0.24 a share, versus $15.9 million, or $0.69 per share. Again, note for the nine-month period in fiscal 2011, we recorded an income tax expense of $1.8 million versus an income tax benefit of $10.3 million for fiscal 2010.

And now a review of our balance sheet. Operating activities used $5 million for the nine months ended November 30, 2010, principally due to increased inventory partially offset by increases in accounts payable and accrued expenses and decreases in vendor receivables. The Company experienced increased accounts receivable turns of 4.4 compared to 3.8, and inventory turns declined to 3.2 compared to 3.5, as inventory increased due to increased purchases in INVISION and seasonal purchase for the third quarter. All figures are for a nine month comparison.

As of November 30, 2010, we had working capital of $252.4 million, which includes cash and short-term investments of $62.4 million, compared with working capital of $239.8 million and cash and short-term investments of $69.5 million on February 28, 2010. The decrease in cash is primarily due to an increase in inventory and the repayment of the Suntrust loan related to the INVISION transaction partially offset by accounts payable and accrued expense increases.

Two items to summarize before moving on to question-- Q&A. Venezuela. Last quarter, we discussed the situation in Venezuela and how we are paying down our interCompany payable and eliminating our interCompany financing. The majority of the assets in Venezuela today are primarily cash related and we have a credit line involved of ours to fund short-term working capital needs secured by stand by letter of credit in the United States which expires in June of this year. Current sales prices to our customers in Venezuela are based on current exchange rates with customers being responsible for any change in the exchange rate. Our sales continue to be impacted by the economic and political climate. So overall Venezuela makes up less than 1.5% of the sales for the Company.

As reported in the 10-Q, subsequent events in January, we announced we signed a non-binding term sheet to purchase Klipsch Group Inc. and it's worldwide subsidiaries, subject to a number of contingencies including satisfactory completion of due diligence, negotiation and signing of definitive agreements and requisite approvals. If this potential acquisition proceeds, we expect to finance the purchase price through a combination of cash and the new credit facility. We obtained a committment level from Wells Fargo finance to syndicate a credit facility to the Company in the amount of $175 million.

The proceeds of this facility will be used for a portion of the purchase price and future working capital needs of the combined Companies. The commitment is subject to a number of customary and other conditions, and is anticipated that the credit facility would be secured by substantially all of the assets of the Company and Klipsch, and that availability would be based on negotiated levels of eligible accounts receivable and inventory of both Companies. We do not expect to enter into a credit facility of the proposed transaction not consummated. As for other deal terms, we are not at liberty to discuss them further at this time. Thank you and back to Pat.

Pat Lavelle - ***Audiovox Corporation*** - ***President, CEO***

Okay. Thank you, Mike. And now, we'll open it up for some questions.

QUESTION AND ANSWER

Operator

(Operator Instructions) Our first question comes from the line of Jim Barrett from CL King.

Jim Barrett - ***CL King & Associates*** - ***Analyst***

Mike, I had a question for you specifically.

Michael Stoehr - ***Audiovox Corporation*** - ***SVP, CFO***

Good morning, Jim.

Jim Barrett - ***CL King & Associates*** - ***Analyst***

Given the EBITDA of Audiovox today and the projected EBITDA of Klipsch, what comfort level do you have, or what level of comfort do you have in terms of how much leverage you think would be prudent to add to the balance sheet? In other words, would you be willing to go three times leverage, four times, five times? How should we look at that?

Michael Stoehr - ***Audiovox Corporation*** - ***SVP, CFO***

Jim, as both Pat and I stated, that at this point in time, we're just not prepared to discuss the terms of the deal or anything related to it.

Jim Barrett - *CL King & Associates* - *Analyst*

Well, I -- okay. The -- can you answer more generically even if the deal had not been announced, how you would look at leverage in terms of what is a reasonable amount of leverage versus excessive leverage?

Michael Stoehr - *Audiovox Corporation* - *SVP, CFO*

I think if you looked at Audiovox Corporation, and I guess if you look at what's acceptable out there, really you're talking what two-and-a-half, three times leverage that would occur on a Company cash flow.

Jim Barrett - *CL King & Associates* - *Analyst*

I see. Okay. Okay, well that's helpful. Thank you very much.

Michael Stoehr - *Audiovox Corporation* - *SVP, CFO*

Okay.

Operator

Our next question comes from the line of Anthony Chiarenza from Key Equity Investors.

Anthony Chiarenza - *Key Equity Investors* - *Analyst*

Good morning, gentlemen.

Pat Lavelle - *Audiovox Corporation* - *President, CEO*

Good morning.

Anthony Chiarenza - *Key Equity Investors* - *Analyst*

I understand you don't want to discuss the financial terms of the Klipsch deal, but can you discuss strategically why this might be a good fit for the Company and makes sense going forward?

Pat Lavelle - *Audiovox Corporation - President, CEO*

Strategically the -- we have in the past indicated that we were looking to expand distribution into the CD channel, into some commercial channels, and this would allow us to do some of the plans that we had laid out previously. We also believe that they will add good value to Audiovox.

Anthony Chiarenza - *Key Equity Investors - Analyst*

And do you anticipate it being accretive acquisition?

Pat Lavelle - *Audiovox Corporation - President, CEO*

At this point, we really can't get into any of those details. When we sign the definitive agreement, we will be able to go in and explain what we're thinking.

Anthony Chiarenza - *Key Equity Investors - Analyst*

Okay. On the other two acquisitions you did over the past year, INVISION and SCHWAIGER, can you give us an evaluation of how they've done and whether they're performing to your expectations, and are they profitable, accretive?

Pat Lavelle - *Audiovox Corporation - President, CEO*

Yes, both are profitable, both are accretive, both are doing -- actually both are living up to expectations, and the INVISION Group is exceeding the expectations. As we're seeing the pickup in car sales, their top line revenue, which results in a stronger bottom line, is greater than what we anticipated going into the year.

Anthony Chiarenza - *Key Equity Investors - Analyst*

At this point, are they fully integrated or is there still more to be done?

Pat Lavelle - *Audiovox Corporation - President, CEO*

No, at this point, fully integrated into Audiovox and Audiovox Germany.

Anthony Chiarenza - ***Key Equity Investors - Analyst***

Great. Thank you very much.

Pat Lavelle - ***Audiovox Corporation - President, CEO***

Thank you.

Operator

(Operator Instructions) Our next question comes from the line of [Peter Mondejar] from Tradelink Securities.

Peter Mondejar - ***Tradelink Securities - Analyst***

Hi, good morning, guys.

Pat Lavelle - ***Audiovox Corporation - President, CEO***

Good morning, Peter.

Michael Stoehr - ***Audiovox Corporation - SVP, CFO***

Good morning.

Peter Mondejar - ***Tradelink Securities - Analyst***

Hi. Your inventories have been up for four quarters. I was wondering if you guys are concerned about that at all, if you have like a target inventory going forward or anything like that?

Michael Stoehr - ***Audiovox Corporation - SVP, CFO***

Our inventory has a seasonal nature to it, you're seeing the highest right now in the third quarter. It will fall back again in -- February 28. And we're looking at about probably four turns.

Peter Mondejar - *Tradelink Securities - Analyst*

I'm sorry, could you repeat that?

Michael Stoehr - *Audiovox Corporation - SVP, CFO*

Excuse me, I am saying our inventory, we have a seasonal nature in our inventory, and that the third quarter is usually the highest. We don't have any really -- any concentrated risk in one specific product. It's pretty well -- we're pretty well clean across the board.

Peter Mondejar - *Tradelink Securities - Analyst*

Okay, so no concerns there?

Michael Stoehr - *Audiovox Corporation - SVP, CFO*

No.

Pat Lavelle - *Audiovox Corporation - President, CEO*

Well, with the fact that we did not do -- normally coming out of the Christmas season the -- any inventory exposure we would have would most likely be related to a Black Friday promotion or something like that. And for the past two years, we have not participated in those Black Friday promotions because we were not convinced that the -- that particular selling season, that holiday season, was going to be strong. So at this particular point, our inventories are in good shape.

Peter Mondejar - *Tradelink Securities - Analyst*

Okay. Thank you.

Pat Lavelle - *Audiovox Corporation - President, CEO*

You're welcome.

Operator

And our next question comes from the line of Gary North of GS North Company.

Gray North - *GS North Company* - *Analyst*

Yes, congratulations on an excellent quarter in a challenging environment. I was just wondering on your Air Charger product, are you deciding to go directly to the OEMs because of the fact that they have strong interest in it? Or were you having problems getting the stand-alone device to work properly, so you are looking for some help?

Pat Lavelle - *Audiovox Corporation* - *President, CEO*

No the -- we have a pretty significant interest for this technology to extend battery life, and we believe that that might be the best application for the technology. And we are working closely with one of them, but we've obviously spoken to a number.

Gray North - *GS North Company* - *Analyst*

Okay. So you're going to go directly to using embedded devices as -- or you're going to sell the OEM's the stand alone charger, too?

Pat Lavelle - *Audiovox Corporation* - *President, CEO*

No it would -- we're -- what we're looking at now is embedded devices.

Gray North - *GS North Company* - *Analyst*

Okay. Good luck.

Pat Lavelle - *Audiovox Corporation* - *President, CEO*

Thank you.

Operator

We have a question from the line of Mike Neary from Neary Asset Management.

Mike Neary - ***Neary Asset Management - Analyst***

Hi, guys. Can you talk a little bit about the backup camera market, how much business we do there now, and what the outlook is there?

Pat Lavelle - ***Audiovox Corporation - President, CEO***

We normally don't break out our individual sales, but what we're looking at, we have a very active program with Kids In Cars, they endorse the Audiovox products. And as you know, this is a -- backup, rollover accidents are, besides being a tragedy, there's a number of them every year. The government has mandated in 2014 that a certain number of vehicles will have to be equipped with these cameras, so we see that the market will be advancing. We will see some growth in the market. And we plan to develop some products where we can actually add on to factory systems to give wider view angles. And again, the new technology we have that can distinguish between a pedestrian or a fixed object is something that we think is very interesting.

Mike Neary - ***Neary Asset Management - Analyst***

Incrementally, how much of an increase in the market are you talking about?

Pat Lavelle - ***Audiovox Corporation - President, CEO***

As far as what it does for our mobile sales or what it does for our--?

Mike Neary - ***Neary Asset Management - Analyst***

Well, the 2014 mandate, how many autos will have to have backup cameras versus how many autos have to have backup cameras today or have--?

Pat Lavelle - *Audiovox Corporation - President, CEO*

I think the mandate is calling for the SUV's and minivans, the bigger vehicles to have backup cameras. That's going to affect only the new car's population. But what we see in the aftermarket and what is traditional, many times when the factory starts to offer a product as a standard option, you will see near new vehicles that are in the aftermarket, you'll see a pickup in sales for those vehicles because they want to pick up that feature or that function of that new product. As far as what it will do to our rear observation sales, we think that we could be doubling our sales even this year with what we're doing.

Mike Neary - *Neary Asset Management - Analyst*

Great. Thanks very much.

Pat Lavelle - *Audiovox Corporation - President, CEO*

Thank you.

Operator

And we have no further questions.

Pat Lavelle - *Audiovox Corporation - President, CEO*

Okay. If we have no further questions, once again, I'd like to wish everybody a happy and healthy new year. And we thank you for your support and look forward to speaking you -- to you in the days ahead. Thank you.

Operator

Ladies and gentlemen, we thank you for your participation in today's conference. This concludes the presentation. You may now disconnect, and have a great day.

the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.